

# Annual Securities Report

(Report under Article 25, paragraph (1) of the Financial  
Instruments and Exchange Act)

Fiscal Year                      From July 1, 2023  
(The 25th Term)                  To June 30, 2024

Fibergate Inc.

Nishi 8-10-3, Minami 1-Jo, Chuo-ku, Sapporo

(E33839)

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[Business Year]	The 25th Term (from July 1, 2023 to June 30, 2024)
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Part I [Information on the Company]

1. [Company overview]

1. [Key management indicators and trends]

(1) Consolidated management indicators

Fiscal year		21th	22th	23th	24th	25th
Year ended		June 2020	June 2021	June 2022	June 2023	June 2024
Sales	(million yen)	7,424	8,491	10,624	12,795	12,613
Ordinary income	(million yen)	1,215	1,543	1,604	2,290	2,395
Profit attributable to owners of parent	(million yen)	722	1,019	1,073	1,482	1,567
Comprehensive income	(million yen)	723	1,020	1,074	1,483	1,573
Net assets	(million yen)	2,710	3,677	3,279	4,758	5,836
Total assets	(million yen)	6,984	9,397	13,087	12,764	13,076
Net assets per share	(yen)	133.52	180.40	160.74	230.12	285.59
Net income per share	(yen)	36.19	50.11	52.60	72.70	77.20
Diluted Net income per share	(yen)	35.21	49.78	52.52	72.58	76.95
Equity-to-asset ratio	(%)	38.80	39.13	25.06	36.80	44.27
Return on equity	(%)	30.81	31.92	30.87	37.19	29.90
Price earnings ratio	(times)	41.89	30.69	18.08	20.45	14.39
Cash flows from operating activities	(million yen)	1,732	1,710	2,295	4,296	2,833
Cash flows from investing activities	(million yen)	-2,071	-2,256	-2,626	-2,189	-2,377
Cash flows from financing activities	(million yen)	699	1,326	436	-2,027	-723
Cash and cash equivalents at end of period	(million yen)	1,415	2,196	2,303	2,382	2,120
Number of employees		180	221	231	232	230
[Average number of temporary employees, excluded from above]	(persons)	[19]	[33]	[24]	[20]	[19]

- (Notes)
1. The Company conducted a share split of two shares for every one common share effective September 1, 2019. Assuming that the share split conducted at the beginning of the 20th fiscal year, the Company calculates net assets per share, net income per share, and diluted net income per share.
  2. The number of employees shown denotes full-time employees. Average number of temporary employees is shown in brackets.
  3. The “Accounting Standards for Revenue Recognition” (ASBJ Standard No. 29 of March 31, 2020), etc. have been applied since the beginning of the 23rd fiscal year. Key management indicators for the 23rd fiscal year and subsequent are the indicators after the application of the relevant accounting standards, etc.

## (2) Management indicator of the Company

Fiscal year		21th	22th	23th	24th	25th
Year ended		June 2020	June 2021	June 2022	June 2023	June 2024
Sales	(million yen)	7,174	8,151	8,921	10,753	11,643
Ordinary income	(million yen)	982	1,284	1,262	1,942	2,016
Net income	(million yen)	569	847	851	1,426	1,323
Capital	(million yen)	479	488	494	494	494
Total number of shares issued	(shares)	20,402,400	20,487,800	20,591,200	20,591,200	20,593,600
Net assets	(million yen)	2,277	3,033	2,411	3,784	4,611
Total assets	(million yen)	6,295	8,295	10,233	11,290	12,094
Net assets per share	(yen)	112.21	148.83	118.22	184.45	227.51
Dividend per share (of which interim dividends)	(yen)	3.50 (—)	4.00 (—)	4.50 (—)	10.00 (—)	17.50 (5.00)
Net income per share	(yen)	28.54	41.66	41.71	69.92	65.18
Diluted Net income per share	(yen)	27.77	41.38	41.65	69.81	64.97
Equity-to-asset ratio	(%)	36.18	36.57	23.57	33.34	38.13
Return on equity	(%)	28.64	31.91	31.27	46.19	31.60
Price earnings ratio	(times)	53.13	36.92	22.80	21.27	17.05
Dividend payout ratio	(%)	12.26	9.60	10.79	14.30	26.85
Number of employees [Average number of temporary employees, excluded from above]	(persons)	169 [19]	208 [32]	218 [23]	220 [19]	217 [18]
Total Shareholder Return (Comparative indicator: TOPIX Total Return)	(%) (%)	97.4 (103.1)	99.1 (131.3)	61.7 (129.5)	96.7 (162.8)	73.8 (204.4)
Highest share price	(yen)	1,750 (3,820)	2,680	1,834	1,570	1,540
Lowest share price	(yen)	766 (2,753)	1,183	887	827	880

- (注) 1. The Company conducted a share split of two shares for every one common share effective September 1, 2019. Assuming that the share split conducted at the beginning of the 20th fiscal year, the Company calculates net assets per share, net income per share, and diluted net income per share.
2. The number of employees shown denotes full-time employees. Average number of temporary employees is shown in brackets.
3. The highest and lowest share prices are listed on the First Section of the Tokyo Stock Exchange (from April 4, 2022 onwards, the Prime Market of the Tokyo Stock Exchange).
4. The Company conducted a share split of two shares for every one common share effective September 1, 2019. For the 21st fiscal year, the highest and the lowest share prices after the share split are listed, those before the share split are listed in parentheses.
5. The “Accounting Standards for Revenue Recognition” (ASBJ Standard No. 29 of March 31, 2020), etc. have been applied since the beginning of the 23rd fiscal year. Key management indicators for the 23rd fiscal year and subsequent are the indicators after the application of the relevant accounting standards, etc.

## 2. [History]

Our predecessor, “Hello Line 21” Inc., was established in 2000 in Wakabayashi-ku, Sendai-shi, Miyagi for the purpose of providing a fixed-line telecommunications service subscription agency for domestic and international telephone services. Subsequently, in November 2003, the Company relocated its head office to Chuo-ku, Sapporo-shi, Hokkaido, and changed its company name to “Fibergate Inc.”, and at the same time, the current chief executive officer, Masanori Inomata, took over all the issued shares and started the current business in earnest.

The history of our main business is as follows.

Year and month		Summary
2000	September	Established Hello Line 21 Inc. for the purpose of providing a fixed-line telecommunications service subscription agency for domestic and international telephone services (in Wakabayashi-ku, Sendai-shi, Miyagi with capital of 10 million yen).
2001	March	Changed company name to Work Staff Inc.
2003	November	Changed company name to Fibergate Inc. Masanori Inomata took over all the issued shares and became the representative.
	December	Relocated head office to Chuo-ku, Sapporo-shi, Hokkaido
2004	February	Started a full-scale operation. The company's main business is the construction of networks of multi-base companies and the sale of broadband lines via the Web
2005	January	Launched a free Internet service business for apartment complexes.
	November	Opened Tokyo office in Minato-ku, Tokyo
	June	Launched a free Internet service for apartment complexes using wireless LAN
2006	June	Unified service brand to FGBB series and launched the service
2008	September	Launched a free Internet service for apartment complexes under PB (private brand)
2009	January	Launched an Internet connection business for monthly condominiums
	January	Launched multilingual reception and support services for tenants of properties that have introduced FGBB through our call center
	June	Launched free Wi-Fi service “Wi-Fi Nex®” (Notes) (free Wi-Fi business)
2011	April	Opened Osaka office in Chuo-ku, Osaka-shi
2013	June	Established NOIS Inc. as a 100% subsidiary engaging in planning, development, and sales of computer hardware and software, as well as Internet line agency business
2014	March	Started sales of communication equipment developed by the Company
	April	Launched a Wi-Fi service for stores and commercial facilities under PB
	June	Newly established Fukuoka office in Hakata-ku, Fukuoka-shi
	October	Newly established Nagoya office in Atsuta-ku, Nagoya-shi
2015	January	Obtained telecommunications construction business approval (Hokkaido Governor's Approval (General-26) No. 22017)
	July	Launched “SHINOBI Wi-Fi®”, a Wi-Fi service for foreign visitors to Japan
	July	Established Fibergate Taiwan Inc. as a 100% subsidiary in Taiwan
	July	Obtained a license to register a telecommunications business based on the Telecommunications Business Act (Registration No. 358)
2016	January	Certified by the Governor of Hokkaido as a management innovation plan approval company (Approval No. 74-33)
	February	Obtained PrivacyMark certification (Registration No. 17002586 (01))
	June	Changed the fiscal year ending from December to June
2017	June	Opened Sendai office in Miyagino-ku, Sendai-shi
2018	March	Listed on the Tokyo Stock Exchange Mothers
	May	Launched “One-touch Wi-Fi” service that enables easy Wi-Fi construction
	November	Obtained international standard “ISO/IEC27001 (ISMS)” certification (Certification No. MSA-IS-284)
2019	June	Changed market to the First Section of the Tokyo Stock Exchange (JPX)
	July	Listed on the Main Market of Sapporo Securities Exchange
2020	January	Established FG-Lab Inc. as a 100% subsidiary engaging in contract development business and real estate leasing business
	March	Established BizGenesis Inc. as a 100% subsidiary engaging in telecommunications services and sales business
2021	February	Established FG Smart Asset Inc. as a 100% subsidiary engaging in real estate sales and leasing business
	July	Established OffGrid-Lab Inc. as a 100% subsidiary engaging in renewable energy (electricity) business
2022	April	Due to the revision of the market classification of the Tokyo Stock Exchange, moved from the First Section of the Tokyo Stock Exchange to the Prime Market
	April	Acquired all shares of TM Asset Inc., which is engaged in real estate sales and leasing business, and made it a consolidated subsidiary
2022	July	Absorbed BizGenesis Inc., a 100% subsidiary
2023	December	FG Smart Asset Inc., a wholly-owned subsidiary of the Company, absorbed TM Asset Inc., which was a wholly-owned subsidiary of FG Smart Asset Inc.
2024	July	Established Enepulse Inc., a joint venture with H-Power Holdings Inc.

(Notes) Wi-Fi Nex®

A service that provides an environment in which users can connect to the Internet free of charge via Wi-Fi provided by the Company, regardless of whether their device or a contracted carrier.

### 3. [Description of business]

The Group consists of seven companies, namely the Company (Fibergate Inc.) and six consolidated subsidiaries (NOIS Inc., Fibergate Taiwan Inc., FG-Lab Inc., FG Smart Asset Inc., OffGrid-Lab Inc.), and its main business is the provision of telecommunications services as a On-Premise infrastructure Integrator.

The Group is engaged in telecommunications service-related businesses and real estate businesses. The business segments of the telecommunications service-related businesses are divided into; (1) home use business and (2) business use business.

In the telecommunications service-related business, the Group provide services to provide a communication environment to residents by laying fiber-optic lines and installing Wi-Fi devices in apartment complexes, and we also provide free Wi-Fi services for visitors by installing fiber-optic lines or LTE-based Wi-Fi devices for nursing homes, commercial facilities and events. In addition, we have focused on the development of our own Wi-Fi devices and the construction of corporate networks such as VPNs (see Notes). As a result, a major feature of the Group is that it has been able to build a vertically integrated business model with the know-how to provide services from communication equipment development to Wi-Fi environment construction, operation, customer support.

The advantages of the vertically integrated business model include a sense of security that one-stop services can be outsourced and a shortening of the schedule from contract to service introduction, from a customer's perspective. For the Group, we can accumulate know-how for each process within the Group without being dispersed as well as reduce costs by optimizing the entire service, such as reducing procurement costs for each process.

The Group also strives to reflect the needs identified through the use of equipment through the provision of telecommunications services and the response to direct inquiries to the Group from end users, such as residents and facility visitors, in our business strategies at an early stage.

In the telecommunications service-related business, we have a revenue structure that combines both ongoing revenue from long-term contracts and one-time revenue generated when services are introduced according to the contract type.

The Real Estate segment is engaged in real estate sales and leasing business. The real estate sales business sells and purchases real estate with a short turnover period.

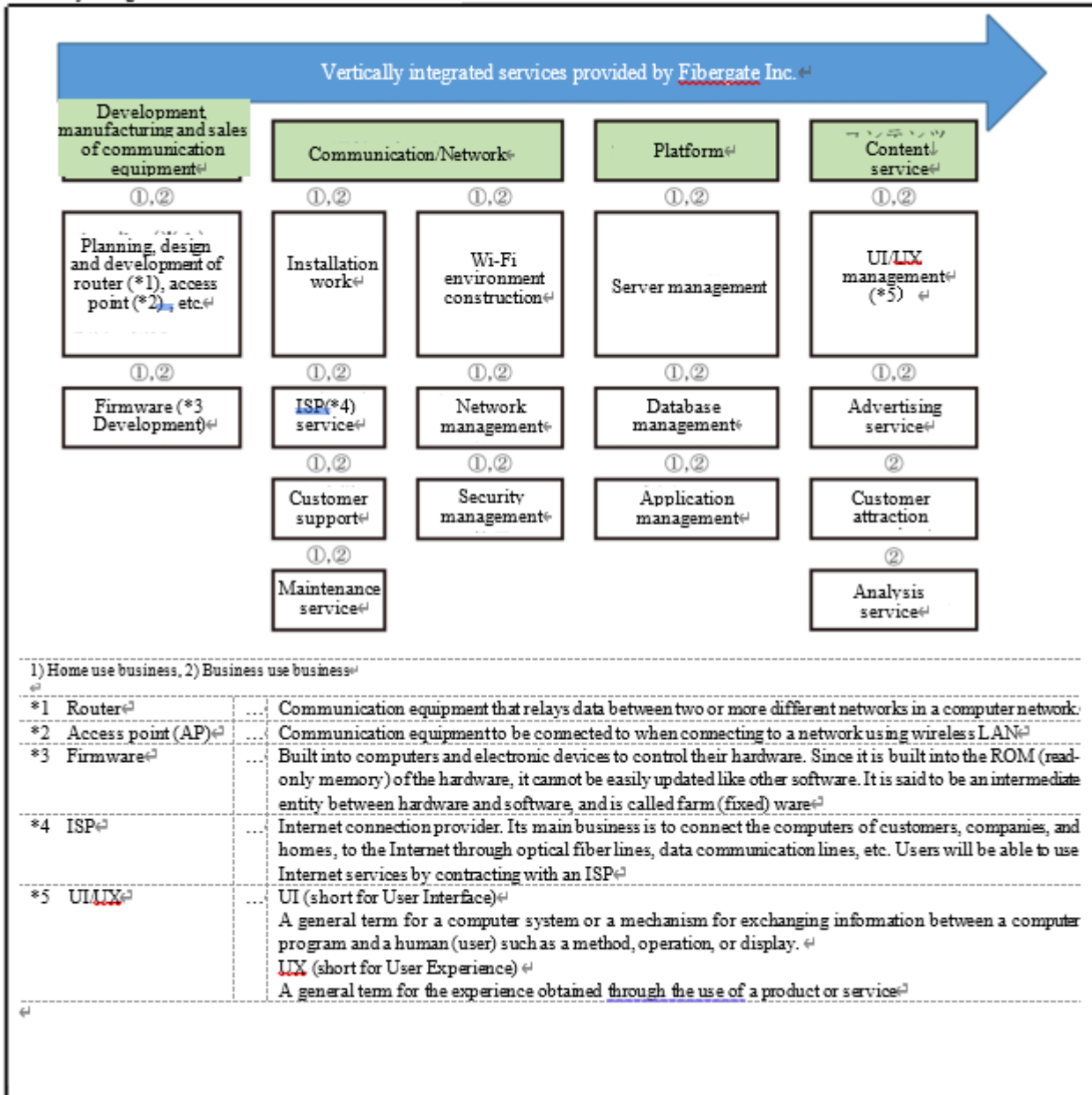
In addition, OffGrid-Lab Inc. is conducting research and development of renewable energy (electricity), which has a high affinity with the telecommunications business.

#### [Terminology]

(Notes) VPN (Virtual Private Network)

It is a private network that constitutes a virtual communication environment between users connected to the Internet.

Vertically integrated business model<sup>④</sup>





The description of the Group's businesses is as follows.

1) Home use business (construction, maintenance, operation, support, PB provision of Internet-free condominiums) is

In the home use business, we provide an Internet connection service for owners of rental properties such as condominiums and apartments that allows tenants to use the Internet for free at once. By having Internet facilities that tenants can use free of charge, the owners of condominiums and apartments are able to strengthen the functions of rental properties owned, and it is recognized as an effective service for promoting occupancy and preventing eviction, mainly for single-person properties.

The demand for student dormitories is also increasing due to the acquisition of international students who want to use the Internet service free of charge.

In the home use business, NOIS Inc. in our Group acts as an intermediary for communication lines, and Fibergate Taiwan Inc. develops products and equipment and operates call centers.

2) Business use business (construction, maintenance, Construction of business networks, operation, support, PB provision of free Wi-Fi facilities)

In the business use business, we provide “Wi-Fi Nex®”, a free Wi-Fi service provided by the Group, mainly to facility operators of tourist facilities, various stores, shopping streets, and commercial facilities. Users who visit facilities where our services have been introduced can freely connect to the Internet free of charge by performing the prescribed authentication such as registration procedures, regardless of the communication terminal used or the telecommunications carrier currently contracted. In addition, we develop a free Wi-Fi service for various spaces; for tourist destinations, there are various services such as the “SHINOBI Wi-Fi®” service with multilingual connection support and tourist guide functions for foreign visitors to Japan; and for passenger transportation industry, we provide the “Wi-Fi BUS®” service for mobile communications that provides free Wi-Fi services to passengers by installing mobile communication devices on sightseeing buses and sightseeing boats. We develop highly convenient products such as providing “one-touch Wi-Fi” services that enable Wi-Fi construction with easy operation.

And for corporations with multiple locations, we provide secure, meaning safety is guaranteed and no danger to harm, and low-cost network solution such as Internet connection services, provider services, Internet VPN services, etc.

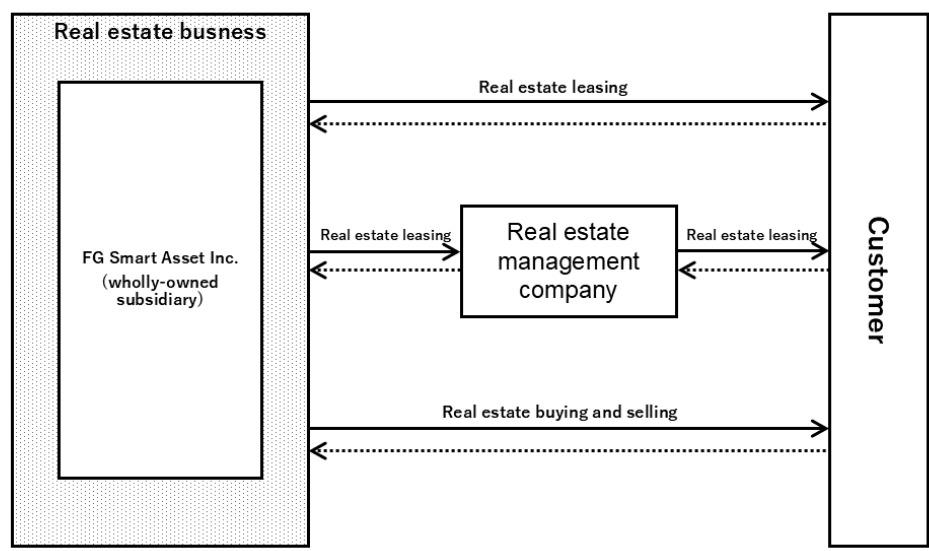
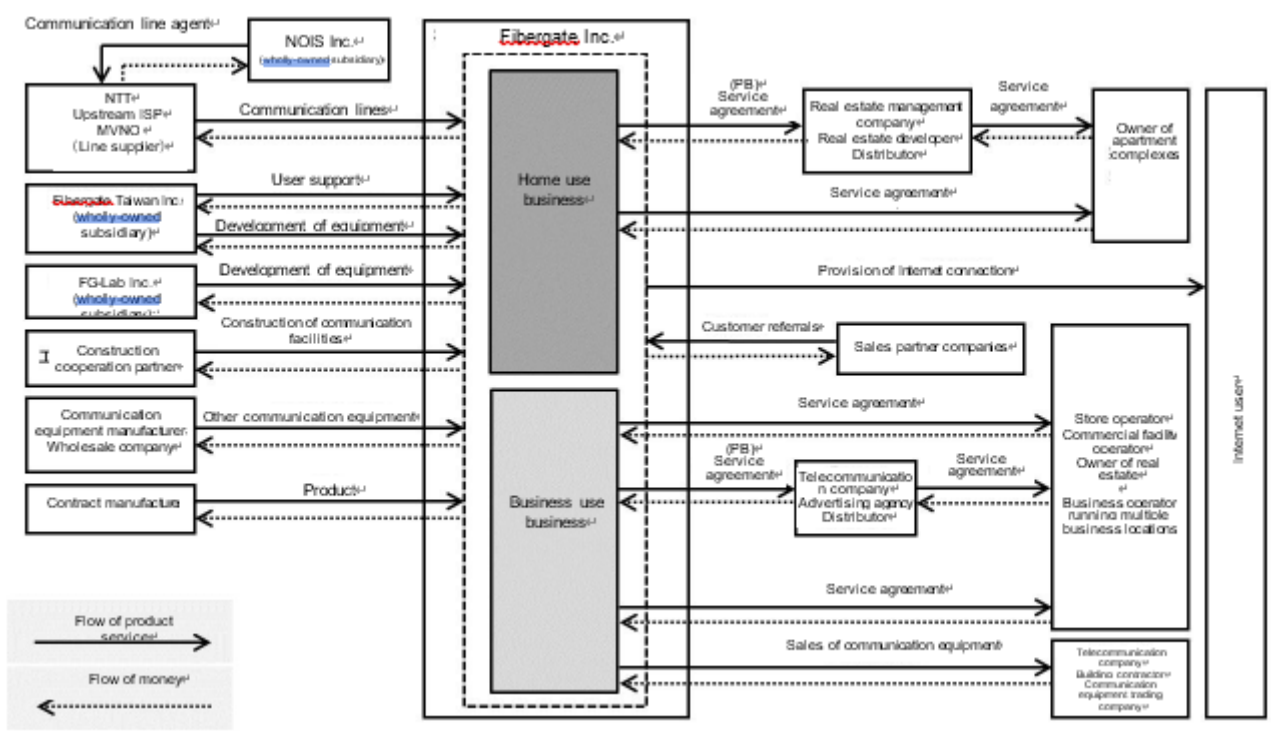
Wi-Fi is indispensable for linking with ICT devices, and the service is expected to improve operational efficiency through the bed sensor, the headset and the introduction of monitoring devices, as well as improve facility user's satisfaction, such as online visits with family members and free Wi-Fi for hospital rooms.

In addition, we develop Wi-Fi services using satellite communication to comply with BCP.

We also sell communication equipment developed in-house.

3) Real Estate Business (Real Estate Sales and Leasing)

In the real estate business, FG Smart Asset Inc. in our Group is engaged in the real estate sales business



#### 4. [Status of Subsidiaries and Affiliates]

Name of company	Address	Capital (million yen)	Principal Businesses	Proportion of voting rights or proportion of voting rights held (%)	Relationship
(Consolidated Subsidiaries) NOIS Inc.	Minato-ku, Tokyo	10	Telecommunications Line Brokerage Business	100.00	Concurrent positions of officers
(Consolidated Subsidiaries) Fibergate Taiwan Inc.	Tainan-city, Taiwan	500,000 NTD	Equipment Development & Call Center Business	100.00	Concurrent positions of officers
(Consolidated Subsidiaries) FG-Lab Inc.	Minato-ku, Tokyo	35	Contract Development Business	100.00	Concurrent positions of officers
(Consolidated Subsidiaries) FG Smart Asset Inc.	Minato-ku, Tokyo	50	Real estate sales and leasing business	100.00	Concurrent positions of officers
(Consolidated Subsidiaries) OffGrid-Lab Inc. (See Notes 3,4)	Minato-ku, Tokyo	35	Renewable Energy (Electricity) Business	16.67 [83.33]	Concurrent positions of officers

- (注) 1. No company has filed a securities registration statement or annual securities report.
2. TM Asset Inc., which was a consolidated subsidiary in the previous consolidated fiscal year, has been excluded from the scope of consolidation because it was extinguished in an absorption-type merger (merger date: December 27, 2023) with FG Smart Asset Inc. as the surviving company.
3. Although the Company's equity is less than 50/100, OffGrid-Lab Inc. is a subsidiary as it is effectively controlled.
4. The proportion of ownership by a close person or a person who has consented is shown in the brackets in the proportion of voting rights.

## 5. [Status of employees]

### (1) Status of Consolidated Companies

(As of June 30, 2024)

Name of the segment	Number of employees (person)
Home use business	75 (6)
Business use business	24 (2)
Real estate business	0 (0)
Company-wide (common)	131 (11)
Total	230 (19)

(Notes) 1. The number of employees shown denotes full-time employees. Average number of temporary employees (calculated by converting the average number of employees for a person for 8 hours per day) is shown in brackets.

2. Employees listed as company-wide (common) belong to departments that cannot be divided into specific segments.

### (2) Status of the Company

(As of June 30, 2024)

Number of employees (person)	Average age (years)	Average length of service (years)	Average annual salary (thousand yen)
217 (18)	36 years0 months	5 years2 months	5,483

Name of segment	Number of employees (person)
Home use business	75 (6)
Business use business	24 (2)
Company-wide (common)	118 (10)
Total	217 (18)

(Notes) 1. The number of employees shown denotes full-time employees. Average number of temporary employees (calculated by converting the average number of employees for a person for 8 hours per day) is shown in brackets.

2. The average annual salary includes non-standard wages and bonuses.

3. Employees listed as company-wide (common) belong to departments that cannot be divided into specific segments.

### (3) Status of Labor Unions

Although the Group does not have a labor union, the relationship between labor and management is harmonious, and there are no special matters.

(4) Woman manager ratio, ratio of men employees taking childcare leave, and men and women employees average pay difference

1) The Company

Current fiscal year					Supplementary explanation
Woman manager ratio (%) (See Notes 1)	Ratio of men employees taking childcare leave (%) (See Notes 2)	Men and women employees average pay difference (%) (See Notes 1)			
		All workers	All workers	All workers	
26.7	80.0	76.1	79.4	64.5	—

(Notes) 1. It is calculated based on the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).

2. The figure shows the ratio of men employees who take childcare leave set forth in Article 71-4, item 1 of the “Ordinance for the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ministry of Labor Ordinance No. 25 of 1991) based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

2) Consolidated Subsidiaries

Consolidated subsidiaries are not subject to the obligation to disclose information under the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015) and the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991) and therefore omitted.

## 2. [Business overview]

### 1. [Management policy, management environment, and issues to be addressed]

The Group's management policies, business environment, and issues to be addressed are as follows.

Forward-looking statements in this report are based on the judgment of the Group as of the date of submission of this report.

#### (1) Management policy

In order to continue to be a company that is trusted by all stakeholders, including shareholders, business partners, and employees, based on the management philosophy of “Gathering “Thank Yous”, the Group aims for highly transparent corporate management, positioning thorough compliance as the basis of management, strictly complying with all laws and regulations, and promoting honest and fair corporate activities to fulfill its corporate social responsibility.

#### (2) Business and financial issues to be addressed preferentially

The business environment surrounding the Group is becoming increasingly uncertain about the global economy due to political situations in other countries and the rise of inflation while the domestic economy is recovering moderately due to the effects of various economic policies. Under such circumstances, the issues that need to be addressed in order to strengthen the Group's management base and achieve stable growth are as follows.

##### 1) Home use business

In the home use business, which mainly provides services for apartment complexes, we will strive to acquire new contracts and expand our market share for residential Wi-Fi services. In addition, the proportion of newly contracted properties is increasing, and delivery times are getting longer, so we will further strengthen the management of the order status.

In addition, we expect to contribute to profits by increasing unit prices through cross-selling of network cameras, FG smart calls, etc.

##### 2) Development of the business use market

In addition to the existing free Wi-Fi business, the business use business is expected to develop demand for Wi-Fi for business use such as hotels, nursing care facilities, and BCP measures. We also expect to add a lease-type model to the business use business to further contribute to sales and profits.

##### 3) Response to rising costs

In order to respond to rising costs due to the rapid expansion of telecommunications traffic and the impact of the exchange, we will take measures to reduce the impact of rising costs by streamlining the effective use of lines and considering foreign exchange cont

##### 4) Improvement of the efficiency and productivity of internal systems

In response to the increasing complexity of operations associated with the expansion of the Company's scale, we believe that it is essential to improve the efficiency and productivity of internal operations. For this reason, we will renovate our core systems and utilize external services.

##### 5) Stable operation of internal controls and compliance

The Company recognizes that it is an important management issue to build a corporate governance system in which “internal control”, “compliance”, and “disclosure control” function sufficiently. We believe that securing the trust of all stakeholders, including shareholders, and society will lead to an increase in corporate value, and we will strive for sound and transparent management while pursuing fairness and efficiency, and will fulfill accountability. In addition, we are working to build and maintain a management system that discloses information to shareholders and other stakeholders in a timely and appropriate manner.

#### (3) Objective indicators, etc. to determine the status of achievement of management goals

The major initiatives in our business are to strengthen the development of existing businesses and expand our business by developing new business partners, promoting collaboration with existing partners, developing new products and services and strengthening the quality of services in each business by leveraging the strength of the vertically integrated business model that is in-house from the development of communication equipment to the construction and operation of the Wi-Fi environment, and customer support, which is a characteristic of the Group.

We set internal targets for each major initiative separately for each business and determine the status of achievement.

Given the nature of the telecommunications services business, which takes several years from investment to recovery, we will return funds to shareholders based on growth in business performance, taking into account future business development and capital investment in a long-term and comprehensive manner, and while keeping an eye on future capital investment trends and other funds.



#### (4) Management environment

As for the forecast for the next fiscal year, the Home-Use business is expected to continue to perform strongly and make a significant contribution to business results. The Business-Use business will The Company will further strengthen its sales structure and enhance its expertise to meet diverse customer needs, develop sales channels, and expand sales. Although the real estate business is entering a transitional period for projects, as we will start full-scale sales activities in the renewable energy (electric power) business, and a large increase in revenues is expected.

On the other hand, head office expenses are expected to increase due to the strengthening of the organizational structures of core system development and introduction of financial analysis tools.

The calculation of the consolidated earnings forecast is based on the information and forecasts currently available.

#### (Forecast of consolidated business results)

(unit: million yen)

	June 2024 Result	June 2025 Result	Percentage change (%)
Sales	12,613	14,370	13.9
Operating income	2,387	2,620	9.7
Ordinary income	2,395	2,600	8.5
Net income attributable to owners of the parent	1,567	1,650	5.3

#### (Forecast of consolidated segment sales)

(unit: million yen)

Segment		June 2024 Result	June 2025 Result	Percentage change (%)
Wi-Fi business	Home-Use business	10,386	11,140	7.3
	Business-Use business	1,675	2,220	32.5
Real estate business			410	△21.8
Others			600	2,071.9
Total			14,370	13.9

Based on the background described above, we expect sales of 14,370 million yen, operating income of 2,620 million yen, ordinary income of 2,600 million yen, and net income attributable to owners of the parent of 1,650 million yen for the fiscal year ending June 2025.

Please note that the above forecasts are based on information available as of the date of publication of this document, and actual results may differ from the forecasts due to various factors in the future. Please refer to the financial results briefing released on the same date.

## 2. [Approach to sustainability and our initiatives]

Approach to sustainability and our initiatives are as follows.

### (1) Approach to Sustainability

The Group's management philosophy is to “gather “thank you” on business by contributing to our customers' businesses.” This is because we believe that there is a limit to the business style that only pursues profits, and that the spirit of “Righteousness before Profit,” which puts trust and loyalty first, is more important for the growth of a company. Based on this philosophy, we aim to be a company that can contribute not only to the development of our own company, but also to the development of society as a whole.

In order to achieve sustainable growth, it is essential to have good long-term relationships with all stakeholders including employees. For this reason, we place emphasis on creating an environment where diverse human resources can play an active role, building a business model that will continue to the next generation, and developing internal systems to support it. We will also address issues related to the global environment through our business.

Based on the above, we will work on “contribution to society through telecommunications solutions,” “promotion of carbon offsets,” and “promotion of human capital management” as important issues (materiality).

Materiality (Subject)	Issue
Contribution to Society through telecommunications solutions	1) Contribution to daily life
	2) Contribution to regional revitalization
Promotion of carbon offsets through renewable energy businesses	1) Reduction of CO2 emissions through solar power generation facilities
Promotion of human capital management	1) Employee health management
	2) Employee upskilling
	3) Development of executive candidates
	4) Improvement of profitability per capita

### (2) Governance

As part of our sustainability promotion system, we have established a promotion team led by the Corporate Planning Division, led by the executive in charge. The Sustainability Promotion Team works with the Board of Directors, the Executive Board, the functions of each division, and the Risk Management & Compliance Committee to identify risks and opportunities related to material issues, and to formulate and implement measures to resolve them. We also monitor the progress of these activities and support Group-wide initiatives.

In the future, we will establish a Sustainability Committee with the participation of Outside Directors to strengthen the advisory and supervisory functions in each field and build an even more substantial sustainability promotion system. The Committee will deliberate on initiatives related to sustainable growth, evaluate the progress of activities, and report to the Board of Directors, focusing on the material issues identified by the Company.

### (3) Strategy

As part of its “contribution to society through telecommunications solutions,” the Group is developing a business strategy that aims to contribute to daily life and regional revitalization through its home use and business use businesses. In addition, as part of our efforts for the global environment, we will “promote carbon offsets” through our renewable energy business. With regard to the “promotion of human capital management,” in order to ensure the implementation of these strategies, we will support the health of employees and self-fulfillment through skill improvement, develop candidates for management, and strengthen the management base by improving profitability. The strategies for each business are described in the financial results briefing materials released on August 14, 2024. In addition, we will promote the following initiatives to promote carbon offsets (response to climate change) and human capital management.

1) Response to climate change

Based on the TCFD recommendations, we disclose significant physical risks, transition risks, and opportunities concerning our own risks, countermeasures, and possible opportunities related to climate change as follows:.

Types of risks			Manifestation period	Impact	Response policy
Transition Risks (Assuming that it will be most manifested in the 1.5-2°C scenario)	Policy and Regulatory Risks	Increase in regulatory compliance costs	Medium term	Moderate	<ul style="list-style-type: none"> <li>Regulatory research and collection of information from manufacturing vendors</li> <li>Promotion of resource conservation of products</li> <li>Stable procurement by multiple suppliers and procurement at a reasonable price</li> </ul>
	Technology Risks	Increase in investment and development costs for environmentally friendly technologies	Medium term	Moderate	<ul style="list-style-type: none"> <li>Monitoring of market trends of manufacturers and industries</li> <li>Long-term use by promotion of product recycling, energy conservation, and improvement of durability performance</li> <li>Development of new partners</li> </ul>
	Market risk	Decrease in demand for products with a large environmental impact	Medium term	Small	<ul style="list-style-type: none"> <li>Expansion of investment and development for the growth of environmentally friendly businesses</li> <li>Monitoring of market trends of equipment manufacturers and industries</li> </ul>
Physical Risks	Acute risk	Operational stagnation due to supply chain damage	Medium term	Moderate	<ul style="list-style-type: none"> <li>Implementation of supply chain management for sustainable procurement</li> <li>Formulation of supply chain BCP</li> </ul>
Types of opportunities			Manifestation period	Impact	Response policy
Opportunity	Resource efficiency	Reduction of energy costs by higher efficiency in production and transportation	Long term	Small	<ul style="list-style-type: none"> <li>Reduction of manufacturing costs of communication equipment and transportation costs through inventory control</li> <li>Revitalization of remote business using drones, sensors, and VR/AR/MR, and reduction of energy costs by introduction of communications everywhere, and promotion of high-speed and long distance communication</li> </ul>
	Products and services	Increase in demand for self-consumption solar power generation systems by renewable energy business	Long term	Small	<ul style="list-style-type: none"> <li>Promotion of provision of recycled energy by expansion of power storage and heat storage facilities</li> </ul>
		Strengthening of subsidies for the development and implementation of environmentally friendly technologies	Short term	Moderate	<ul style="list-style-type: none"> <li>Expansion of renewable energy business through the use of subsidy systems</li> </ul>
		Increase in demand for materials, components, and solutions required for environmentally friendly facilities (renewable energy, batteries, fuel cells, etc.)	Medium term	Moderate	<ul style="list-style-type: none"> <li>Investment in the development of environmentally friendly technologies, development of corresponding technologies by developing partners, and increase in sales by developing new markets</li> </ul>

## 2) Realization of human capital management

The Group has realized a one-stop business model that covers everything from product development, sales, introduction, and operation to after-sales support, and is characterized by "diversity in occupations." Specifically, there are a wide range of occupations, such as various engineers in hardware, firmware, networking, etc., sales staff, customer support, and business management staff.

In addition, what we should aim for is not job-based employment, but rather the development of multi-pronged human resources in which each person acquires the ability to handle multiple tasks, and we will continue to develop the skills of our employees so that they can be flexibly assigned according to the corporate issues of the time. We have set out the following measures for each issue.

Issue	Measures
Employee health management	<ul style="list-style-type: none"><li>• Implementation of regular health checkups and stress checks</li><li>• Review by visualizing employee engagement</li></ul>
Employee upskilling	<ul style="list-style-type: none"><li>• Enhancement of in-house training systems and qualification acquisition support systems</li><li>• In-house recruitment system</li><li>• Establishment and operation of an award system</li></ul>
Development of executive candidates	<ul style="list-style-type: none"><li>• Establishment of executive development courses</li></ul>
Improvement of profitability per capita	<ul style="list-style-type: none"><li>• Improvement of profitability through the implementation of the above measures (health management, skill improvement)</li><li>• Support for improving operational efficiency using generative AI</li><li>• Introduction of an appropriate evaluation system for multifunctional organizations</li></ul>

## (4) Risk management

The Risk Management and Compliance Committee, which includes the executives in charge, identifies and monitors company-wide risks. As a precautionary measure, we analyze specific risk items raised by each division, check quarterly whether an incident has occurred and whether measures are being taken to prevent it, and share it with the Executive Board to respond to risks in a timely manner. Climate change risks are monitored by the Sustainability Promotion Team and dealt with in cooperation with the Risk Management and Compliance Committee.

In the event of a risk incident, we will establish an emergency response headquarters consisting of members of the Executive Board to respond promptly and appropriately to the situation.

## (5) Indicators and targets

Indicators related to climate change are as follows.

### 1) Response to climate change

#### (a) Indicators used to manage climate-related risks and opportunities

Currently, we do not have any indicators for managing climate-related risks and opportunities.

In the future, we will discuss the purpose and necessity of setting indicators, and we will consider formulating indicators if necessary, while paying close attention to TCFD-related disclosure trends of companies in the same industry and of similar size.

#### (b) Greenhouse gas emissions (Scope 1 and 2) (\*1)

Since fiscal year 2021 (\*2), we have been working on calculating greenhouse gas emissions for the entire Group.

Our Scope 1 and 2 greenhouse gas emissions were approximately 89.42 t-CO<sub>2</sub> in FY2021 (\*2), 76.77 t-CO<sub>2</sub> in FY2022 (\*3), 77.23 t-CO<sub>2</sub> in FY2023 (\*4), and 45.25 t-CO<sub>2</sub> in FY2024 (\*5). We aim to achieve zero emissions by FY 2030.

We will measure Scope 3 greenhouse gas emissions in the future.

Our Scope 1 and 2 Greenhouse gas emissions results, forecasts and targets

(t-CO<sub>2</sub>)

Greenhouse Gas Emissions Results and Targets	Results				Target <sup>*5</sup>	
	FY2021	FY2022	FY2023	FY2024	FY2030	
Scope1 and 2 emissions in total	89.42	76.77	77.23	45.25	0	
Breakdown	Scope1 emissions	4.67	5.99	6.72	6.09	0
	Scope2 emissions	84.75	70.78	70.51	39.16	0

\*1.

- Scope 1: Gasoline consumption × Emission factor (2.320 (t-CO<sub>2</sub>/kl)).  
The emission factors are based on the “List of Calculation Methods and Emission Factors in the Calculation, Reporting, and Publication System” by the Ministry of the Environment.
- FY2021 Scope 2: Total amount of electricity consumption at each of our offices × emission factors by electric power company.  
The emission factors are based on the “Emission Factors by Electric Power Company - 2019 Results published on January 7, 2021 (Ministry of the Environment and Ministry of Economy, Trade and Industry).”
- FY2022 Scope 2: Total amount of electricity consumption at each of our offices × emission factors by electric power company.  
The emission factors are based on the “Emission Factors by Electric Power Company - 2020 Results published on January 7, 2022 (Ministry of the Environment and Ministry of Economy, Trade and Industry).”
- FY2023 Scope 2: Total amount of electricity consumption at each of our offices × emission factors by electric power company.  
The emission factors are based on the “Emission Factors by Electric Power Company - 2021 Results published on January 24, 2023 (Ministry of the Environment and Ministry of Economy, Trade and Industry), partially revised on May 26, 2023, correction rate added on June 20, 2023, partially added and updated on July 18, 2023.”
- FY2024 Scope 2: Total amount of electricity consumption at each of our offices × emission factors by electric power company.  
The emission factors are based on the “Emission Factors by Electric Power Company - 2022 Results published on December 22, 2023 (Ministry of the Environment and Ministry of Economy, Trade and Industry), partially added and updated on July 19, 2024.”
- For Scope 2, the emission factors of the Taiwan office are based on the following values.  
Taiwan Power Company (<https://www.taipower.com.tw/2289/2363/48864/51153/normalPost>)

\*2. FY2021: from July 1, 2020 to June 30, 2021

\*3. FY2022: from July 1, 2021 to June 30, 2022

\*4. FY2023: from July 1, 2022 to June 30, 2023

\*5. FY2024: from July 1, 2023 to June 30, 2024

\*6. Including reductions through the purchase of J-Credits.

2) Realization of human capital management

The Group aims to increase corporate value by developing human resources with diverse perspectives and values, and is working to develop human resources that can respond to changes and improve the internal environment, as well as diversity in occupation that enables employees to improve their skills through experience in various occupations. We also promote initiatives to support each and every employee to achieve self-actualization and fulfillment through their work. In addition, as a response to the diversification of human resources and work styles, we are focusing on promoting flexible work styles, such as flextime systems, remote work, and childcare leave.

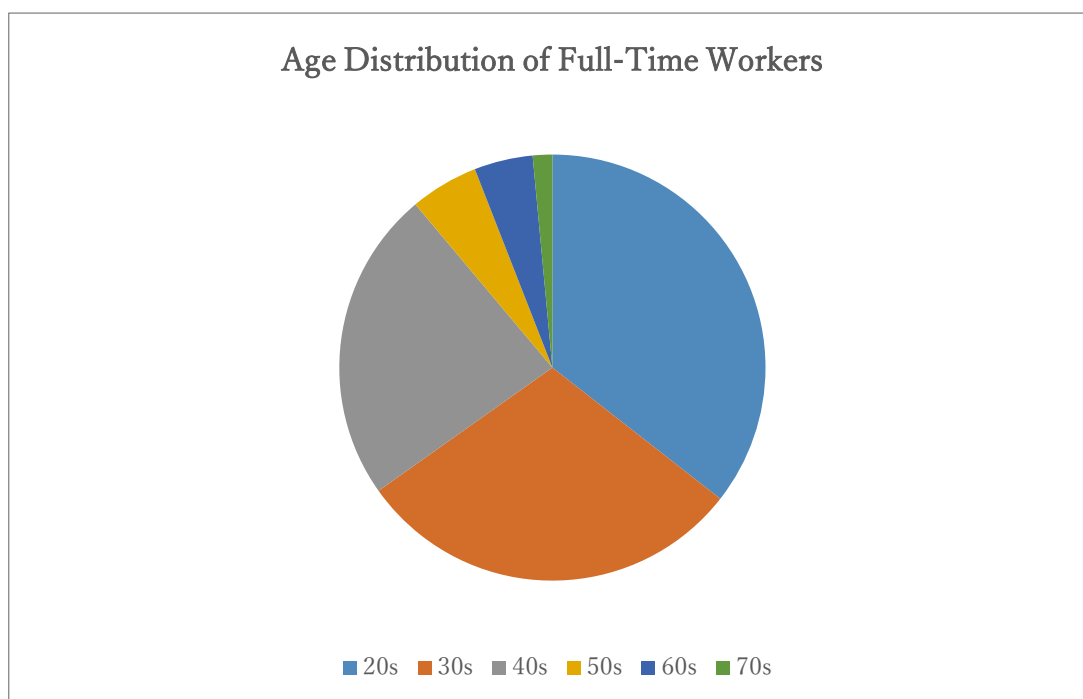
(a) As an indicator of response to the diversification of work styles, the Group aggregates the "remote work implementation rate," "ratio of employees taking childcare leave," "woman manager ratio," and "global human resources ratio." The results are as follows.

Results for the fiscal year ended June 2024					
	Remote work implementation rate (See Notes 1)	Ratio of employees taking childcare leave (women)	Ratio of employees taking childcare leave (men)	Woman manager ratio	Global human resources ratio (See Notes 2)
Ratio	65%	100%	80%	27%	12%

Note: 1. Ratio of full-time employees who worked remotely at least once a month

2. Ratio of full-time employees of foreign nationals

(b) The Group aggregates the distribution by age group as an indicator to promote diversity in which human resources of various ages can play an active role. The results are as follows.



In addition, we are considering indicators and targets for each issue of material issues. We will also set indicators and targets in our human capital-related initiatives in the future.

### 3. [Business and other risks]

Among the matters related to the status of business and accounting described in this report, the major items that are considered to be risk factors for the Group's business development are listed. In addition, matters that do not necessarily fall under the category of business risks, but are considered important for the judgment of investors, are described below from the perspective of proactive information disclosure to investors.

While the Group is fully aware of the possibility of the occurrence of these risks and strives to avoid their occurrence and respond to them in the event that they occur, we believe that investment decisions regarding the Group's shares must be made carefully, taking into account the contents of this paragraph and other items described in this report.

In addition, the contents of this paragraph do not cover all risks related to the Company's equity investment.

Unless otherwise stated, the following forward-looking statements are based on the judgment of the Group as of the date of submission of this report, and may differ from actual results due to inherent uncertainties.

#### (1) Risks related to information security

The Group is developing services using the Internet. The Group promotes the enhancement of information security including the computer network necessary for the provision of the Group's services, and makes efforts to prevent failures by monitoring and redundancy of facilities and networks and regular backup of data, etc.

However, in the unlikely event that the Group's facilities or networks become unavailable due to attacks by computer viruses or hackers that exploit product vulnerabilities, hardware or software malfunctions, human error, earthquakes, fires, or other unexpected serious events, the Group's operating results and financial position may be affected.

#### (2) Risks related to the management of personal information

The Company is a telecommunications carrier, and the Group's database contains accumulated data of communication records related to consumer communication activities and personal information of service users. For this reason, each company of the Group falls under the category of business operators handling personal information as defined in the Act on the Protection of Personal Information and is subject to regulations regarding the handling of personal information.

In light of the importance of this information, the Group has established various regulations related to information protection, obtained PrivacyMark certification in February 2016, and conducts in-house training on personal information management by the Group. We strictly comply with laws and regulations, such as concluding confidentiality agreements with external contractors, and present them on our website, including our privacy policy.

To date, we are not aware of any serious accidents or problems related to information management. However, the possibility that this information will be leaked or used illegally in some form cannot be said to have been eliminated entirely.

Therefore, in the event of such a situation, especially a leakage of communication records, there is a possibility that a business improvement order may be issued by the supervisory authority, which may affect the Group's operating results and future business development due to claims for damages against the Group or a decline in the Group's credibility.

#### (3) Risks related to legal restrictions

The Group's business is subject to and complies with legal restrictions such as the Wire Telecommunications Act, the Radio Act, the Telecommunications Business Act, and the Construction Business Act (permitted by the Governor of Hokkaido: Telecommunication engineering business). The Company is registered as a telecommunications carrier under the Telecommunications Business Act by the Ministry of Internal Affairs and Communications as follows

Date of acquisition	July 2015
Name of permits and licenses	All certified as a telecommunications carrier (Telecommunications Carrier Registration No. 358)
Competent Authorities, etc.	Ministry of Internal Affairs and Communications
Details of permits and licenses, etc.	Registration of telecommunications business pursuant to the provisions of Article 9 of the Telecommunications Business Act
Expiration date	None
Requirements for violation of laws and regulations and reasons for cancellation of license	Requirements for violation of laws and regulations: Article 14 of the Telecommunications Business Act Reasons for cancellation: Falls under the disqualification requirements as a telecommunications carrier

At present, we are not aware of any tightening of regulations by these laws, but if restrictions on business are tightened due to any change in these regulations or application of new laws and regulations, business activities may be restricted or costs may increase.

In addition, although there is no concern about the revocation of the above registration or certification, if such an event occurs, it may hinder the Group's main business activities and affect its operating results and financial position.

(4) Risks related to intellectual property rights

The Group has strengthened its internal management system for intellectual property rights in line with technological innovation and business expansion in the telecommunications and Internet business industry, but in the event that payment is required resulting from the Group receiving a lawsuit for infringement of intellectual property rights related to trademarks, etc. or a request for an injunction against the use of trademarks, etc. by any third party resulting from a discrepancy in the interpretation of contract terms and conditions or the establishment of intellectual property rights that the Group is not aware of, etc., it may affect the Group's operating results and future business development.

(5) Impact of competitors

In the industry to which the Group belongs, of which the main business is home use business, there are many competitors. In addition to strengthening its brand power, the Group is striving to differentiate itself by providing product development and planning, service providing price, communication speed and quality, value-added services, multilingual call centers, etc. which meet customer needs in a comprehensive manner. It can be an advantage in product and service capability, price competitiveness, name recognition and the customer base of other competitors including newcomers from other industries. In such a case, the Group's operating results may be affected due to a decline in the Group's profitability and a slowdown in customer acquisition.

(6) Alliance and cooperative relationships

The Group is working to further promote alliances with business partners such as distributors and partner companies to develop products and services, establish and strengthen sales systems, and develop further customer sales channels. Although the Group has good relationships with its business partners as of the date of submission of this report, if the expected effects are not obtained or if the alliance or cooperative relationship is dissolved for some reason, it may affect the Group's operating results and financial position.

In addition, a slowdown in sales through business partners' sales channels with a high sales share of the Group may affect the Group's operating results.

(7) Purchasing, network line and bandwidth adjustment costs, data center lease agreements, and outsourced manufacturing in business

The Group does not own some of its own network lines and data center facilities, but operates its business in the form of having telecommunications service lines provided by multiple domestic telecommunications carriers, and installing our own products and equipment in those facilities to provide services to customers.

On the Internet, the amount of data used per user is increasing rapidly. As a result, the Internet industry as a whole has been unable to keep up with the demand for communication lines and has experienced a shortage of bandwidth.

Although the Group strives to respond to these environments by highly efficient network operations, including streamlining line and bandwidth procurement, if there is a further shortage of equipment supply, these factors may constrain the Group's business operations and expansion, and profitability may deteriorate due to increased procurement costs.

In addition, we have concluded service provision contracts and lease agreements with the owners of network lines and data center facilities, and plan to continue the lease agreements, etc. after the expiration of the contract period. However, if the owner refuses to continue the contract in whole or in part for any reason, or if the owner requests a change in the contents of the contract, there is no guarantee that the Group will be able to renew the contract under the same terms and conditions as before.

(8) Risks related to large-scale system failures

The Group possesses a large number of facilities for the development of service products, and manages the servers on which customer information assets are stored in the services provided by the Group at two or more locations in Japan to diversify risks. The data center has been implemented with maximum possible business continuity measures to ensure stable operation 24 hours a day, 365 days a year, including a redundant configuration that secures a detour route that is standard for registered electric power companies, an earthquake-resistant structure that can withstand large-scale earthquakes, fire extinguishing equipment, and a backup power supply in case of a power outage. In addition, we have a system in place to quickly detect failures and secure on-site response personnel.

However, in the event of a system failure due to unforeseeable circumstances such as cyberattacks, system or hardware failures, power shortages or large-scale power outages at electric power companies, natural disasters such as earthquakes, typhoons, and floods that far exceed the expected level, wars, terrorism, and accidents, the Group's business and operating results may be affected.

In addition, in the event of a system failure due to a malfunction of the communication equipment or a defect in the program change due to a change in system settings or specifications, it may be difficult to provide our communication services on a large scale.



(9) Reputational damage

The Group regularly patrols social media sites and reports on the results of patrols at the Executive Officers' Meeting, and works to dispel reputational damage by appropriate disclosure of information as necessary.

However, in the event of reputational damage caused and spread by social media or Internet posting, regardless of the accuracy of the content, there is a possibility that the brand power may decline and the Group's business performance and financial position may be adversely affected.

(10) Product obsolescence and the emergence of vulnerabilities

The Group develops routers and other communication equipment in-house, and regularly updates the firmware and replaces it with new products every few years.

However, in the event of the deterioration of parts that make up these products or the infection of a computer virus that exploits the vulnerability of the products, the Group may incur temporary service suspension or replacement costs, which may affect the Group's operating results and financial position.

(11) Delay in responding to technology trends

Amid the acceleration of Internet access and the emergence of Internet connection products such as IoT and cloud services, if the introduction of new services and products is delayed, it may hinder customer acquisition and retention, and the Group may lose its competitiveness compared to its competitors. Even within the company, if system enhancement and training of human resources to improve operational efficiency are delayed, the company may lose its advantage over competitors.

(12) Purchase of illegal and dangerous products

The Group clarifies the warranty details and roles of products for product development and manufacturing subcontractors, and investigates and audits subcontractors for new development to prevent the purchase of illegal or dangerous products.

However, if we purchase any illegal or dangerous product, we may have no choice but to dispose of the product, or if we have already introduced it, we may incur a replacement cost, which may affect the Group's business performance.

(13) Securing and developing human resources

In order to further strengthen the Group's sales activities and expand its business, we are hiring new graduates, strengthening the hiring of mid-career experts and people with work experience, and are also actively introducing a referral system and the recruitment of alumni and other personnel. In addition, we will continue to focus on revitalizing human resources, such as conducting training according to the level of employees.

However, if recruitment activities and human resource development based on the above policy do not proceed as planned, it may affect the Group's operating results and financial position.

(14) Dependence on a specific person

Masanori Inomata, president and chief executive officer of the Group, has played an important role in the determination of management policies and business strategies, as well as in the process of developing new businesses, building business models, and commercializing them, as the chief executive officer of the Group since the start of our business.

The Group is working to build a management system that is not unduly dependent on Masanori Inomata by delegating authority, developing executive candidates, and sharing information among officers and executives at meetings of the Board of Directors and Executive Officers. However, if it becomes difficult for Masanori Inomata to carry out his business for any reason, it may affect the Group's operating results and financial position.

(15) Earnings structure in the home use business

The Group's home use business has an earnings structure that combines both ongoing revenue from long-term contracts and one-time revenue generated at the time of service introduction according to the contract type.

With regard to ongoing revenue from long-term contracts, the profit margin tends to be low at the beginning of the occurrence of usage fee sales for new contract projects, and the profit margin is lower than the one-time revenue generated at the time of service introduction because the depreciation of communication equipment built as an upfront investment in response to orders is carried out using the declining balance method.

In the current phase of business expansion, there is a possibility that the segment profit margin may decline due to an increase in the ratio of ongoing revenue to sales at the beginning of the service for new contract projects, and in such a case, the Group's overall profit margin may decline, which may affect the Group's operating results and financial position.

(16) Cut-off of sales related to the initial introduction service in the home use business

In the home use business, the Group installs and configures Internet connection devices for customers (hereinafter referred to as the "initial introduction service"). Of these, the initial introduction service, which is not considered to be an obligation to perform as an integral part of the service provided by the Internet service (hereinafter referred to as the "monthly usage fee services"), is recognized as earnings at the time of completion of the installation and configuration of the Internet connection devices, and the sales recognized as earnings at a single point of the initial introduction service in the current consolidated fiscal year were 2.126 billion yen, which is equivalent to 17% of the consolidated sales.

However, since it is practically difficult for the owners of rental properties such as condominiums and apartments, who are our customers, to be present on the day of construction, it is difficult to obtain documents such as construction completion reports on the day of construction. As an alternative, we will confirm that the communication equipment such as routers installed on site is connected to the Internet (hereinafter referred to as the "connectivity test"), and the date of confirmation shall be the sales recording date.

As a result, if the connectivity test does not work effectively, or if the test results are improperly adjusted, sales may not be recorded in the appropriate accounting period. In addition, if sales are recorded without the connectivity test, sales related to the initial introduction service may not be recorded in the appropriate accounting period.

(17) Confirmation of actual communication equipment

In the consolidated balance sheet for the current fiscal year, the Group recorded a net amount of 7.153 billion yen in communication equipment. This is a fixed asset such as routers and access point equipment owned by the Company in order to provide Internet connection service to customers. The balance of assets is equivalent to approximately 55% of the consolidated total assets for the current consolidated fiscal year.

The communications equipment will be installed at the customer's facility, etc., and will be disposed of for accounting purposes at the end of the Internet connection service. Of the 51 million in loss on disposal of fixed assets recorded in the current fiscal year, the amount of loss on disposal of fixed assets related to communication equipment was 45 million yen.

The Group confirms the Internet connection of the router and other communications equipment (connectivity test) to confirm the presence or absence of the actual product, and as of the end of the current consolidated fiscal year, the Group owns 652,169 of communication equipment and 19,998 of communication equipment that was disposed of during the current consolidated fiscal year. Due to the large volume of these communication equipment, if they are not disposed of in a timely manner at the end of service, assets may be overstated on the consolidated balance sheet, and net income attributable to the parent company's shareholders may be overstated.

(18) Risks related to impairment loss

The Group has communication equipment to provide Wi-Fi communication services. These assets are used in two reporting segments: Home use business and business use business. In the event that a return on investment is not expected due to a decline in profitability in these businesses, the Group's book value will be impaired, and such reduction will be recorded as an impairment loss, which may affect the Group's financial position and operating results.

(19) Internal control system

In order to maximize the corporate value of the Group, the Group has positioned the enhancement of corporate governance as one of the most important management issues and is implementing a variety of measures. The Group maintains and builds an appropriate internal control system by conducting internal audits led by the internal auditing office and establishing and improving internal controls by the internal control team of the business management division, but in the future, if the establishment of a sufficient internal control system cannot keep up with the rapid expansion of the business, it will be difficult to conduct appropriate business operations, and it may affect the Group's operating results and financial position.

(20) Dependence on interest-bearing debt

Due to the nature of the Group's business, it is necessary to invest in communication equipment in advance of revenue. In the current phase of business expansion, the scale of communication equipment investment is on the rise, and in terms of funds, we raise funds by borrowing from financial institutions in addition to cash on hand. In the real estate business, we also raise funds for the purchase of real estate for sale through borrowings from financial institutions in addition to cash on hand. In order to maintain the soundness of its financial position, the Group adjusts the amount and timing of borrowings while considering the balance with cash on hand, but if market interest rates rise or the risk premium in the telecommunications industry or the Company rises, interest expense may increase, which may affect the Group's operating results and financial position.

In addition, when raising funds, we confirm the status of sales orders, the outline of real estate for sale, the development of communication equipment within the product development division and the inventory status of each product and equipment by the construction and operation department. We request financing from financial institutions for each project without relying on a specific financial institution, and obtain their approval for financing.

However, if fundraising necessary for the Group is constrained by any factor, it may affect the Group's operating results and financial position.

(21) Fluctuations in exchange rates

Since the manufacture of communication equipment sold by the Group is carried out through a partner factory in Taiwan, transactions are denominated in U.S. dollars. As a result, U.S. dollar-denominated expenses, assets, and liabilities have been incurred. In addition, we purchase overseas communication terminal equipment through domestic companies. Therefore, in case of yen's depreciation trend in the exchange rate between the Japanese yen and the U.S. dollar depreciates, the purchase price converted into yen will increase. In order to respond to the rapid depreciation of the yen, the Group will take risk avoidance measures such as foreign exchange contracts, but depending on the situation at the time, it may not be possible to properly reflect such an increase in sales prices, which may lead to a decline in the profit margin of the Group's business performance.

On the other hand, in the case of the yen's appreciation trend, depending on the situation, it may be necessary to reduce the selling price to return the profit of a strong yen. As a result, the price difference from the cost of goods purchased in advance is reduced and it may cause a decline in the profit margin.

(22) Criteria for maintaining listing on the Prime Market

The Group selected the Prime Market as part of market reorganization of the Tokyo Stock Exchange, but as of the end of June 2024, the market capitalization of tradable shares was below 10 billion yen or more, which is the criteria for maintaining listing on the Prime Market. In accordance with the "Plan for Compliance with the Listing Maintenance Criteria," we will work to further enhance the growth potential of our business and maintain market capitalization of 10 billion yen or more, but depending on stock market trends, we may not meet the criteria for maintaining listing on the Prime Market.

(23) Improper financial reporting

The Group has established an internal control system to ensure the appropriateness of financial reporting.

However, if internal control over financial reporting does not work and inappropriate financial reporting is made, the Group's business performance may be affected, including loss of credibility, a decline in market valuation, and delisting.

(24) Claims due to inadequate customer service and compensation for damages due to accidents at construction sites

The Group strives to identify cases that show signs of complaints and prevent complaints by sharing information by creating manuals for responding to complaints and records of responses. In addition, we strive to prevent accidents at construction sites by regularly reviewing work instructions to construction contractors.

However, in the event of a failure to respond to customers or an accident at a construction site, lawsuits for damages may occur, which may affect the Group's business performance.

#### 4. [Management’s analysis of financial position, operation results and cash flows]

Forward-looking statements in this document are based on judgments as of the end of the current consolidated fiscal year.

##### (1) Overview of the operating results, etc.

###### 1) Overview of the operating results for the current fiscal year

(Millions of yen)

	Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share (Yen)
Current consolidated fiscal year	12,613	2,387	2,395	1,567	77.20
Previous consolidated fiscal year Previous Consolidated Fiscal Year	12,795	2,320	2,290	1,482	72.70
Rate of change in the same period of the preceding year (%)	-1.4	2.9	4.6	5.7	6.2

The Japanese economy during the current consolidated fiscal year (July 1, 2023 to June 30, 2024), while experiencing an increase in foreign tourists, resumption of various domestic events, and DX acceleration due to labor shortages, is still in a critical condition in which higher interest rate due to the removal of the negative interest rate policy or increased material procurement costs due to the Yen’s depreciation are concerned.

Under such circumstances, our group will continue to steadily implement the medium-term management plan on March 17th, 2023. In order to realize the medium-term visions stated in this plan, we are engaging ourselves to achieve this plan based on Step 1 “Wi-Fi in all facilities” and Step 2 “realization of future infrastructures created by telecommunications and renewable energy.”

The effect of stock business accumulation for the Home-Use business is continuing on the contrary to the heat up of competition and the slowdown in the specific customer sales channel have been seen. In addition, the sales scale of cross-sell-products including “FG smart call,” network camera- and intercom-compatible systems, that drives the growth of Home-Use business is increasing due to an aggressive business expansion.

On the other hand, the operating profit margin is on a declining trend due to the increasing trends of depreciation expenses associated with investment in telecommunication facilities and selling expenses due to the strengthening of the sales structure, as well as temporary struggles in flow sales.

As a result of the above, the segment sales increased to 10,386 million yen (+8.2% YoY), and the segment income decreased to 2,910 million yen (-2.0% YoY).

In the business use business, the long lead time from order acquisition to sales posting had been a bottleneck, but our long-time efforts to date have been paid off, and sales of premises-communication-infrastructure-services to medical and nursing care facilities, public facilities, and tourist facilities, grew significantly.

The sales related to development projects for equipment that meet the individual needs of each client at FG-Lab, our subsidiary, remained steady.

Also, increase in large-scale projects and opportunities to provide high-value-added services pushed up the Operating income margins for each project leading to an increasing trend in the operating income margin of Business-Use business as a whole. As a result of the above, the segment sales increased to 1,675 million yen (+10.8% YoY), and the segment income also increased to 480 million yen (+65.9% YoY).

The sales and segment income, although there were several real estate sales at FG Smart Asset, decreased as projects were concentrated in the previous fiscal year.

As a result of the above, the segment sales decreased to 523 million yen (-68.7% YoY), and the segment income also decreased to 57 million yen (-58.0% YoY).

Regarding other business segments, including Renewable Energy, sales were recorded for the Higashikagura of Hokkaido complex related to the installation of an All-in-one generation and consumption solar energy system.

As a result of above, the segment sales increased to 27 million yen (+221.2% YoY), and the segment income also increased to 7 million yen (+286.3% YoY).

As a result, for the current consolidated fiscal year, we report net sales of 12,613 million yen (-1.4% YoY), operating income of 2,387 million yen (+2.9% YoY), ordinary income of 2,395 million yen (+4.6% YoY), and net income attributable to shareholders of the parent company of 1,567 million yen (+5.7% YoY).

(2) Overview of financial position for the FY ended June 2024

	At the end of previous consolidated fiscal year	At the end of current consolidated fiscal year	Percent change (%)
Total assets (million yen)	12,764	13,076	2.4
Net assets (million yen)	4,758	5,836	22.6
Shareholders' equity ratio (%)	36.8	44.3	20.3
Net assets per share (yen)	230.12	285.59	24.1

(Assets)

Total assets for the current fiscal year increased by 311 million yen from the end of the previous fiscal year to 13.076 billion yen. This was due to an increase of 532 million yen in fixed assets, despite a decrease of 220 million yen in current assets.

The decrease in current assets was due to a decrease of 262 million yen in cash and deposits and 165 million yen in real estate for sale despite an increase of 186 million yen in accounts receivable and 29 million yen in commodity. The increase in fixed assets was due to a decrease of 100 million yen in deferred tax assets, despite an increase of 608 million yen in communication equipment and 28 million yen in buildings for the provision of our telecommunications services.

(Liabilities)

Total liabilities for the current fiscal year decreased by 765 million yen from the end of the previous fiscal year to 7.240 billion yen.

This was mainly due to a decrease of 321 million yen in contract liabilities, 160 million yen in short-term borrowings, and 69 million yen in long-term borrowings (including current portion of long-term borrowings).

(Net Assets)

Total net assets for the current fiscal year increased by 1.077 billion from the end of the previous fiscal year to 5.836 billion.

This was mainly due to an increase of 1,262 million yen in retained earnings, despite an increase of 168 million yen in treasury share.

(3) Overview of cash flows for the FY ended June 2024

(Millions of yen)

	Prior period	Current period	Percent change (%)
Cash flows from operating activities	4,296	2,833	-34.1
Cash flows from investing activities	-2,189	-2,377	-8.6
Cash flows from financing activities	-2,027	-723	64.3
Change in cash and cash equivalents	78	-262	-432.6
Beginning balance of cash and cash equivalents	2,303	2,382	3.4
Cash and cash equivalents at end of period	2,382	2,120	-11.0

The balance of cash and cash equivalents (hereinafter referred to as "funds") at the end of the current consolidated fiscal year is 2.120 billion yen, a decrease of 262 million yen from the end of the previous consolidated fiscal year.

The status of cash flows for the current fiscal year and their factors are as follows.

(Cash flows from operating activities)

In the current consolidated fiscal year, funds obtained from operating activities amounted to 2.833 billion yen (4,296 million yen was acquired in the previous consolidated fiscal year). This was mainly due to net income before taxes of 2.304 billion yen and depreciation expenses of 1.650 billion yen.

(Cash flows from investing activities)

In the current consolidated fiscal year, funds used through investment activities amounted to 2.377 billion yen (compared to 2.189 billion yen in the previous consolidated fiscal year). This was mainly due to expenditures of 2.331 billion yen from the acquisition of tangible fixed assets.

(Cash flows from financing activities)

In the current consolidated fiscal year, funds used through financing activities amounted to 723 million yen (compared to 2.027 billion yen in the previous consolidated fiscal year). This was mainly due to income from long-term borrowings of 1.050 billion yen, while expenditures of 1.119 billion yen from repayment of long-term borrowings, 305 million yen from dividend payments, and 188 million yen from acquisition of treasury stock.

4) Production, orders received and sales results

a. Production results

Due to the nature of the services provided by the Group, the Group's business does not fit into the description of production results, so the description has been omitted.

b. Order received results

Due to the nature of the services provided by the Group, the period from order receipt to sales is short, so the description of the major business of the Group has been omitted.

c. Sales Results

The Group's sales results for the current consolidated fiscal year by segment are as follows.

Name of segment	Amount (million yen)	Year-on-year (%)
Home use business	10,386	8.2
Business use business	1,675	10.8
Real estate business	523	△68.7
Others	27	221.2
Total	12,613	△1.4

(Notes) 1. The sales results by major counterparties for the last two consolidated fiscal years and the ratio of these sales results to the total sales results are as follows.

Name or surname of the customer	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)		Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)	
	Amount (million yen)	Ratio(%)	Amount (million yen)	Ratio(%)
USEN-NEXT LIVING PARTNERS. Inc	1,996	15.6	2,669	21.2
Ichigo Owners Inc.	1,581	12.4	—	—

2. As the sales results of Ichigo Inc. in the current consolidated fiscal year and its ratio to the total sales results are less than 10/100, the description is omitted.

(2) Analysis and consideration of the status of business results, etc., from the perspective of management

The recognition, analysis, and consideration of the status of the Group's operating results, etc., from the perspective of management are as follows. Forward-looking statements in this report are based on judgments as of the date of submission of this report.

1) Recognition, analysis, and consideration of the status of operating results, etc. for the current consolidated fiscal year

Sales for the current consolidated fiscal year were 12.613 billion yen (decreased by 1.4% from the previous consolidated fiscal year). Cost of goods sold was 6.795 billion yen (decreased by 3.7% from the previous consolidated fiscal year), selling, general and administrative expenses were 3.430 billion yen (increased by 0.3% from the previous consolidated fiscal year), operating income was 2.387 billion yen (increased by 2.9% from the previous consolidated fiscal year), ordinary income was 2.395 billion yen (increased by 4.6% from the previous consolidated fiscal year), and net income attributable to the parent company's shareholders was 1.567 billion yen (increased by 5.7% from the previous consolidated fiscal year).

a. Sales

Sales were 12.613 billion yen (decreased by 1.4% from the previous consolidated fiscal year). This was due to a decrease in real estate sales due to the concentration of real estate deliveries in the previous consolidated fiscal year while the home use and business use businesses continued to be strong,

b. Cost of goods sold, gross profit

Cost of goods sold was 6.795 billion yen (decreased by 3.7% from the previous consolidated fiscal year). The gross profit margin is on an upward trend, with the profit margin for each project increasing due to an increase in large-scale projects and opportunities to provide high-value-added services in the business use business, while telecommunications expenses increased due to an increase in sales in the home use and business use businesses, an increase in depreciation expenses of communication equipment, and an increase in communication expenses due to an increase of telecommunications traffic. As a result, gross profit was 5.817 billion yen (increased by 1.3% from the previous consolidated fiscal year).

c. Selling, general and administrative expenses, operating income

Selling, general and administrative expenses were 3.430 billion yen (increased by 0.3% from the previous consolidated fiscal year). This was mainly due to an increase in sales commissions and other expenses in line with the expansion of the business scale. As a result, operating income was 2.387 billion yen (increased by 2.9% from the previous consolidated fiscal year).

d. Non-operating income, non-operating expenses and ordinary income

Non-operating income and non-operating expenses were not significant. As a result, ordinary income was 2.395 billion yen (increased by 4.6% from the previous consolidated fiscal year).

e. Extraordinary income, extraordinary loss, and net income attributable to the parent company's shareholders

No extraordinary income was incurred in the current consolidated fiscal year (24 million yen in the same period of the previous fiscal year). In the previous consolidated fiscal year, there was a gain from sale of fixed asset of 24 million yen.

Extraordinary loss was 91 million yen (decreased by 36.8% from the previous fiscal year). This was mainly due to the recording of loss on disposal of communication equipment that have been discontinued and the recording of loss on valuation of investment securities. As a result, net income before income taxes was 2.304 billion yen (increased by 6.2% from the previous consolidated fiscal year), and net income attributable to the parent company's shareholders was 1.567 billion yen (increased by 5.7% from the previous consolidated fiscal year) due to the recording of income taxes-current and income taxes-deferred.

2) Information on the analysis and consideration of the status of cash flows, financial resources of capital and liquidity of funds

a. Analysis and consideration of the status of cash flows

The status of cash flows for the current consolidated fiscal year is described in "3) Overview of cash flows for the current fiscal year of (1) Overview of the operating results, etc. in 4. [Management's analysis of financial position, operation results and cash flows]".

b. Demand for funds

The Group's main demand for working capital is those arising from the difference between the payment of purchase payables due to an increase in sales and the collection of accounts receivables, the increase in inventory such as communication equipment and real estate for sale, and payments related to the acquisition of communication equipment and devices, which are tangible fixed assets. In addition, selling, general and administrative expenses, including an increase in personnel costs due to the expansion of the business and the enhancement of the management system, are also factors contributing to the increase in demand for funds.

c. Financial Policy

The Group's increased working capital will be raised through its own funds and borrowings from financial institutions.



### 3) Significant accounting policy and estimates

The Group's consolidated financial statements are prepared in accordance with accounting standards that are generally accepted as fair and reasonable in Japan. In order to prepare it, it is necessary to make estimates that affect the selection and application of accounting policy by management, as well as the amount and disclosure of assets and liabilities, revenues and expenses. These estimates are rationally judged in consideration of past performance and reviewed as necessary, but due to uncertainties in the estimates, actual results may differ from these estimates.

Significant accounting policy for the preparation of the consolidated financial statements are described in “Notes: Significant matters forming the basis for preparation of consolidated financial statements to (1) Consolidated financial statements of 1. [Consolidated financial statements and others] in 5. [Financial information].”

### 4) Factors that have a significant impact on operating results

As described in “3. [Business and other risks] in 2. [Business overview],” the Group recognizes that various risk factors, such as the business environment, business activities, and legal restrictions, may have a significant impact on the Group's operating results.

Therefore, in order to diversify and reduce these risks, we will strengthen our internal control system, secure and develop excellent human resources, and provide optimal products and services at the optimal timing while paying attention to market trends.

### 5) Current status and outlook of management strategy

Based on the management policy of becoming a price maker by creating niche market and increasing market share, the Group has been working to expand its business, mainly in home use and business use businesses.

In order to realize the continuous development of the Group's business, we will continue to strengthen our sales structure including partner companies through a vertically integrated business model, as well as promote differentiation and high added value through the development of new products and services based on feedback information from service operation and customer support, add functions of advertising service using Wi-Fi and strengthen its marketing. We will strive to expand our business by further expanding sales.

Based on these management strategy policies, we aim for sustainable growth and will contribute to the development of the telecommunications Wi-Fi market in the process of the Group's growth and development.

### 6) Management's problem recognition and future policy

In order for the Group to expand its business in the future and continue to provide better services, management recognizes that it is necessary to address the various issues described in “1. [Management policy, management environment, and issues to be addressed] in 2. [Business overview].” In order to respond to these issues, management will constantly obtain and analyze information on various needs and changes in the business environment, confirm the current and future business environment, recognize the issues in the meantime, and implement optimal solutions.

## 5. [Important business contracts]

### (Manufacturing Agreement)

Name of the other party (its location)	Name of the contract	Contract details	Contract term
Tailyn Technologies, Inc. (Taiwan)	Manufacturing Agreement	Outsourcing of product development and manufacturing of telecommunication equipment	From December 27, 2017 to December 26, 2021 (Automatic renewal every 1 year thereafter)
Emplus Technologies, Inc. (Taiwan)	Manufacturing Agreement	Outsourcing of product development and manufacturing of telecommunication equipment	Not specified

### (Establishment of Joint Venture)

We established a joint venture with H-Power Holdings Inc.

For details, please refer to "Notes on (1) Consolidated Financial Statements and others (Significant Subsequent Events) in 5. 1. Consolidated Financial Statements and others".

## 6. [Research and development activities]

In order to further strengthen the Group's vertically integrated business model, we are conducting R&D activities on communication equipment and systems. Specifically, we focus on the development and improvement of communication equipment such as Wi-Fi routers and access points (APs), as well as system development.

In addition, in order to carry out efficient company management, we are also developing a communication infrastructure management system for the provision of Wi-Fi services of the Group.

R&D expenses for the current fiscal year amounted to 13 million yen.

Please note that the above R&D expenses are not related to specific segments, so they are not listed by segment.

### 3. [Equipment and facilities]

#### 1. [Overview of capital expenditures]

The total amount of capital expenditures made by the Group during the current consolidated fiscal year is 2.364 billion yen.

The main capital expenditures for the installation of telecommunication equipment for the provision of services are 2.185 billion yen for the home use business and 77 million yen for the business use business.

#### 2. [Major equipment and facilities]

The Group's major facilities are as follows.

##### (1) The Company

As of June 30, 2024

Name of establishment (Location)	Name of segment	Contents of equipment	Book value (million yen)					Number of employees (persons)
			Building	Telecommu- nication equipment	Land (Area m <sup>2</sup> )	Others	Total	
Headquarter (Chuo-ku, Sapporo)	Home use business Business use business Common company-wide	Office equipment and fixtures	1	0	— (—)	0	1	37 (2)
Tokyo office (Minato-ku, Tokyo)	Home use business Business use business Common company-wide	Office equipment and fixtures	32	—	— (—)	4	37	140 (12)
Others	Home use business Business use business Common company-wide	Office equipment and communication equipment for rent, etc.	1	7,153	— (—)	5	7,160	40 (4)

(Notes) 1. There are no major facilities currently idle.

2. The number shown in the brackets of number of employees denotes average number of temporary employees.

3. "Others" in the book value refers to tools, instruments and fixtures, and construction in progress.

##### (2) Domestic Subsidiaries

Due to lack of significance, the description has been omitted.

##### (3) Overseas Subsidiaries

Due to lack of significance, the description has been omitted.

### 3. [Plans for establishment and disposal, etc. of facilities]

#### (1) Establishment of new significant facilities, etc.

The Group's capital expenditures are formulated in consideration of economic forecasts, industry trends, investment efficiency, and other factors.

We plan to continue to acquire additional telecommunication equipment for the home use business in the 25th fiscal year as the business expands.

Name of company	Name of establishment (Location)	Name of segment	Contents of facility	Amount to be invested		Procurement Methods	Commencement and Completion Schedule		Increased capacity after completion
				Total amount (million yen)	Paid amount (million yen)		Commencement	Completion	
The Company	Company-wide (-)	Home use business Business use business	Communication equipment for business	2,600	-	Own capital or borrowings	July 2024	June 2025	(See Notes 1)
The Company	Company-wide (-)	Each business	Mission critical system	Undecided (See Notes 2)	—	Own capital or borrowings	July 2024	June 2027	(See Notes 1)

(Notes) 1. Increased capacity after completion is omitted because it is difficult to grasp the figures.

2. Since the specifications of the mission critical system are under consideration, the amount to be invested has not yet been decided.

#### (2) Disposal of significant facilities, etc.

There is no plan for disposal of significant facilities, except for the disposal of facilities for the renewal of regular updating.

#### 4. [Corporate information]

##### 1. [Information on the Company's shares]

(1) [Total number of shares, etc.]

1) [Total number of shares]

Type	Total number of authorized shares (shares)
Common share	79,100,000
Total	79,100,000

2) [Shares issued]

Type	Number of shares issued as of the end of the fiscal year (shares) (June 30, 2023)	Number of shares issued as of the date of submission (shares) (September 28, 2023)	Name of listed financial instruments exchange or certified financial instruments firms associations	Details
Common share	20,593,600	20,593,600	Tokyo Stock Exchange (Prime Market) Sapporo Securities Exchange	The number of shares in one unit is 100 shares. Common share is with full voting rights, which is a standard share of the Company with no restrictions on the content of rights.
Total	20,593,600	20,593,600	-	-

(Notes) 1. As of the date of submission, the number of shares issued does not include the number of shares issued through the exercise of stock acquisition rights from September 1, 2024 to the date of submission of this report.

(2) [Status of stock acquisition rights, etc.]

1) [Details of the stock option system]

The details of the stock option system are stated in "stock option related" in Notes to (1) Consolidated financial statements of 1. Consolidated financial statements and others in 5. Financial information.

2) [Details of rights plan]

There are no applicable matters.

3) [Status of Other Stock Acquisition Rights, etc.]

There are no applicable matters.

(3) [Exercise status of corporate bond certificate with stock acquisition rights with exercise price adjustment clause]

There are no applicable matters.

## (4) [Changes in the total number of shares issued, capital, etc.]

Date	Changes in total number of shares issued (shares)	Balance of total number of shares issued (shares)	Changes in capital (million yen)	Balance of capital (million yen)	Changes in capital reserve (million yen)	Balance of capital reserve (million yen)
From July 18, 2019 to August 19, 2019 (See Notes 1)	88,900	9,896,300	8	434	8	341
September 1, 2019 (See Notes 1)	9,896,300	19,792,600	—	434	—	341
From November 15, 2019 to June 15, 2020 (See Notes 1)	609,800	20,402,400	44	479	44	385
From October 15, 2020 to January 15, 2021 (See Notes 1)	85,400	20,487,800	9	488	9	394
From July 15, 2021 to October 15, 2021 (See Notes 1)	103,400	20,591,200	5	494	5	400
May 15, 2024 (See Notes 1)	2,400	20,593,600	0	494	0	400

(Notes) 1. The increase is due to the exercise of stock acquisition rights.

2. This is due to the share split of two shares for every one common share conducted on September 1, 2019 based on the resolution of the board of directors held on August 9, 2019.

## (5) [Status by owner]

As of June 30, 2024

Division	Status of Shares (100 shares per unit)								Status of shares less than one unit (shares)
	Government and local governments	Financial institution	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individual and others	Total	
					Non-individual	Individual			
Number of shareholders (persons)	0	9	25	54	70	10	5,156	5,324	—
Number of shares held (Units)	0	52,750	5,076	54,823	14,642	90	78,384	205,765	17,100
Shareholding ratio (%)	0.00	25.64	2.47	26.64	7.12	0.04	38.09	100.00	—

(Notes) The treasury shares of 322,207 shares are listed including 3,222 units in “Individual and others” and 7 shares in “Status of shares less than one unit”.

## (6) [Status of major shareholders]

As of June 30, 2024

Name	Address	Number of shares held (1,000 shares)	Ratio of number of shares held to the total number of shares issued (excluding treasury shares) (%)
MI Corporation Inc.	Nishi 9-1-2, Minami 2-Jo, Chuo-ku, Sapporo-shi, Hokkaido	4,749	23.42
Masanori Inomata	Chuo-ku, Sapporo-shi, Hokkaido	2,827	13.94
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	2,441	12.04
Sumitomo Mitsui Trust Bank, Ltd. (Trust Account A-23)	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,700	8.38
Taizo Matsumoto	Taito-ku, Tokyo	1,092	5.38
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	1,091	5.38
Hikari Tsushin K.K.	1-4-10 Nishi-Ikebukuro, Toshima-ku, Tokyo	599	2.95
CACEIS BANK/QUINTETLUXEMBOURG SUB AC / UCITS CUSTOMERS ACCOUNT (Standing proxy: Custody Business Department of HSBC Bank Tokyo Branch)	1-3 PLACE VALHUBERT 75013 PARIS FRANCE (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	429	2.11
BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1 (Standing proxy: MUFG Bank, Ltd.)	VERTIGO BUILDING - POLARIS 2-4 RUE EUGENE RUPPERT L-2453 LUXEMBOURG GRAND DUCHY OF LUXEMBOURG (Settlement Division, 7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo)	293	1.44
Nomura Securities Co., Ltd.	1-13-1 Nihonbashi, Chuo-ku, Tokyo	264	1.30
Total	—	15,487	76.40

(Notes) 1. Ratio of number of shares held to the total number of shares issued (excluding treasury shares) is rounded down to the third decimal place.

2. Of the above number of shares held, the number of shares related to the trust business is not listed because it is not possible for the Company to grasp it.
3. The 1,700 thousand shares of Sumitomo Mitsui Trust Bank, Ltd. (Trust Account A-23) are related to a trust agreement for the purpose of managing shares with Masanori Inomata, President and Chief Executive Officer of the Company, as the trustor and beneficiary, and Sumitomo Mitsui Trust Bank, Ltd. as the trustee. In addition, 800 thousand shares of the 2,411 thousand shares held by the Custody Bank of Japan, Ltd. (trust account) are due to the conclusion of a management trust agreement for donated shares for shares held by Masanori Inomata, President and Chief Executive Officer of the Company. As a result, the actual number of shares held by Masanori Inomata is 10,076 thousand shares with the ratio of 49.70%, which includes the number of shares held by MI Corporation Inc., the asset management company of Masanori Inomata.

## (7) [Status of voting rights]

## 1) [Shares issued]

As of June 30, 2024

Division	Number of shares (shares)	Number of voting rights (pcs)	Details
Non-voting share	—	—	—
Share with restricted voting right (Treasury stock, etc.)	—	—	—
Share with restricted voting right (Others)	—	—	—
Share with full voting rights (Treasury stock, etc.)	Common share 322,200	—	—
Shares with full voting rights (Others)	Common share 20,254,300	202,543	—
Share less than one unit	Common share 17,100	—	—
Total number of shares issued	20,593,600	—	—
Voting rights of all shareholders	—	202,543	—

## 2) [Treasury stock, etc.]

As of June 30, 2024

Name of owner	Address of owner	Number of shares held in own name (shares)	Number of shares held in someone else's name (shares)	Total number of shares held (shares)	Ratio of number of shares held to the total number of shares issued (%)
Fibergate Inc.	Nishi 8-10-3, Minami 1-Jo, Chuo-ku, Sapporo-shi 3	322,200	—	322,200	1.56
Total	—	322,200	—	322,200	1.56



(8) [Details of the officer and employee stock ownership plan]

1. Stock-based remuneration plan for directors

The Company has introduced a stock-based remuneration plan for directors based on the resolution of the 22nd Ordinary General Meeting of Shareholders held on September 28, 2021.

For details of the plan, please refer to “(4) Remuneration of Officers, etc. in 4. Corporate Governance”

2. Stock-based remuneration plan for executive officers who are not Directors

1) Outline of the stock-based remuneration system for executive officers who are not Directors

At the Board of Directors meeting held on September 26, 2024, the Company resolved to provide incentives to executive officers who are not Directors (hereinafter referred to as "eligible executive officers") to continuously improve the Company's corporate value as well as to pay remuneration to eligible executive officers for the granting of shares of the Company's common share with the aim of further promoting value sharing with shareholders.

2) Total number of shares to be acquired under the stock-based compensation plan for eligible executive officers

The total number of shares to be issued or disposed of for the granting of the Company's common share to the eligible executive officers shall be ●shares (provided, however, that the total number of the Company's common share to be issued or disposed of shall be adjusted to a reasonable extent in the event of a share split (including gratis allotment of the Company's common share) or consolidation of the Company's common share, or if there is any reason requiring adjustment of the total number of the Company's common share, on or after the date on which the proposal is approved).

3) Scope of persons entitled to beneficiary rights and other rights under the stock-based remuneration plan for executive officers

It shall be the Company's executive officers who meet the beneficiary requirements.

3. Employee stock ownership plan

1) Overview of the employee stock ownership plan

For the purpose of employee benefits, the Company has introduced an employee stock ownership plan so that its employees and Employees of our subsidiaries can acquire and hold its own shares on a regular and continuous basis to help build assets.

2) Total number of shares to be acquired in the employee stock ownership plan

There is no specific stipulation.

3) Scope of persons who can receive beneficiary rights and other rights under the employee stock ownership plan

It is limited to our employees.

## 2. [Acquisition of treasury share]

[Types of shares, etc.] Acquisition of common shares that fall under Article 155, item 3 of the Companies Act

(1) [Status of acquisition by resolution of the General Meeting of Shareholders]

There are no applicable matters.

(2) [Status of acquisition by resolution of the board of directors]

Division	Number of shares (shares)	Total value
Status of resolutions at the board of directors meeting (March 17, 2023) (Acquisition Period: from March 20, 2023 to September 15, 2023)	116,800	100,000,000
Treasury shares acquired prior to the current fiscal year	4,900	4,397,600
Treasury shares acquired in the current fiscal year	69,500	95,584,600
Total number and value of the remaining resolution shares	42,400	17,800
Non-exercise ratio as of the end of the current fiscal year (%)	36.3	0.02
Treasury shares acquired during the current period	—	—
Non-exercise ratio as of the date of submission (%)	36.3	0.02

Division	Number of shares (shares)	Total value
Status of resolutions at the board of directors meeting (November 14, 2023) (Acquisition Period: from November 15, 2023 to March 31, 2024)	89,686	100,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired in the current fiscal year	89,600	93,225,100
Total number and value of the remaining resolution shares	86	6,774,900
Non-exercise ratio as of the end of the current fiscal year (%)	0.10	6.77
Treasury shares acquired during the current period	—	—
Non-exercise ratio as of the date of submission (%)	0.10	6.77

(3) [Content not based on a resolution of the general meeting of shareholders or a resolution of the board of directors]

Division	Number of shares (shares)	Total value (yen)
Treasury shares acquired in the current fiscal year	—	—
Treasury shares acquired during the current period	—	—

(Notes) The treasury shares acquired during the current period do not include shares purchased from share less than one unit from September 1, 2023 to the date of submission of this annual securities report.

## (4) [Status of processing and holding of acquired treasury shares]

Division	Current fiscal year		Current Period	
	Number of shares (shares)	Total disposal (value yen)	Number of shares (shares)	Total disposal (value yen)
Acquired treasury shares that are solicited to subscribe for	—	—	—	—
Acquired treasury shares that are disposed of for cancellation	—	—	—	—
Acquired treasury shares that are transferred pertaining to mergers, share exchanges, share delivery, and company splits	—	—	—	—
Others (See Notes 2)	18,065	20,467,645	—	—
Number of treasury shares held	322,207	—	322,207	—

(Notes) 1. The number of treasury shares held during the period under review does not include shares purchased from the purchase of less than one unit of shares from September 1, 2024 to the date of submission of this annual securities report. The number of treasury shares held does not include shares purchased from share less than one unit from September 1, 2024 to the date of submission of this annual securities report.

2. It is a disposal under the share delivery plan for employees.

### 3. [Dividend policy]

The Group aims to expand its business performance through growth investments and regards the return of profits to shareholders as one of the most important management issues.

Profits for each fiscal year will be divided into three major divisions, and in principle, one-third of them will be used as a source of profit dividends as a return to shareholders, another one-third of them will be used for returns to executives and employees, which are important human capital, and business investments for further growth of the Company, and the remaining one-third will be retained earnings.

The decision-making body for dividends is the General Meeting of Shareholders. In addition, the Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, pay interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act.

The dividends of surplus for the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Million yen )	Dividend per share (yen)
February 14 , 2024 Board meeting	101	5.00
September 26, 2024 Annual General Meeting of Shareholders	253	12.50

#### 4. [Corporate governance]

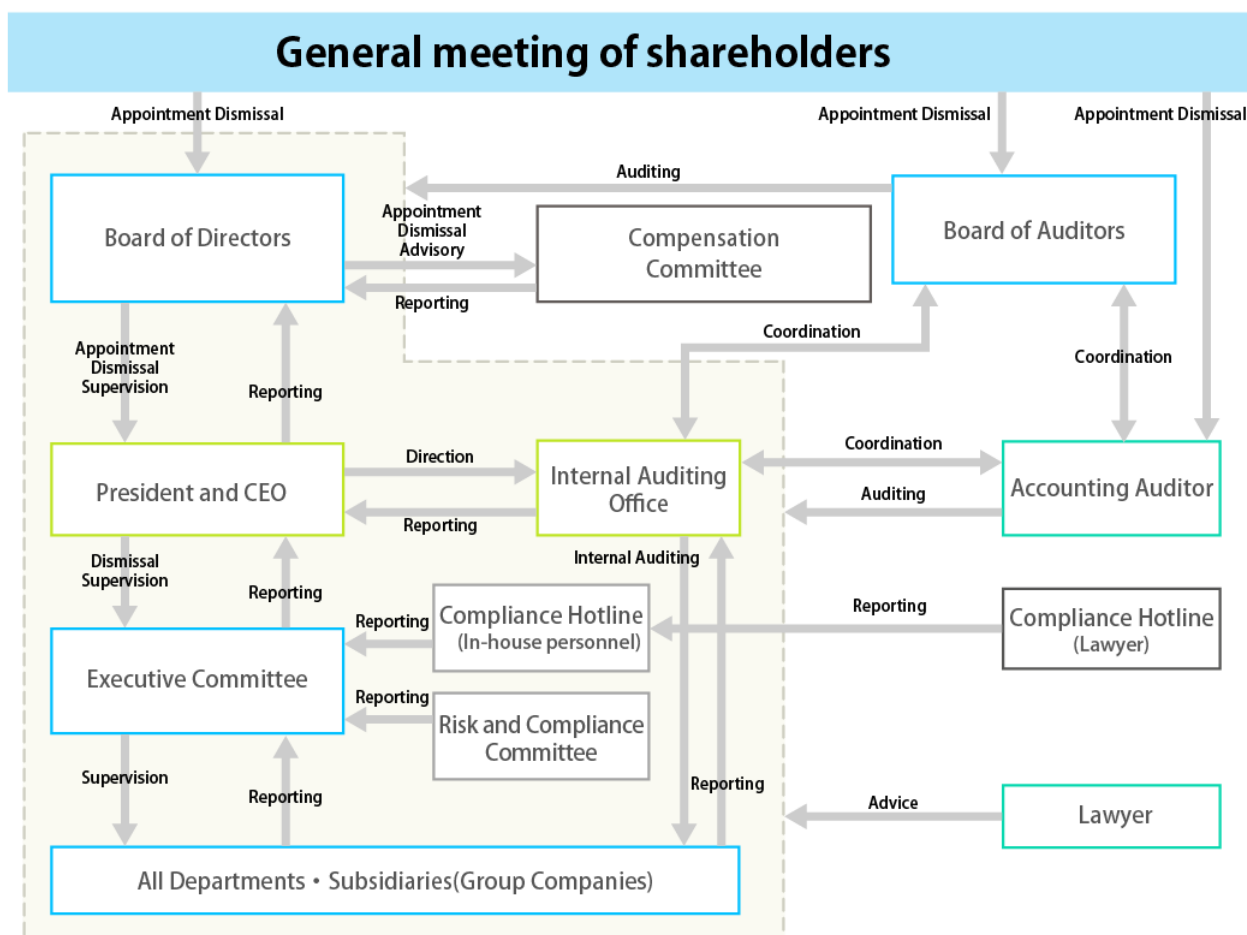
##### (1) [Overview of Corporate Governance]

###### 1. Basic approach to corporate governance

The Company recognizes that it is an important management issue to build a corporate governance system in which "internal control," "compliance," and "disclosure control" function sufficiently. In addition, we believe that securing the trust of all stakeholders, including shareholders, and the company will lead to an increase in corporate value, and we will strive for sound and transparent management while pursuing fairness and efficiency, and will fulfill accountability. In addition, we disclose information to stakeholders, including shareholders, in a timely and appropriate manner, and work to build and maintain a sound and highly transparent management system.

###### 2. Outline of the corporate governance system and reasons for adopting the system

The Company's corporate governance system is as follows.



\*The meeting body of the Executive Officers' Meeting includes each committee. (Risk Management & Compliance Committee, Information Security Committee)

(1) Reasons for adopting a corporate governance system

The Company has adopted a company with an Audit and Supervisory Committee as its corporate governance system. On top of that, we have introduced an executive officer system with the aim of enhancing legal compliance as a company, revitalizing the Board of Directors, and clarifying the person responsible for business execution.

The Internal Audit Office, which is the internal audit division, has determined that corporate governance will function effectively through mutual cooperation among these organizations, and has adopted the current corporate governance system.

In addition, the Nomination and Remuneration Committee has been established as a voluntary advisory body to the Board of Directors in order to strengthen the fairness and objectivity of procedures related to the nomination and remuneration of Directors and to further enhance corporate governance.

(2) Outline of the corporate governance system

1) Board of Directors and Directors

The Board of Directors of the Company consists of seven Directors (including two Outside Directors) excluding the Audit and Supervisory Committee members and three Directors (including two Outside Directors) who are the Audit and Supervisory Committee members. By making it a decision-making body that can respond quickly to changes in the environment, we are working to establish the business execution supervision system and ensure fairness in decision-making.

As a general rule, the Board of Directors holds regular meetings of the Board of Directors once a month, as well as extraordinary meetings of the Board of Directors as necessary to make decisions on material matters related to management and business execution. Executive officers attend meetings of the Board of Directors as necessary.

2) Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of three members: one Director who is a full-time Audit and Supervisory Committee member and two Outside Directors (Audit and Supervisory Committee members). The Audit and Supervisory Committee holds regular meetings of the Audit and Supervisory Committee once a month, and stipulates that extraordinary meetings of the Audit and Supervisory Committee may be held as necessary.

The Audit and Supervisory Committee will establish a system for auditing overall management, with a focus on accounting audits and operational audits, and will conduct effective and efficient audits in cooperation with the Accounting Auditor and the Internal Audit Office.

3) Ex

The Executive Officers' Meeting is held once a week in principle as an organization to report on operations in line with management policies and collect material information related to them, share information among divisions, and discuss business plans, policies related to the business as a whole, and matters that should be considered across the organization in terms of issues faced by each division. The members of the Executive Officers Committee are composed of executive officers and persons appointed by the President and CEO, and executive officer, and the meeting is managed by having the person in charge attend and express opinions as necessary.

4) Internal Audit Office

The Company has established an independent Internal Audit Office, and the Internal Audit Office (4 members) under the orders of the President and CEO conducts operational audits to cover the entire Group and reports the results of the audits to the President and CEO, and the Audit and Supervisory Committee. Based on the audit results, the President and CEO instructs the audited division to make improvements and reports the results to maintain and improve internal control. In addition, the Internal Audit Office, Audit and Supervisory Committee members, and the Accounting Auditor exchange information as appropriate to ensure effective and efficient audits, and strive for efficient audits.

5) Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three or more members selected by resolution of the Board of Directors, the majority of whom are Outside Directors to ensure independence.

The Nomination and Remuneration Committee deliberates and reports on matters related to the appointment and dismissal of Directors, Audit and Supervisory Committee members, and executive officers, matters related to the selection and dismissal of the President and CEO, and executive officers with titles, matters related to the remuneration of Directors and executive officers, and matters related to succession planning (including development).

The Company's Board of Directors, the Audit and Supervisory Committee, the Executive Officers' Meeting, and the Nomination and Remuneration Committee are comprised of the following members.

Position	Name	Board Meeting	Audit and Supervisory Committee	Executive Meeting	Nomination and Compensation Committee (Meeting of Nomination)	Nomination and Compensation Committee (Meeting of Compensation)
Representative Director, President Executive Officer	Masanori Inomata	Chairman	—	Chairman	○	—
Director, Vice President Executive Officer	Daisuke Ishikawa	○	—	○	—	—
Director, Senior Executive Officer	Takafumi Hamazu	○	—	○	○	○
Director, Executive Managing Officer	Hisashi Kaneko	○	—	○	—	—
Director, Executive Officer	Mie Ishimaru	○	—	○	—	○
Outside Director	Nobuyuki Shinoda	○	—	—	Chairman	Chairman
Outside Director	Chikako Shimahata	○	—	—	○	○
Director Audit and Supervisory Committee(Full-time)	Tetsuo Tatsuta	○	Chairman	○	—	—
Outside Director Audit and Supervisory Committee	Tomohiro Obata	○	○	—	○	○
Outside Director Audit and Supervisory Committee	Hiroshi Kamada	○	○	—	○	○
Executive Managing Officer	Shigenori Imagawa	—	—	○	—	—
Executive Officer	Satoshi Inoue	—	—	○	—	—
Executive Officer	Tomohiro Minagawa	—	—	○	—	—

3. Activities of the Board of Director, Audit and Supervisory Committee members, and voluntary Nomination and Remuneration Committee

(1) Board of Director

The activities in the current consolidated fiscal year are as follows.

Position	Name	Attendance
Representative Director, President Executive Officer	Masanori Inomata	100% (14 times /14 times)
Director, Vice President Executive Officer	Daisuke Ishikawa	100% (14 times /14 times)
Director, Senior Executive Officer	Takafumi Hamauzu	100% (14 times /14 times)
Director, Executive Managing Officer	Hisashi Kaneko	100% (14 times /14 times)
Director, Executive Officer	Mie Ishimaru	100% (14 times /14 times)
Outside Director	Nobuyuki Shinoda	100% (14 times /14 times)
Outside Director	Chikako Shimahata	100% (14 times /14 times)
Director Audit and Supervisory Committee(Full-time)	Tetsuo Tatsuta	100% (14 times /14 times)
Outside Director Audit and Supervisory Committee	Tomohiro Obata	100% (14 times /14 times)
Outside Director Audit and Supervisory Committee	Hiroshi Kamada	100% (14 times /14 times)

In addition to matters stipulated by laws and regulations and matters to be resolved, the Board of Directors reports, discusses, and makes decisions on annual management plans and medium-term plans, bank borrowing, revision and abolition of significant organizations, capital policy, consolidation and closure of offices, verification of the effectiveness of the Board of Directors, ongoing discussions on corporate governance, and other significant management matters.

(2) Nomination and Remuneration Committee

The activities in the current consolidated fiscal year are as follows.

Name	Meeting of Nomination	Meeting of Compensation
Nobuyuki Shinoda	100% (8 times /8 times )	100% (8 times /8 times )
Chikako Shimahata	100% (8 times /8 times )	100% (8 times /8 times )
Tomohiro Obata	100% (8 times /8 times )	100% (8 times /8 times )
Hiroshi Kamada	100% (8 times /8 times )	100% (8 times /8 times )
Masanori Inomata	100% (8 times /8 times )	—
Takafumi Hamauzu	100% (8 times /8 times )	100% (8 times /8 times )
Mie Ishimaru	—	100% (8 times /8 times )

\* If a meeting on nomination and that on remuneration are held at the same time, each meeting is counted as an independent meeting.



Specific matters to be considered by the Nomination and Remuneration Committee include the remuneration system and remuneration policy for Directors (including Audit and Supervisory Committee members) and executive officers, the details of individual remuneration for Directors and executive officers, and proposals for the General Meeting of Shareholders (only proposals related to remuneration), and are reported to the Board of Directors.

In addition to the above, the Committee formulates regulations for the Nomination and Remuneration Committee, selects a chairperson, considers composition of the Board of Directors, considers policies and standards for the appointment and dismissal of Directors and executive officers, including Audit and Supervisory Committee members, and considers individual appointments.

#### 4. Other matters related to corporate governance

In order to improve management transparency and ensure compliance, the Company has positioned it as a significant issue to build an organizational structure that can respond quickly to changes in the business environment while strengthening its corporate governance system.

With regard to internal control, the Board of Directors approved the “Basic Policy on Internal Control” on September 9, 2016 and October 13, 2023. In order to improve the effectiveness and efficiency of operations, ensure the reliability of financial reporting, and achieve compliance with laws and regulations related to business activities, the Company's internal control system adopts an internal control system as described in "B. Corporate Governance System of the Company" and rationally divides duties by complying with the regulations on the segregation of operations and the regulations on administrative authority. We strive to avoid the concentration of work and authority in a specific organization or a specific person in charge, and to ensure that the internal checks and balances function works appropriately. In addition, we have established a whistleblowing hotline where employees can directly report and consult regarding fraudulent acts and violations.

##### (1) Status of development of internal control system

The Company has established the “Basic Policy on Internal Control” and has maintained an internal control system for the entire Fibergate Group, including business management, compliance, risk management, and ensuring the effectiveness of audits by the Audit and Supervisory Committee, in accordance with the policy, and has organized an internal control team in the business management division to develop and build internal controls and provide education and guidance to employees. We strive to ensure the appropriateness of our operations and to enhance our corporate value.

##### (2) Status of development of systems related to business management of group companies

The Company has established various policies and other matters to be complied by Group companies for the purpose of ensuring the appropriateness of operations at Group companies and ensuring that the execution of duties complies with laws and regulations and the Articles of Incorporation.

##### (3) Status of evaluation of the effectiveness of the Board of Directors

The Company strives to ensure the effectiveness of the Board of Directors by actively incorporating opinions on the operation of the Board of Directors from highly independent Outside Directors, but in order to further enhance the effectiveness of the Board of Directors, we analyze and evaluate the effectiveness of the Board of Directors as a whole every year and disclose a summary of the results. The Company conducts a questionnaire to all Directors and analyzes and evaluates the effectiveness of the Board of Directors based on the opinions of external consultants based on the results of the questionnaire, and confirms that the Company's Board of Directors is operated appropriately and that its effectiveness is ensured. We will continue to promote initiatives to improve the effectiveness of the Board of Directors.

The Audit and Supervisory Committee also evaluates the effectiveness of the Audit and Supervisory Committee every year. Three members of the Audit and Supervisory Committee review the audit activities for the current fiscal year, evaluate and analyze them for the purpose of improving audit quality, recognize efforts to improve effectiveness, and reflect them in the audit plan for the following fiscal year.

##### (4) Status of development of risk and compliance management system

The Company recognizes that risk management is an extremely important management activity. Specifically, the Directors and the Board of Directors strives to execute and supervise business operations, while at the same time, in order to strengthen the risk management system, we are working to enhance internal control functions by formulating business plans, controlling budgets, operating and checking operations based on various regulations, and strengthening internal audits. In addition, in the event that a serious crisis that has an external impact is discovered in risk management, the Risk Management and Compliance Committee, which is composed of executive officers, shall be established at the Executive Officers' Meeting to investigate, confirm the facts, and respond externally to the crisis in an effort to prevent recurrence.

In addition to establishing the “Compliance Regulations” and the “Bylaws of the Compliance Code of Conduct,” which stipulate the basic approach to compliance and the roles of the Company and its group companies, the Group has established the Risk Management and Compliance Committee, which deliberates on material matters related to risk and compliance and reports to the Executive Officers' Meeting.

(5) Summary of the contents of the limited liability contract

The Company has entered into a contract with two Outside Directors who are not the Audit and Supervisory Committee members and two of those who are the Audit and Supervisory Committee members to limit liability for compensation under Article 423, Paragraph 1 of the Companies Act in accordance with Article 427, Paragraph 1 of the same Act and the Company's Articles of Incorporation. The maximum amount of liability for compensation under the contract is the minimum amount of liability stipulated in Article 425, Paragraph 1 of the same Act. Such limit shall be applicable only when the performance of the Outside Directors' duties giving rise to such liabilities is recognized to have been carried out in good faith and with no gross negligence.

(6) Summary of the contents of the contract of directors and officers liability insurance

The Company has entered into a contract of directors and officers liability insurance with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act, in which the directors of the Company and its subsidiaries are insured, and the Company bears all insurance premiums.

The summary of the contents of the insurance contract is that the insurance company compensates for damages that may result from the insured being liable for the execution of his or her duties or receiving a claim for the pursuit of such liabilities, and the policy is renewed every one year. We plan to renew it with the same content at the next contract renewal.

(7) Number of directors

Our articles of incorporation stipulate that the maximum number of directors (excluding those who are Audit and Supervisory Committee members) is 10 persons and 5 persons for those who are Audit and Supervisory Committee members.

(8) Resolutions requirement for the election of directors

Our articles of incorporation stipulate that resolutions for the election of directors shall be adopted by a majority of the voting rights of shareholders holding one-third or more of the voting rights of shareholders who are eligible to exercise their voting rights in attendance, and not by cumulative voting.

(9) Matters to be resolved by the board of directors among the those to be resolved at the general meeting of shareholders

1) Interim dividends

The Company may pay dividends of surplus stipulated in Article 454, paragraph 5 of the Companies Act to shareholders or registered pledgees of shares who are listed or recorded in the last shareholder registry as of December 31 of each year pursuant to the resolution of the Board of Directors,

2) Exemption from liability of directors

In accordance with the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by resolution of the board of directors, exempt directors (including those who were directors) under Article 423, Paragraph 1 of the same Act from liability for damages to the extent permitted by laws and regulations. And in accordance with the provisions of Article 427, paragraph 1 of the said Act, the Company may conclude liability limitation agreement with directors (excluding those who are executive directors, etc.); provided, however, that the maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations.

3) Treasury share acquisition

In accordance with the provisions of Article 165, paragraph 2 of the Companies Act, the Company may acquire treasury shares through market transactions, etc., by resolution of the board of directors.

(10) [Special resolution requirements for general meeting of shareholders]

For the purpose of ensuring the smooth operation of the general meeting of shareholders, our articles of incorporation stipulate that special resolution requirement at the general meeting of shareholders provided for in Article 309, paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the voting rights of shareholders holding one-third or more of the voting rights of shareholders who are eligible to exercise their voting rights in attendance.

## (2) [Status of executives]

## 1) List of executives

The status of the Company's executives as of September 28, 2023 (the date of submission of the annual securities report), is as follows.

8 men, 2 women (women ratio of 20%)

Position	Name	Date of birth	Career profile	Term of office	Number of shares held (shares)
Representative Director, President Executive Officer	Masanori Inomata	February 26, 1965	<p>April 1987      Joined Koa Fire and Marine Insurance Co., Ltd. (current Sampo Japan Insurance Inc.)</p> <p>December 1995      CEO of Mynet Inc.</p> <p>June 1996      Director of Justiclare Inc.</p> <p>November 1996      Director of Teleco Aptem inc. (former Mynet Inc.)</p> <p>November 1998      Director of Do Telecom Inc.</p> <p>November 2003      President and CEO of the Company</p> <p>August 2008      Representative Director of Japan Monthly Mansion Association</p> <p>December 2008      Audit &amp; Supervisory Board Member of LEOC Inc.</p> <p>June 2010      CEO of FG Marketing Inc.</p> <p>June 2011      CEO of Chintai Seikatsu Inc. (current MI Corporation Inc.) (current holder)</p> <p>December 2014      CEO of Kazeno Kabushiki Kaisha</p> <p>July 2015      CEO of Fibergate Taiwan Inc.</p> <p>July 2017      Auditor of Japan Monthly Mansion Association</p> <p>January 2020      Director of FG-Lab Inc. (current holder)</p> <p>March 2020      CEO of BizGenesis Inc.</p> <p>December 2020      Representative Director of MI Foundation (current holder)</p> <p>February 2021      CEO of FG Smart Asset Inc.</p> <p>July 2021      President and CEO of OffGrid-Lab Inc. (current holder)</p> <p>May 2022      Representative Director of Sakura Aid (current holder)</p> <p>November 2022      Representative Director of MI Management (current holder)</p> <p>January 2023      Outside Director of 3eee Inc. (current holder)</p> <p>May 2024      Director of Digital Enhancement for Condominium (current holder)</p> <p>September 2024      Representative Director, President Executive Officer of the Company (current holder)</p>	(See Notes 2)	10,043,790 (See Notes 4)
Director, Vice President Executive Officer	Daisuke Ishikawa	July 31, 1989	<p>April 2012      Joined the Company</p> <p>August 2019      Manager of Residence Wi-Fi Sales Department of Business Promotion Division</p> <p>July 2020      Manager of Sales for Eastern Japan in Business Promotion Division</p> <p>September 2021      Executive Officer, Deputy Chief Director of Business Promotion Division and Manager of Sales for Eastern Japan</p> <p>July 2022      Executive Officer, Chief Director of Home Use Sales Division and Manager of Sales for Western Japan</p> <p>September 2022      Director, Chief Director of Home Use Sales Division and Manager of Sales for Western Japan</p> <p>May 2023      Director, Chief Director of Home Use Sales Division, Manager of Sales for Western Japan, and Deputy Chief Director of Business Use Sales Division</p> <p>August 2023      Director, Chief Director of Home Use Sales Division, and Deputy Chief Director of Business Use Sales Division</p> <p>July 2024      Director, Chief Director of Business Use Sales Division</p> <p>July 2024      Director of Enepulse Inc. (current holder)</p>	(See Notes 2)	5,420

			September 2024	Director, Executive Vice President Sales Manager and Chief Director of Business Use Sales Division (current holder)		
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役職名	氏名	生年月日	略歴	任期	所有株式数 (株)
Director, Senior Executive Officer, Head of Corporate Planning Division	Takafumi Hamauzu	January 20, 1976	<p>April 2000 Joined Areaquest Inc.</p> <p>December 2000 Joined Venture Link Inc.</p> <p>April 2007 Joined Orix Capital Corporation</p> <p>February 2011 Joined the Company, Director of Corporate Planning Division</p> <p>June 2011 President and CEO of Chintai Seikatsu Inc.</p> <p>January 2013 Executive Officer of the Company and Director of Corporate Planning Division</p> <p>September 2013 Director of FG Marketing Inc.</p> <p>March 2014 Senior Executive Officer of the Company and Chief Director of Business Management Division</p> <p>October 2016 Managing Executive Officer of the Company and Deputy Chief Director of Business Promotion Division</p> <p>March 2018 Managing Executive Officer of the Company and Chief Director of Business Management Division</p> <p>September 2018 Managing Director of the Company and Chief Director of Business Management Division</p> <p>August 2019 Managing Director of the Company and Chief Director of Business Management Division, and Manager of Finance and Accounting Department</p> <p>September 2019 Managing Director of the Company and Chief Director of Business Management Division</p> <p>July 2020 Managing Director of the Company and Chief Director of Business Management Division, and Chief Director of Corporate Planning Division</p> <p>February 2021 Audit &amp; Supervisory Board Member of FG Smart Asset Inc. (current holder)</p> <p>July 2021 Managing Director of the Company and Chief Director of Corporate Planning Division</p> <p>September 2022 Senior Managing Director of the Company and Chief Director of Corporate Planning Division (current holder)</p> <p>September 2024 Fibergate Taiwan Inc Director (current holder )</p> <p>September 2024 Director, Senior Executive Officer, Head of Corporate Planning Division of the Company (current holder)</p>	(See Notes 2)	120,550

Director, Executive Managing Officer, Head of Business Development Department	Hisashi Kaneko	April 25, 1966	April 1989	Joined Ome Shinkin Bank	(See Notes 2)	110,520
			July 1994	Joined Osaka Usen Broadcasting (current USEN Corporation)		
			June 2009	Joined UCOM Inc.		
			October 2013	Joined the Company, Manager of Sales for Eastern Japan in Apartment ISP Business Division		
			January 2014	Manager of Sales for Eastern Japan in Sales Division of the Company		
			July 2015	Executive Officer and Manager of Sales for Eastern Japan in Sales Division of the Company		
			July 2016	Senior Executive Officer and Manager of Sales for Eastern Japan in Sales Division of the Company		
			May 2017	Senior Executive Officer and Manager of Business Promotion Division 1		
			October 2018	Senior Executive Officer and Manager of Residence Wi-Fi Sales Department of Business Promotion Division		
			February 2020	Managing Executive Officer and Manager of Residence Wi-Fi Sales Department of Business Promotion Division		
			July 2020	Managing Executive Officer, Chief Director of Business Promotion Division and Director of Administration Center		
			February 2021	Managing Executive Officer and Chief Director of Business Promotion Division		
			July 2021	Managing Executive Officer, Chief Director of Business Promotion Division and Manager of Business Development Department		
			September 2021	Managing Director, Chief Director of Business Promotion Division and Manager of Business Development Department		
			July 2022	Managing Director, Chief Director of Business Use Sales Division, and Manager of Business Development Department (current holder)		
			September 2022	Director of OffGrid-Lab Inc. (current holder)		
June 2024	Managing Director, Chief Director of Manager of Business Development Department of the Company					
September 2024	Director, Executive Managing Officer, Head of Business Development Department of the Company (current holder)					

役職名	氏名	生年月日	略歴	任期	所有株式数 (株)
Director, Executive Officer, Head of Corporate Management Division	Mie Ishimaru	November 2, 1969	<p>November 1997 Joined Asahi Audit Corporation (current KPMG Azusa LLC)</p> <p>April 2003 Registered as Certified Public Accountant</p> <p>February 2010 Director of Ishimaru Certified Accountant's Office (current holder)</p> <p>April 2011 Joined Densan Co., Ltd.</p> <p>May 2011 Registered as Tax Accountant</p> <p>June 2012 Director of Densan Co., Ltd.</p> <p>July 2016 Audit &amp; Supervisory Board Member of TMRSYSTEMS, Inc.</p> <p>July 2018 Director of TMRSYSTEMS, Inc. Outside Director of JANPARA Co., Ltd. (former Third Wave Exchange Corporation)</p> <p>September 2018 Outside Director of the Company</p> <p>September 2019 Director, Deputy Chief Manager of Business Administration Division and Manager of Finance and Accounting Department (See Notes 2)</p> <p>January 2020 Audit &amp; Supervisory Board Member of FG-Lab Inc. (current holder)</p> <p>March 2020 Audit &amp; Supervisory Board Member of BizGenesis Inc.</p> <p>July 2021 Director, Chief Manager of Business Administration Division and Manager of Finance and Accounting Department</p> <p>January 2023 Director and Chief Manager of Business Administration Division</p> <p>September 2024 Director, Executive Officer, Head of Corporate Management Division of the Company (current holder)</p>		10,020
Director Nomination and Compensation Committee	Nobuyuki Shinoda	August 30, 1951	<p>April 1974 Joined the Seibu Department Stores, Ltd.</p> <p>March 1992 Manager of Human Resources at Yuraku-cho Branch</p> <p>March 1995 Section Chief of Human Resources Department 1 and Manager of Human Resources at Ikebukuro Branch</p> <p>March 1997 Joined THE LOFT CO.,LTD.</p> <p>September 2002 Executive Officer</p> <p>September 2003 Executive Officer and Director of Omiya Branch</p> <p>March 2004 Manager and Executive Officer of Business Management Department (See Notes 2)</p> <p>May 2008 Director and Executive Officer, and Responsible for Corporate Planning</p> <p>March 2010 Responsible for Sales Department for Metropolitan Area</p> <p>March 2011 Responsible for Management Department</p> <p>June 2016 Outside Director of the Company (current holder)</p> <p>January 2020 Chairman of Remuneration Committee</p> <p>August 2023 Chairman of Nomination and Remuneration Committee (current holder)</p>		3,800
Director	Chikako Shimahata	January 30, 1985	<p>April 2007 Joined Shinko Securities Co., Ltd. (current Mizuho Securities Co., Ltd.) Sapporo Branch</p> <p>October 2012 Joined Sapporo Nishi Branch of Japan Pension Service</p> <p>April 2013 Registered as Labor and Social Security Attorney (See Notes 2)</p> <p>April 2013 Representative of Labor and Social Security Attorney Office Pirika Office (current holder)</p> <p>June 2020 CEO of Pirika Inc. (current holder)</p> <p>September 2020 Outside Director of the Company (current holder)</p>		4,000

役職名	氏名	生年月日	略歴	任期	所有株式数 (株)
Director (Full-time Audit and Supervisory Committee Member)	Tetsuro Tsutsuta	November 22, 1949	<p>April 1973      Joined THE HOKKAIDOBANK,LTD. Obihiro Branch</p> <p>July 2002      Managing Director of Tohray Souko Co. Ltd. (current KYOKUICHI LOGI CO.,LTD.)</p> <p>May 2003      Managing Director of Marukita Inc. (Kitami Regional Wholesale Market)</p> <p>May 2005      Senior Managing Director of Marukita Inc. (Kitami Regional Wholesale Market)</p> <p>May 2006      President and CEO of Marukita Inc. (Kitami Regional Wholesale Market)</p> <p>June 2014      Senior Managing Director of KYOKUICHI CO., LTD. (Asahikawa Regional Wholesale Market) Director of Marukita Inc.</p> <p>Audit &amp; Supervisory Board Member of KYOKUICHI LOGI CO.,LTD.</p> <p>Audit &amp; Supervisory Board Member of TOWA FOODS CO.,LTD.</p> <p>April 2017      Senior Managing Director of KYOKUICHI HOLDINGS CO.,LTD.</p> <p>May 2017      Audit &amp; Supervisory Board Member of Marukita Inc.</p> <p>October 2018    Joined the Company</p> <p>June 2019      Outside Audit &amp; Supervisory Board Member of Furanoichiba (current holder)</p> <p>August 2019    Director of Auditing Office of the Company</p> <p>September 2021 Director (Full-time Audit and Supervisory Committee Member) (current holder)</p> <p>October 2021    Audit and Supervisory Committee Member of Fibergate Taiwan Inc. (current holder)</p> <p>June 2023      Part-time Audit and Supervisory Committee Member of Uohan Co., Ltd. (current holder)</p>	(See Notes 3)	8,100
Director (Audit and Supervisory Committee Member)	Tomohiro Obata	October 15, 1975	<p>October 2005    Registered as Lawyer (Daini Tokyo Bar Association), joined Hiraide Law Firm (current Hiraide/Takahashi Law Firm)</p> <p>January 2012    Ota/Obata Law Firm, Representative of Co-Founded Tokyo Office</p> <p>June 201      Outside Audit and Supervisory Committee Member of RS Technologies Co., Ltd.</p> <p>November 2015 Outside Audit and Supervisory Committee Member of TOHOKU ENTERPRISE CO.,LTD. (current holder)</p> <p>June 2016      Outside Audit and Supervisory Committee Member of the Company</p> <p>May 2020      Representative of PLAZA Law Office (current holder)</p> <p>May 2021      Outside Audit and Supervisory Committee Member of Paradigmshift Co.,Ltd.</p> <p>September 2021 Outside Director of the Company (Audit and Advisory Committee Member) (current holder)</p>	(See Notes 3)	3,800
Director (Audit and Supervisory Committee Member)	Hiroshi Kamada	February 20, 1957	<p>April 1979      Joined Hayasaka Accounting Firm</p> <p>May 1980      Joined FRANCEBED SALES CO.,LTD.</p> <p>April 1982      Joined Hokkaido Prefectural Consultant's Center for Commerce &amp; Industry.</p> <p>April 1986      Registered as SME Management Consultant (Registration No. 208717)</p> <p>April 2000      Chief ME Management Consultant</p> <p>April 2001      Joined Hokkaido Small Business Support Center (currently Public Interest Incorporated Foundation)</p> <p>April 2015      Promotion Manager of the Center</p> <p>April 2016      Management Support Department Advisor of the Center</p> <p>April 2017      Representative of Office K. (current holder)</p> <p>April 2017      Outside Audit &amp; Supervisory Board Member of the Company</p> <p>December 2020 Auditor of MI Foundation (current holder)</p> <p>September 2021 Outside Director of the Company (Audit and Advisory Committee Member) (current holder)</p>	(See Notes 3)	—
Total					10,310,000



(Notes) 1. Directors: Nobuyuki Shinoda, Chikako Shimahata, Tomohiro Obata, and Hiroshi Kamada are Outside Directors.

2. The terms of office of Directors (excluding those who are Audit and Supervisory Committee members) shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within one year from the conclusion of the Ordinary General Meeting of Shareholders held on September 26, 2024
3. The terms of office of Directors who are Audit and Supervisory Committee members shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within two years from the conclusion of the Ordinary General Meeting of Shareholders held on September 27, 2023.
4. The number of shares held by Masanori Inomata, Representative Director, President Executive Officer, includes the number of shares owned by MI Corporation Inc., his asset management company, and those held by him in the names of Sumitomo Mitsui Trust Bank, Ltd. (Trust Account A-23) and Japan Custody Bank, Ltd. (Trust Account).
5. The Company has introduced an executive officer system to separate management decision-making and business execution functions, improve the efficiency and speed of each, and strengthen the management system. As of the date of submission of this report, the following three executive officers are not concurrently serving as directors.

Position	Name	Concurrent Positions
Executive Managing Officer, Head of Operations Division	Shigenori Imagawa	President of NOIS Inc.
Executive Officer, Head of Product Development Division	Satoshi Inoue	President of Fibergate Taiwan Inc. President of FG-Lab Inc.
Executive Officer, Head of Home-Use Sales Division	Tomohiro Minagawa	Manager of Sales for Eastern Japan in Sales Division and Manager of Special Sales Department of the Company

## 2) Status of Outside Executives

For the purpose of effective supervision by the Board of Directors over the execution of duties by Directors, the Company has established a system to ensure appropriate decision-making on important management matters by appointing two Outside Directors who are not Audit and Supervisory Committee members and receiving advice based on their views as experts in corporate management. The career profile of the two Outside Directors are as described in “(1) List of executives”, and they will make valuable recommendations to the Board of Directors of the Company based on the specialized knowledge they have cultivated through their experience. Since there is no personal, capital or business relationship, or other conflict of interest between the Company and the two Outside Directors who are not Audit and Supervisory Committee members, and it is judged that there is no conflict of interest with general shareholders, the Company notified to the Tokyo Stock Exchange, Inc. as an independent executive.

In addition, with the aim of ensuring an audit system from a neutral and objective standpoint, the Company has appointed two Outside Directors who are Audit and Supervisory Committee members to enhance the effectiveness of audits by Audit and Supervisory Committee and ensure a system that enables the Company to maintain the transparency and soundness of its management. The career profile of the two Outside Directors who are Audit and Supervisory Committee members are as described in “(1) List of executives”, and they have built an objective audit system for the Company based on the specialized knowledge they have cultivated through such experience.

Since there is no personal, capital or business relationship, or other conflict of interest between the Company and the two Outside Directors who are Audit and Supervisory Committee members, and it is judged that there is no conflict of interest with general shareholders, the Company has notified to the Tokyo Stock Exchange, Inc. as an independent executive.

(Standards for the independence of Outside Directors)

The Company has established standards for the independence of Outside Directors for the election of Outside Directors. The independence standards for Outside Directors established by the Company are as follows.

<Independence standards for Outside Directors>

In order to establish highly transparent management and a strong management supervisory function, and to enhance corporate value, when selecting independent executives from among the Company's outside executives, in principle, those who do not fall under any of the following are judged to be independent.

1. Relationship with the Company and its subsidiaries (hereinafter collectively referred to as the “Group”)

Not an executive or employee of the Group at present or in the past ten years.

2. Relationship with business partners

Not fall under following items 1) and 2) at present or in the past three years.

1) A major business partner of the Group (or its executive or employee if corporations).

2) A counterparty which has transactions principally with the Group (or its executive or employee if corporation).

3. Relationship with shareholders

Not a major shareholder of the Company (or its executive or employee if corporation) at present or in the past three years.

Not fall under following items 1) and 2) at present or in the past three years.

- 1) An accounting auditor, tax accountant, lawyer, or other consultant (or its regular employee, partner, or employee if corporation, union, or other organization) of the Group who receives a large amount of money or other financial benefits from the Group in addition to executive remuneration.
  - 2) A certified public accountant, tax accountant, lawyer, or other consultant who does not fall under the above item (or its regular employee, partner, or employee if corporation, union, or other organization) who receives a large amount of money or other financial benefits from the Group in addition to executive remuneration.
5. Relationship with donation recipients  
Not be an executive or employee of a corporation, organization, or other entity that receive/has received a large amount of donations from the Group at present or in the past three years.
6. Relationship with close relatives  
Not a close relative of any of the above item 1) through 5) (excluding those who are not material).

- (Notes) 1. A major business partner of the Group is defined as a business partner whose transaction value in the most recent fiscal year accounts for 2% or more of the Group's annual consolidated sales.
2. "A counterparty which has transactions principally with the Group" is defined as a counterparty whose transaction value with the Group in the most recent fiscal year accounts for 2% or more of the Group's annual consolidated sales.
  3. A major shareholder is a shareholder who holds 10% or more of the total voting rights (including indirect holdings).
  4. A large amount of money is an average of 10 million yen or more per year for an individual and 2% or more of the consolidated gross sales or total income of the organization in the case of an organization, on average over the past three years.
  5. A large amount of donations is a donation that exceeds an average of 10 million yen or more per year over the past three years or 2% of consolidated gross sales or total income, whichever is higher.
  6. A close relative is a spouse or a relative within the second degree of kinship.

- (3) Mutual cooperation between supervision or audits by Outside Directors who are not the Audit and Supervisory Committee members or Outside Directors who are the Audit and Supervisory Committee members, and internal audits, audits by Audit and Supervisory Committee members, and accounting audits, and relationships with internal control divisions

The relationship between supervision or audits by Outside Directors who are not the Audit and Supervisory Committee members or Outside Directors who are the Audit and Supervisory Committee members and internal audits, audits by Audit and Supervisory Committee members, and accounting audits are conducted by the Internal Audit Office (4 members), which audits business activities, including internal checks and balances, and the operation and management of rules and regulations. We also regularly conduct surveys on the status of compliance, etc., and the results of the audits are reported to the Executive Officers' Meeting. In addition, the Internal Audit Office works closely with the Audit and Supervisory Committee, and the Audit and Supervisory Committee has a system that allows to grasp the status of internal audits in a timely manner.

Based on the audit plan formulated by the Audit and Supervisory Committee, the Audit and Supervisory Committee members will conduct systematic and comprehensive audits of the Group's overall operations, led by full-time Audit and Supervisory Committee members. In addition, the members attend meetings of the Board of Directors and other important meetings to express opinions, interview with Directors who are not the Audit and Supervisory Committee members, and audit important approval documents. From the standpoint of the Audit and Supervisory Committee (3 members), the Audit and Supervisory Committee will hold regular meetings to ensure appropriate monitoring. In addition, we are actively exchanging information, including with the accounting auditor, and will work closely with them. The Internal Audit Office, the Audit and Supervisory Committee, and the accounting auditor regularly exchange information and communicate with each other.

For accounting audits, KPMG Azusa LLC has been appointed as the accounting auditor, and audits are conducted as appropriate. Directors who are not the Audit and Supervisory Committee members, Audit and Supervisory Committee members, and accounting auditors hold audit reviews four times a year, and also receive advice on various accounting and auditing issues, such as exchanging opinions and information on business conditions and the status of internal control as necessary.

(3) [Status of Audit]

1) Status of audit by the Audit and Supervisory Committee

a. Composition of the Audit and Supervisory Committee and structure for executing duties

We are a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee consists of three members: one Director who is a full-time Audit and Supervisory Committee member and two Directors who are part-time Audit and Supervisory Committee members, two of whom are Outside Directors..

The Audit and Supervisory Committee consists of full-time Audit and Supervisory Committee members who have diverse knowledge and experience in the execution of the Internal Audit Office and as executives at other companies, and Outside Audit and Supervisory Committee members who have a wealth of expertise and experience as executives at other companies, and share information related to audits in a timely manner and deliberate from various perspectives.

b. Status of audit by the Audit and Supervisory Committee

Audit and Supervisory Committee members attend important meetings such as the Board of Directors, audit the decision-making process of the Board of Directors, and conduct operational audits, accounting audits, and internal control audits by inspecting important documents and interviewing internal auditors and employees.

The Audit and Supervisory Committee members share information with the Audit and Supervisory Committee, exchange opinions and share information with the Internal Audit Office and the accounting auditor as needed, and hold tripartite meetings to improve the auditing function.

The full-time Audit and Supervisory Committee members are engaged in activities such as witnessing inventory at the end of each fiscal year, auditing operations at base offices, meeting with each officer, receiving audit reports from the accounting auditor, and holding meetings related to three-way audits.

The activities of full-time Audit and Supervisory Committee members and Outside Audit and Supervisory Committee members are broadly divided into operational audits and accounting audits, and the status of compliance with laws and regulations, the development and operation of the risk management system, the development and operation of the internal control system, the appropriateness of the content of financial reports and disclosures, and the appropriateness of audits by the accounting auditor are monitored and verified. In addition, the Company strives to efficiently implement audit activities by using both face-to-face and online formats such as attendance at various meetings, interviews with Directors, executive officers, employees, and Directors of subsidiaries, and discussions with the accounting auditor.

In addition, full-time Audit and Supervisory Committee members make full use of the information capabilities available in their daily audit activities to grasp the status of the corporate group, share information with Outside Audit and Supervisory Committee members as appropriate, and exchange opinions. They also make recommendations and advice on business improvement as appropriate regarding matters discovered in daily audits. Outside Audit and Supervisory Committee members express their opinions at meetings of the Board of Directors and the Audit and Supervisory Committee from a high level based on their extensive practical experience and advanced expertise. In addition, Outside Audit and Supervisory Committee members receive explanations of management policies and other matters at opinion exchange meetings with the President and CEO, and express their opinions from an external perspective that makes use of their expertise and experience.

Outside Audit and Supervisory Committee members also attend opinion exchange meetings with the President and CEO to discuss a wide range of management issues and risk recognition for the current fiscal year and the future. In addition, information exchange meetings with the Audit and Supervisory Committee members are held quarterly to provide information to Outside Directors.

Specific priority audit items for this current fiscal year are the status of initiatives for major measures that support the Medium-Term Plan, the development and operation of governance and internal controls in the corporate group, the status of compliance with the corporate governance code, and the monitoring and verification of financial reporting and information disclosure processes (including verification of major audit considerations).

Name	Frequency of Audit and Supervisory Committee meetings	Contents of speech
Tetsurou Tatsuta	Attended 14 out of 14 times (100%)	Based on his many years of experience in the banking industry and his wealth of knowledge and experience in business management, he provides accurate advice and recommendations for the Company's overall management from an objective perspective.
Tomohiro Obata	Attended 14 out of 14 times (100%)	Mainly from a professional standpoint as a lawyer, he deliberates on agendas and provides advice and recommendations as appropriate from an objective perspective independent of management as an outside Audit and Supervisory Committee member.
Hiroshi Kamada	Attended 14 out of 14 times (100%)	He has many years of experience as a small and medium-sized enterprise consultant and has knowledge of overall management, management and operations, and provides advice and recommendations that lead to the improvement of accounting and finance, human resource development, risk management, and corporate governance at operating companies.

2) Status of internal audit

As of the end of the fiscal year ended June 2024, the Company has four employees engaged in internal audit operations.

The Company's Internal Audit Division, which is independent of other divisions, audits the status of business execution in each division in order to establish an appropriate business management system for the entire Fibergate Group. In addition, we have formulated a basic policy on internal audits of the Group, and conduct efficient and effective internal audits of each Group company, taking into account the frequency and depth of risks, depending on the type and degree of risk.

As an effort to ensure the effectiveness of internal audits, the Company conducts internal audits based on the audit plan prepared at the beginning of the fiscal year, notifies the audited division of the results of internal audits, and reports directly to the President and CEO, executive officers, the Audit and Supervisory Committee, and the Board of Directors on a regular basis, and confirms the status and results of improvements where any improvement is required. In addition to regular meetings with the President and CEO, executive officer, the Audit and Supervisory Committee members and the Accounting Auditor hold regular meetings to explain the status of audits and exchange opinions.

Significant matters among the results of internal audits of the Company and its group companies are reported to the Board of Directors of the Company to ensure the appropriate and sound operation of the business of each group company.

3) Status of accounting audit

a. Name of audit firm

KPMG Azusa LLC

b. Continuous audit period

9 years

c. Name of the certified public accountant who executed audit duties

Designated limited liability partner, an executive partner: Yasushi Kaneko, Tomoaki Murakami  
(Notes) The number of years of continuous audits has not exceeded 7 years for both of them.

d. Composition of assistants for accounting audit

6 certified public accountants and 13 other assistants

e. Audit firm selection policy and reasons

The Audit and Supervisory Committee has decided to reappoint KPMG Azusa LLC as a result of a comprehensive evaluation of the Accounting auditor's abilities and structure, the status of audit execution and results, and independence in accordance with the evaluation criteria established by the Audit and Supervisory Committee. If it is found that there is a problem with the eligibility of the accounting auditor, or if it is otherwise deemed appropriate, the Company will decide to submit a proposal to the general meeting of shareholders that includes the dismissal or non-reappointment of the accounting auditor.

f. Evaluation of audit firm by the Audit and Supervisory Committee

The Audit and Supervisory Committee monitors and verifies whether the accounting auditor maintains an independent position and conducts appropriate audit, as well as receives reports from the accounting auditor on the status of the execution of its duties, and requests explanations as necessary.

4) Details of audit remuneration, etc.

a. Remuneration for certified public accountants, etc.

Division	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration based on auditing and attesting services (million yen)	Remuneration based on non-audit services (million yen)	Remuneration based on auditing and attesting services (million yen)	Remuneration based on non-audit services (million yen)
The Company	39	—	42	—
Consolidated subsidiaries	—	—	—	—
Total	39	—	42	—

Details of our non-audit services are as follows.

(Previous consolidated fiscal year)

There are no applicable matters.

(Current consolidated fiscal year)

There are no applicable matters.

b. Remuneration for organizations belonging to the same network as certified public accountants, etc. (excluding above a.)

There are no applicable matters.

c. Details of remuneration based on other significant auditing and attesting services

There are no applicable matters.

d. Policy for Determination of audit remuneration

The Board of Directors examines the appropriateness of the audit plan (scope of audit, number of days, etc.) in light of the size and characteristics of the Group, and makes a decision after obtaining the consent of the Audit and Supervisory Committee.

e. Reasons why the Audit and Supervisory Committee agreed to the remuneration of the accounting auditor

The Audit and Supervisory Committee has agreed to the amount of audit remuneration for the accounting auditor as a result of carefully examining and considering the accounting auditor's audit plan, the status of audit implementation, estimated audit man-hours, etc., through obtaining and reporting necessary documents from the accounting auditor and related departments.

(4) [Remuneration of executives]

(1) Matters related to the policy for determination of the amount of remuneration, etc. for executives and the method of calculating it

At the Board of Directors meeting held on February 12, 2021, the Company resolved to make a decision on the details of individual remuneration for directors. When making a resolution by the Board of Directors, the Nomination and Remuneration Committee is consulted in advance on the content of the resolution, and a report is received.

1) Basic Policy

With regard to the remuneration of directors of the Company, the basic policy is to pay remuneration at a sufficient and appropriate level as compensation for the burden of management responsibilities with the aim of increasing motivation to contribute to the improvement of medium- to long-term business performance so that corporate value can be continuously improved.

The remuneration of directors other than Audit and Supervisory Committee members (excluding outside directors) consists of fixed remuneration paid based on position, short-term stock-based remuneration for achieving annual performance targets, and long-term stock-based remuneration for achieving long-term management targets. The amount of remuneration is determined based on the remuneration standard, with a guideline of 70%:10%:20% for the allocation ratio of fixed remuneration, short-term stock-based remuneration and long-term stock-based remuneration. The amount of remuneration for directors and outside directors who are the Audit and Supervisory Committee members consists of fixed remuneration and long-term stock-based remuneration from the perspective of their roles and independence, and the amount of remuneration, etc., is determined based on the position and remuneration standards of each director, with a guideline of 80%:20% for the allocation ratio of fixed remuneration and long-term stock-based remuneration for outside directors other than Audit and Supervisory Committee members.

i. Fixed remuneration

Fixed remuneration is determined according to position and other factors, and is paid monthly in cash.

The resolution regarding fixed remuneration was adopted at the General Meeting of Shareholders held on September 28, 2021, and the content of the resolution was to set the amount of remuneration for directors (excluding those who are the Audit and Supervisory Committee members) to be up to 350 million yen per year (including 50 million yen per year for outside directors) and not more than 60 million yen per year for directors who are the Audit and Supervisory Committee members.

ii. Stock-based remuneration

• Short-term stock-based remuneration

The resolution regarding the short-term stock-based remuneration plan was adopted at the General Meeting of Shareholders held on September 28, 2021, and the content of the resolution is that the number of shares of the Company's common share (hereinafter referred to as the "Company's shares") calculated by the calculation method determined in advance will be delivered to directors other than Audit and Supervisory Committee members (excluding outside directors) after the end of the relevant period, provided that the directors in question hold directors or other positions of the Company specified by the Board of Directors of the Company for the period from the date of the annual Ordinary General Meeting of Shareholders to the date of that in the following year. We have set "Consolidated Ordinary Income", which is a numerical target for short-term business management, as a short-term numerical target, and will be paid when the numerical target is achieved. The maximum amount of remuneration paid to eligible directors for each service provision period is 50 million yen or less, and at the Ordinary General Meeting of Shareholders held on September 27, 2023, it was decided that the total number of shares of the Company for each service provision period to be issued or disposed of by eligible directors will not exceed 56,000 shares.

• Long-term stock-based remuneration

The resolution regarding the long-term stock-based remuneration plan was adopted at the General Meeting of Shareholders held on September 28, 2021, and the content of the resolution is that the number of shares of the Company's shares calculated by the calculation method determined in advance will be delivered to directors after the end of the relevant period, provided that the directors in question hold directors or other positions of the Company specified by the Board of Directors of the Company for the period from the date of the annual Ordinary General Meeting of Shareholders to the date of that held in two years later. This payment is made when the share price growth rate of the Company's shares, which is the numerical target for the Company's long-term business management, exceeds 1.0. The maximum amount of remuneration paid to eligible directors other than Audit and Supervisory Committee members for each service provision period is 100 million yen (including 10 million yen for all outside directors), and at the Ordinary General Meeting of Shareholders held on September 27, 2023, it was decided that the total number of shares of the Company for each service provision period issued or disposed of by eligible directors shall not exceed 112,000 shares (including 12,000 shares for all outside directors). In addition, the maximum amount of stock-based remuneration paid to eligible directors who are members of the Audit and Supervisory Committee for each service provision period is 20 million yen or less, and at the Ordinary General Meeting of Shareholders held on September 27, 2023, it was decided that the total number of shares of the Company for each service provision period to be issued or disposed of by the eligible directors shall not exceed 23,000 shares.

2) Matters concerning delegation of determination of the details of remuneration, etc., for individual directors, and methods for determination of the details of individual remuneration, etc. for other directors

- Name, position, and responsibilities of the person to be entrusted  
Masanori Inomata, President and Chief Executive Officer
- Details of authority to be delegated  
Determination of the amount of remuneration, etc. of directors and the method of calculating it
- Measures to ensure that authority is exercised appropriately

The President and Chief Executive Officer shall make decisions on the above matters within the scope of the maximum amount of remuneration, etc., approved by the General Meeting of Shareholders, after obtaining a report from the Nomination and Remuneration Committee, the majority of which is composed of outside directors.

The remuneration received during the current fiscal year is within the limit of remuneration resolved at the General Meeting of Shareholders.

(2) Total amount of remuneration, etc. by executive classification, total amount by type of remuneration, etc., and number of eligible officers

The amount of remuneration for the Company's Directors and Audit and Supervisory Committee members in the fiscal year ended June 2024 is as follows.

Executive classification	Total amount of remuneration, etc.(million yen)	Total amount by type of remuneration, etc.(million yen)					Number of eligible executives (persons)
		Basic remuneration	Stock Options	Bonus	Retirement benefits	Of the left, non-monetary remuneration, etc.	
Directors (excluding those who are Audit and Supervisory Committee members)	125	112	—	13	—	13	5
Audit and Supervisory Committee members (excluding Outside Directors)	8	8	—	—	—	—	1
Outside Director	13	13	—	—	—	—	4

(3) Total amount of remuneration, etc. for those whose total remuneration, etc. is 100 million yen or more  
There are no applicable matters.

(4) Significant salaries for executives who also serve as employees  
There are no applicable matters.

(5) [Shareholdings]

1) Criteria and concept of classification of investment shares

The Company's policy is to hold investment shares for purposes other than pure investment in cases where the Company determines that such shares will build, maintain, or strengthen good business and cooperative relationships with business partners, etc., and will create business opportunities and smoothly promote the Company's business.

2) Investment shares held for purposes other than pure investment

a. Methods for verifying the rationality of the holding policy and holdings, and the details of verification by the Board of Directors, etc., regarding the appropriateness of holding individual stocks

The Company regularly verifies the appropriateness of holding individual cross-shareholdings, including the significance of holdings, the appropriateness of the purpose of holding, and whether the benefits and risks associated with holding them are commensurate with the cost of capital, and reports to the Board of Directors and discloses the results. In addition, we will consider selling or reducing cross-shareholdings that have lost the significance and rationality of their holdings, taking into account the impact on the market and other circumstances to be considered. In addition, the Company will make appropriate decisions on whether to approve or reject the voting rights of cross-shareholdings after taking into account factors such as whether the proposed proposals will not lead to damage to shareholder value and whether they will contribute to the enhancement of corporate value over the medium to long term, as well as the situation of the investee companies.

b. The number of different stocks and amount reported on the balance sheet

	Number of different stocks (stocks)	Total amount reported on the balance sheet (million yen)
Unlisted Shares	1	0
Shares other than unlisted shares	1	0

(Stocks whose number of shares increased in the current fiscal year)

	Number of different stocks (stocks)	Total acquisition cost related to the increase in the number of shares (million yen)	Reasons for the increase in the number of shares
Unlisted Shares	—	—	—
Shares other than unlisted shares	1	0	Acquisition of shares through a business partner's stock ownership plan

(Shares whose number of shares decreased in the current fiscal year)

	Number of different stocks (stocks)	Total sale value related to the decrease in the number of shares (million yen)
Unlisted Shares	—	—
Shares other than unlisted shares	—	—



c. Information on the number of shares of specified investment shares and deemed held shares by each stock, the amount reported on the balance sheet, etc.

Specified Investment Stocks

Stock	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliances, quantitative holding effect, and reason for the increase in the number of shares	Holding of the Company's share
	Number of shares (shares)	Number of shares (shares)		
	Amount reported on balance sheet (million yen)	Amount reported on balance sheet (million yen)		
NAGAWA Co., Ltd.	40	24	(Purpose of holding) To strengthen partnership with business partners (Outline of business alliances) There are no applicable matters. (Quantitative holding effect) (See Notes 1) (Reason for the increase in the number of shares) Increase through business partner's stock ownership plan	None
	0	0		

(Notes) Since it is difficult for the Company to quantitatively describe the effects of holding specified investment shares, the Company will describe the method by which it verified the rationality of the holdings. The Company examines the significance of cross-shareholdings for individual cross-shareholdings every fiscal year, and as a result of the verification based on June 30, 2024, it has been confirmed that all currently held cross-shareholdings are held for purposes in line with the shareholding policy.

Deemed held shares

There are no applicable matters.

3) Investment stocks held for pure investment purposes

There are no applicable matters.

## 5. [Financial information]

### 1. Consolidated financial statements and methods of preparing financial statements

(1) The Company's consolidated financial statements are prepared in accordance with the "Regulations on Terminology, Forms and Preparation Methods for Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Company's financial statements are prepared in accordance with "Regulations on Terminology, Forms and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance No. 59 of 1963. Hereinafter referred to as the "Regulations Concerning Financial Statements").

In addition, the Company falls under the category of a special financial statement submitting company and prepares financial statements in accordance with the provisions of Article 127 of the Regulations Concerning Financial Statements.

### 2. Concerning audit certifications

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the Company has been audited by KPMG Azusa LLC for its consolidated financial statements for the consolidated fiscal year (July 1, 2023 to June 30, 2024) and its financial statements for the fiscal year (July 1, 2023 to June 30, 2024).

### 3. Special Efforts to ensure the appropriateness of consolidated financial statements, etc.

The Company takes special measures to ensure the appropriateness of consolidated financial statements, etc. Specifically, based on the recognition that it is important to respond appropriately and precisely to changes in accounting standards, etc., the Company will respond precisely to financial accounting operations, reports, and disclosures through cooperation with audit firms, participation in various seminars, and subscriptions to accounting and tax-related publications. We have established a system that fully understands the details of accounting standards related to the Company and can respond to changes in accounting standards, etc.

# 1. [Consolidated financial statements and others]

## (1) Consolidated financial statements

### 1) [Consolidated Balance Sheets]

(Millions of yen)

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	2,382	2,120
Accounts receivable	1,585	1,772
Contract Assets	217	208
Commodity	635	665
Real estate for sale	※ 2 655	※ 2 489
Work in progress	0	0
Supplies	0	0
Others	87	87
Allowance for doubtful accounts	△6	△5
Total current assets	5,559	5,339
Fixed asset		
tangible fixed assets		
Building (net)	6	35
Tools, furniture & fixtures(net)	9	10
Communication equipment (net)	6,544	7,153
Construction in progress	3	0
Total tangible fixed assets	※ 1 6,565	※ 1 7,200
Intangible assets		
Software	57	67
Software in progress	21	20
Total intangible assets	79	88
Investments and other assets		
Investment securities	※ 2 51	※ 2 11
Deposit	35	46
Deferred tax assets	472	372
Claims in bankruptcy, reorganization, etc.	0	1
Others	1	18
Allowance for doubtful accounts	△1	△1
Total investments and other assets	559	447
Total fixed assets	7,203	7,736
Deferred assets		
Inaugural expenses	0	0
Total deferred assets	0	0
Total assets	12,764	13,076

(Millions of yen)

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	633	623
Short-term borrowings	※ 2, ※ 3 300	※ 2, ※ 3 140
Current portion of long-term borrowings	※ 2 1,096	※ 2 1,203
Income taxes payable	515	358
Contract liabilities	1,638	1,317
Provision for bonuses	86	88
Provision for stock-based remuneration	5	—
Others <sup>other</sup>	409	356
Total current liabilities	4,685	4,086
Fixed liabilities		
Corporate bond	50	50
Long-term borrowings	※ 2 3,226	※ 2 3,049
Retirement benefit liability	44	53
Total fixed liabilities	3,320	3,153
Total liabilities	8,005	7,240
Net assets		
Shareholders' equity		
Capital	494	494
Capital surplus	426	423
Retained earnings	3,963	5,225
Treasury share	△188	△356
Total shareholders' equity	4,694	5,786
Other comprehensive income cumulative amount		
Valuation difference of other securities	△0	0
Foreign currency translation adjustment account	1	3
Other comprehensive income cumulative amount	1	3
Share award rights	19	—
Non-controlling interest	42	46
Total net assets	4,758	5,836
Total liabilities and net assets	12,764	13,076

## 2) [Consolidated profit and loss statement and consolidated comprehensive income statement]

[Consolidated profit and loss statement]

(Millions of yen)

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Sales	※ 1 12,795	※ 1 12,613
Cost of goods sold	※ 2 7,054	※ 2 6,795
Gross profit	5,741	5,817
Selling, general and administrative expenses	※ 3, ※ 4 3,421	※ 3, ※ 4 3,430
Operating income	2,320	2,387
Non-operating income		
Interest income	0	0
Dividend income	0	0
Surrender value of insurance policies	2	—
Point revenue	5	5
Insurance income	—	26
Others other	1	2
Total non-operating income	8	34
Non-operating expenses		
Interest expenses	29	23
Foreign exchange loss	3	2
Amortization of bond issuance costs	0	—
Loan cancellation penalty	4	—
Others other	0	0
Total non-operating expenses	38	26
Ordinary income	2,290	2,395
Extraordinary income		
Gain from sale of fixed asset	※ 5 24	—
Gain from sale of investment securities	0	—
Total Extraordinary Income	24	—
Extraordinary loss		
Loss on disposal of fixed assets	※ 6 33	※ 6 51
Loss on devaluation of investment securities	—	※ 7 39
Impairment loss	※ 8 110	—
Total extraordinary losses	144	91
Net income before income taxes	2,171	2,304
Income taxes-current	686	631
Income taxes-deferred	1	100
Total income taxes	687	732
Net income	1,483	1,572
Net income attributable to non-controlling interests	0	4
Profit attributable to owners of parent	1,482	1,567

## 【連結包括利益計算書】

(Millions of yen)

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Net income	1,483	1,572
Other comprehensive income		
Other valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment account	0	1
Other comprehensive income total	※ 0	※ 1
Comprehensive income	1,483	1,573
(Breakdown)		
Comprehensive income related to shareholders of the parent	1,483	1,568
Comprehensive income related to non-controlling interests	0	4

3) [Consolidated Statement of Changes in Shareholders' Equity]

Previous consolidated fiscal year (from July 1, 2021 to June 30, 2022) [Consolidated Statement of Changes in Shareholders' Equity]

(Millions of yen)

	Shareholders' Equity					Cumulative amount of other comprehensive income			Share award rights	Non-controlling interest	Total net assets
	Capital	Capital surplus	Retained earnings	Treasury share	Total shareholder's equity	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment account	Total cumulative amount of other comprehensive income			
Balance at the beginning of the fiscal year	494	411	2,572	△200	3,277	△0	1	1	—	—	3,279
Fluctuations in the current fiscal year											
Dividend of surplus			△91		△91						△91
Profit attributable to owners of parent			1,482		1,482						1,482
Changes in equity due to capital increase of consolidated subsidiaries		8			8						8
Acquisition of treasury share				△4	△4						△4
Disposal of treasury share		6		16	22						22
Changes in items other than shareholders' equity for the current fiscal year (net)						0	0	0	19	42	62
Total changes for the current fiscal year	—	14	1,391	12	1,417	0	0	0	19	42	1,479
Balance at the end of the current fiscal year	494	426	3,963	△188	4,694	△0	1	1	19	42	4,758

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

(Millions of yen)

	Shareholders' Equity					Cumulative amount of other comprehensive income			Share award rights	Non-controlling interest	Total net assets
	Capital	Capital surplus	Retained earnings	Treasury share	Total shareholder's equity	Other valuation difference on available-for-sale securities	Foreign currency translation adjustment account	Total cumulative amount of other comprehensive income			
Balance at the beginning of the fiscal year	494	426	3,963	△188	4,694	△0	1	1	19	42	4,758
Fluctuations in the current fiscal year											
Issuance of new share	0	0			0						0
Dividend of surplus			△305		△305						△305
Profit attributable to owners of parent			1,567		1,567						1,567
Acquisition of treasury share				△188	△188						△188
Disposal of treasury share		△2		20	17						17
Changes in items other than shareholders' equity for the current fiscal year (net)						0	1	1	△19	4	△13
Total changes for the current fiscal year	0	△2	1,262	△168	1,091	0	1	1	△19	4	1,077
Balance at the end of the current fiscal year	494	423	5,225	△356	5,786	0	3	3	—	46	5,836

## 4) [Consolidated Statements of Cash Flows]

(単位：百万円)

	前連結会計年度 (自 2022年7月1日 至 2023年6月30日)	当連結会計年度 (自 2023年7月1日 至 2024年6月30日)
<b>Cash flows from operating activities</b>		
Net income before income taxes	2,171	2,304
Depreciation expenses	1,442	1,650
Impairment loss	110	—
Gain from sale of fixed asset	△24	—
Amortization of goodwill	21	—
Stock-based remuneration expenses	48	△7
Amortization of bond issuance expenses	0	—
Loss on disposal of fixed assets	33	51
Gain or loss from sale of investment securities (△ denotes gain)	△0	—
Gain or loss from devaluation of investment securities (- denotes gain)	—	39
Changes in allowance for doubtful accounts (△ denotes decrease)	△0	△0
Changes in provision for bonuses (△ denotes decrease)	6	1
Changes in retirement benefit liability (△ denotes decrease)	8	9
Changes in Shareholder Benefit Allowances (△ denotes decrease)	△32	—
Interest income and Dividend income	△0	△0
Interest expenses	29	23
Changes in accounts receivable (△ denotes increase)	△211	△186
Changes in contract assets (△ denotes increase)	△19	9
Changes in inventory (△ denotes increase)	1,149	125
Changes in purchase payables (△ denotes decrease)	145	19
Changes in contract liabilities (△ denotes decrease)	△320	△321
Foreign exchange gain and loss (△ denotes gain)	1	△3
Others	132	△73
Subtotal	4,690	3,640
Amount of interest and dividends received	0	0
Amount of interest paid	△29	△23
Amount of income taxes paid	△364	△784
Cash flows from operating activities	4,296	2,833
<b>Cash flows from investing activities</b>		
Expenditures from the acquisition of investment securities	△0	△0
Gain from sale of investment securities	1	—
Expenditures from acquisition of tangible fixed assets	△2,413	△2,331
Gain from sale of tangible fixed assets	254	—
Expenditures from acquisition of intangible assets	△29	△30
Expenditure by deposit	△2	△14
Others	0	△0
Cash flows from investing activities	△2,189	△2,377
<b>Cash flows from financing activities</b>		
Changes in short-term borrowings (△ denotes decrease)	△418	△160
Proceeds from long-term borrowings	728	1,050
Expenditures due to repayment of long-term borrowings	△2,188	△1,119
Redemption of bonds	△50	—
Repayments of lease obligations	△2	—
Expenditures from acquisition of treasury share	△4	△188
Amount of dividends paid	△91	△305



Proceeds from exercise of stock option	—	0
Cash flows from financing activities	△2,027	△723
Effect of exchange rate change on cash and cash equivalents	△0	5
Changes in cash and cash equivalents (△ denotes decrease)	78	△262
Balance of cash and cash equivalents at the beginning of the fiscal year	2,303	2,382
Cash and cash equivalents at end of period	※ 2,382	※ 2,120

[Notes]

(Significant matters forming the basis for preparation of consolidated financial statements)

1. Matters related to the scope of consolidation

Number of consolidated subsidiaries: 6

Name of Consolidated Subsidiary

NOIS Inc., Fibergate Taiwan Inc., FG-Lab Inc., FG Smart Asset Inc., OffGrid-Lab Inc.

TM Asset Inc., which was a consolidated subsidiary in the previous consolidated fiscal year, was extinguished in an absorption-type merger with FG Smart Asset Inc. as the surviving company.

2. Matters related to the application of the equity method

There are no applicable matters.

3. Matters related to the fiscal year of consolidated subsidiaries

The closing dates of all consolidated subsidiaries coincide with the consolidated closing date.

4. Matters related to accounting policy

(1) Valuation criteria and methods of significant assets

1) Securities

Other securities

- Shares other than those that do not have a market price.....Market value method (all valuation differences are processed by the direct net assets method, and the cost of sale is calculated by the moving average method)
- Shares, etc. without market price.....Cost method based on moving average method

2) Inventories

• Commodity

We use the cost method based on the moving average method.

(Values on the balance sheet is calculated by the method of devaluation due to a decrease in profitability.)

• Real estate for sale

We use the cost method based on individual method.

(Values on the balance sheet is calculated by the method of devaluation due to a decrease in profitability.)

• Work in progress

We use the cost method based on individual method.

(Values on the balance sheet is calculated by the method of devaluation due to a decrease in profitability.)

• Supplies

We use the cost method based on final purchase cost method.

(Values on the balance sheet is calculated by the method of devaluation due to a decrease in profitability.)

(2) Method of depreciation of significant depreciable assets

1) Tangible fixed assets (excluding leased assets)

The Company and its domestic consolidated subsidiaries use the declining balance method, and its overseas consolidated subsidiaries use the straight-line method.

However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings acquired on or after April 1, 2016.

The main service life is as follows.

Building: 3 to 15 years

Tools, Instruments and Fixtures: 2 to 15 years

Communication equipment: 10 years

2) Intangible assets (excluding leased assets)

We use the straight-line method.

For software used in-house, we use a straight-line method based on the period of use within the company (5 years).

(3) How to dispose of material deferred assets

1) Bond issuance costs

Amortized using the straight-line method for the period until the redemption of the bonds.

2) Inaugural expenses

Equally amortized over a five-year period.

(4) Criteria for reporting material provisions

1) Allowance for doubtful accounts

In order to prepare for bad debt losses on sales receivables, we consider the recoverability of general receivables based on the actual rate of bad debts and specific receivables such as receivables of doubtful concern on a case-by-case basis, and report the amount that is expected to be uncollectible.

2) Provision for bonuses

In order to use the funds for the payment of bonuses to the Company's employees, we have estimated the expenses to be incurred in the current consolidated fiscal year out of the expected amount to be paid in the future.

3) Provision for stock-based remuneration

In order to prepare for future benefits of the Company's shares, etc., to employees, the amount of the expected payment that is recognized to have occurred by the end of the current consolidated fiscal year has been reported.

(5) Method of accounting for retirement benefits

The Company applies a simplified method of calculating liabilities and retirement benefit expenses related to retirement benefits using a method of making the amount required for self-convenience at the end of the fiscal year related to retirement benefit obligations.

(6) Criteria for reporting significant revenues and expenses

The main revenues of the Group's home use business and business use business are the provision of telecommunication services and the sale of products. In addition, the main revenue of the real estate business is the sale of real estate.

• Provision of telecommunication services

The obligation to perform the provision of telecommunication services consists of a performance obligation to install and configure the Internet connection equipment at the service provided property (the "initial introduction service") and a performance obligation to provide the Internet service after the installation and configuration of the Internet connection device (hereinafter referred to as the "monthly usage fee service").

If the initial introduction service and the monthly usage fee service are recognized as an integrated performance obligation, both are reported as revenue according to the service period of the monthly usage fee. If the obligation to perform the initial introduction service and the monthly usage fee service are not considered to be integrated, the initial introduction service will report revenue at the time of completion of the installation and configuration work of the Internet-connecting device, and the monthly usage fee service will report revenue according to the contract period of the monthly usage fee service.

• Sales of products

The sale of products is obligated to be fulfilled by the delivery of the products to the customer. Since control over the product is transferred to the customer at the time the product is delivered, we judge it to be a performance obligation that is satisfied at the time the delivery of the product is completed, and we recognize the revenue.

• Sales of real estate

The sale of real estate is obligated to be fulfilled by the delivery of the real estate. Since control over the real estate is transferred to the customer at the time the delivery conditions in the real estate sales contract are met, we judge that the performance obligation is satisfied at the time the delivery of the real estate is completed, and we recognize the revenue.

(7) Conversion standards for significant foreign currency-denominated assets or liabilities into Japanese currency

Foreign currency-denominated monetary receivables and liabilities are converted into yen based on the spot exchange rate on the consolidated settlement date, and the conversion difference is treated as profit or loss. The assets and liabilities of overseas subsidiaries are converted into yen based on the spot exchange rate on the consolidated settlement date, revenues and expenses are converted into yen based on the average exchange rate during the period, and the conversion difference is included in the foreign currency translation adjustment account in the net assets.

(8) Significant methods of hedge accounting

1) Methods of hedge accounting

With regard to interest rate swaps, we have adopted special treatment for those that meet the requirements for special treatment.

2) Means of hedging and hedging targets

Means of hedging: Interest rate swaps

Hedging targets: Interest on borrowings

3) Hedging Policy

The Company engages in derivatives transactions for the purpose of avoiding the risk of interest rate fluctuations on borrowings, and has a policy of not engaging in derivatives transactions for speculative purposes.

4) Method of evaluating hedging effectiveness

Interest rate swap transactions meet the requirements for special treatment, so the evaluation of their effectiveness is omitted.

(9) Amortization method and amortization period of goodwill

For a period of less than 20 years for the effect of goodwill, it is amortized using the straight-line method.

(10) Scope of funds in the consolidated statements of cash flows

It consists of deposits that can be withdrawn at any time and short-term investments that are easily redeemable and are due within three months from the date of acquisition, with little risk of fluctuations in value.

(Significant accounting estimates)

There are no applicable matters.

(Consolidated balance sheet related)

\*1 Accumulated depreciation of tangible fixed assets

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2025)
Accumulated depreciation of tangible fixed	5,333 million yen	6,849 million yen

\*2 Assets pledged as collateral

The assets pledged as collateral are as follows.

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2025)
Real Estate for Sale	655 million yen	489 million yen
Investment Securities (Notes)	10 million yen	10 million yen
Total	665 million yen	499 million yen

(Notes) It is a business deposit under the Building Lots and Buildings Transaction Business Act.

The liabilities related to collateral are as follows.

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2025)
Short-term borrowings	300 million yen	140 million yen
Current portion of long-term borrowings	10 million yen	10 million yen
Long-term borrowings	366 million yen	355 million yen
Total	676 million yen	505 million yen

\*3 The Group has concluded an overdraft agreement with its bank in order to efficiently procure working capital.

The outstanding balance of unexecuted borrowings related to overdraft agreement at the end of the consolidated fiscal year is as follows.

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2025)
Extreme overdraft	4,900 million yen	5,000 million yen
Outstanding borrowings	300 million yen	140 million yen
Balance	4,600 million yen	4,860 million yen

(Consolidated profit and loss statement related)

\*1 Revenue arising from contracts with customers

Sales are not divided into revenues arising from contracts with customers and other revenues. The amount of revenue generated from contracts with customers is described in the consolidated financial statements “Notes (Revenue recognition related) in 1. Information that breaks down revenue arising from contracts with customers”.

\*2 The amount of book value devaluation due to a decline in the profitability of inventories held for ordinary sales purposes is as follows. The amount is after being offset from the amount of the refund.

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Cost of goods sold	81 million yen	6 million yen

\*3 The main items and amounts of selling, general and administrative expenses are as follows.

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Salary and allowances	1,018 million yen	1,111 million yen
Sales commission	986 million yen	1,002 million yen
Goodwill amortization	21 million yen	— million yen
Provision for doubtful accounts	-0 million yen	-0 million yen
Retirement benefit cost	12 million yen	11 million yen
Provision for bonuses	86 million yen	88 million yen
Stock-based remuneration expenses	48 million yen	△7 million yen

Notes: Stock-based remuneration expenses for the current fiscal year include stock-based remuneration expenses of -9 million yen that were reimbursed due to the expiration of post-issued stock-based remuneration prior to vesting.

\*4 R&D expenses included in selling, general and administrative expenses are as follows.

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
	24 million yen	13 million yen

\*5 Gain from sale of fixed assets

Gain from sale of fixed assets in the current fiscal year were mainly attributable to the sale of buildings and land.

\*6 The details of the loss on disposal of fixed assets are as follows.

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Building	— million yen	3 million yen
Tools, furniture & fixtures	1 million yen	0 million yen
Communication equipment	32 million yen	45 million yen
Software	- million yen	0 million yen
Removal costs	- million yen	2 million yen
Total	33 million yen	51 million yen

\*7 Impairment loss of investment securities

Previous Consolidated Fiscal Year (from July 1, 2022 to June 30, 2023)

There are no applicable matters.

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

Due to a significant decline in the real value of some of the investment securities held by the Company (one stock without a market price), the Company recorded 39 million yen on impairment loss of investment securities.

\*8 Impairment loss

The Group recorded impairment losses on the following asset groups.

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

Location	Use	Type	Amount (million yen)
Shibuya-ku, Tokyo and others	Business Assets	Communication equipment	1
Minato-ku, Tokyo	Business Assets	Software	28
Minato-ku, Tokyo	Others	Goodwill	80

In principal, the Group groups business assets based on management accounting classifications that continuously monitor income and expenses, and groups goodwill on a company-by-company basis.

With regard to business assets, due to changes in the way they are used and a decline in profitability, we reduced the book value to the recoverable value and reported an extraordinary loss as an impairment loss of 29 million yen for the current fiscal year. The recoverable value is measured by the use value, but the discount rate is omitted because undiscounted future cash flow is negative.

With regard to goodwill, TM Asset Inc., a consolidated subsidiary of the Company, reported goodwill at the time of acquisition of shares, but as a result of reviewing its future business plan based on the sale of real estate for sale and other factors held by the Company, and taking into account future earnings forecasts and recoverability, we reported an impairment loss with recoverable value of zero.

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

There are no applicable matters.

(Consolidated comprehensive income statement related)

\*Amount of reclassification adjustment and tax effect related to other comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Other valuation difference on available-for-sale securities		
Amount accrued in the current fiscal year	0	0
Reclassification adjustment amount	-0	—
Before tax effect adjustment	0	0
Tax effect	-0	-0
Other valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment account		
Amount accrued in the current fiscal year	0	1
Reclassification adjustment amount	—	—
Before tax effect adjustment	0	1
Tax effect	—	—
Foreign currency translation adjustment account	0	1
Other comprehensive income total	0	1



(Consolidated statement of changes in equity related)

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

1. Matters concerning the type and total number of shares issued and the type and number of treasury stocks

	Number of shares at the beginning of the current consolidated fiscal year (shares)	Number of shares increased in the current consolidated fiscal year (shares)	Number of shares decreased in the current consolidated fiscal year (shares)	Number of shares at the end of the current consolidated fiscal year (shares)
Shares Issued				
Common shares	20,591,200	—	—	20,591,200
Total	20,591,200	—	—	20,591,200
Treasury stock				
Common shareCommon Stock (Notes) 1	191,744	4,900	15,472	181,172
Total	191,744	4,900	15,472	181,172

(Summary of reasons for changes)

(Notes) 1. The breakdown of the increase in treasury stock is as follows.

Increase due to acquisition based on a resolution of the Board of Directors: 4,900 shares

Decrease due to disposal of treasury stock based on the stock grant system to employees: 15,472 shares

2. Matters related to stock acquisition rights and treasury stock acquisition rights

Division	Breakdown of stock acquisition rights	Types of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights (shares)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	End of the current consolidated fiscal year	
The Company	5th series of stock acquisition rights (stock acquisition rights as stock options)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)

(Notes) Treasury stock acquisition rights are indicated in the brackets.

3. Matters related to dividends

(1) Amount of dividends paid

Resolution	Types of shares	Total amount of dividends	Dividends per share	Reference date	Effective date
Ordinary General Meeting of Shareholders held on September 28, 2022	Common share	91 million yen	4.50 yen	June 30, 2022	September 29, 2022

(2) Dividends with a reference date in the current consolidated fiscal year whose effective date is the next consolidated fiscal year

Resolution	Types of shares	Total amount of dividends	Source of dividends	Dividends per share	Reference date	Effective date
Ordinary General Meeting of Shareholders held on September 27, 2023	Common share	204 million yen	Retained earnings	10.00 yen	June 30, 2023	September 28, 2023

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

1. Matters concerning the type and total number of shares issued and the type and number of treasury stocks

	Number of shares at the beginning of the current consolidated fiscal year (shares)	Number of shares increased in the current consolidated fiscal year (shares)	Number of shares decreased in the current consolidated fiscal year (shares)	Number of shares at the end of the current consolidated fiscal year (shares)
Shares Issued				
Common shares	20,591,200	2,400	—	20,593,600
Total	20,591,200	2,400	—	20,593,600
Treasury stock				
Common shareCommon Stock (Notes) 1	181,172	159,100	18,065	322,207
Total	181,172	159,100	18,065	322,207

(Summary of reasons for changes)

(Notes) 1. The breakdown of the increase in treasury stock is as follows.

Increase due to acquisition based on a resolution of the Board of Directors: 159,100 shares

Decrease due to disposal of treasury stock based on the stock grant system to directors and employees: 18,065 shares

2. Matters related to stock acquisition rights and treasury stock acquisition rights

Division	Breakdown of stock acquisition rights	Types of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights (shares)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	End of the current consolidated fiscal year	
The Company	5th series of stock acquisition rights (stock acquisition rights as stock options)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)

(Notes) Treasury stock acquisition rights are indicated in the brackets.

3. Matters related to dividends

(1) Amount of dividends paid

Resolution	Types of shares	Total amount of dividends	Dividends per share	Reference date	Effective date
Ordinary General Meeting of Shareholders held on September 27, 2023	Common share	204 million yen	10.00 yen	June 30, 2023	September 28, 2023
Board Meeting on February 14, 2024	Common share	10 million yen	5.00 yen	December 31, 2023	March 12, 2024

(2) 基準日が当連結会計年度に属する配当のうち、配当の効力発生日が翌連結会計年度となるもの

Resolution	Types of shares	Total amount of dividends	Source of dividends	Dividends per share	Reference date	Effective date
Ordinary General Meeting of Shareholders held on September 26, 2024	Common share	253 million yen	Retained earnings	12.50 yen	June 30, 2024	September 27, 2024

(Consolidated statement of cash flows related)

\*1 Relationship between cash and cash equivalents at end of period and the amount of items listed on the consolidated balance sheet

	Previous consolidated fiscal year (from July 1, 2021 to June 30, 2022)	Current consolidated fiscal year (from July 1, 2022 to June 30, 2023)
Cash and deposit account	2,382 million yen	2,120 million yen
Cash and cash equivalents	2,382 million yen	2,120 million yen

(Lease transaction related)

Operating Lease Transactions

Accrued lease payments for non-cancelable operating lease transactions

(Millions of yen)

	Previous consolidated fiscal year (June 30, 2022)	Current consolidated fiscal year (June 30, 2023)
Within 1 year	0	1
More than 1 year	2	1
Total	3	3

(Financial instruments related)

1. Matters related to the status of financial instruments

(1) Policy on initiatives for financial instruments

The Group's basic policy is to procure funds necessary for business operations from ordinary operating cash flows. Temporary surplus funds are mainly managed through short-term deposits, etc., and when a large amount of funds are required for capital investment, etc., they are procured through bank borrowings. It is our policy not to engage in derivatives trading for speculative purposes.

(2) Details of financial instruments and their risks

Accounts receivables, which are trade receivables, include receivables that are collected in a short period of time and those that are collected for a long period of time, and are exposed to the credit risk of customers.

Investment securities are government bonds deposited as shares and security deposits of companies with which we have a business relationship, and are subject to the risk of fluctuations in market prices.

Most accounts payables and other payables, which are trade payables, are due within one year. Some items denominated in foreign currencies are exposed to the risk of exchange rate fluctuations.

Corporate bonds, borrowings, and lease obligations are mainly intended to raise funds for capital investments, and the maximum maturity date is 32 years after the closing date. Some of our borrowings are exposed to the risk of interest rate fluctuations, but we hedge them using derivatives transactions (interest rate swap transactions).

Derivatives transactions are interest rate swap transactions for the purpose of hedging against the risk of fluctuations in interest rates paid on borrowings. For information on hedging methods and hedging targets, hedging policies, and methods for evaluating the effectiveness of hedging related to hedge accounting, please refer to “(8) Significant methods of hedge accounting” in “4. Matters related to accounting policy” mentioned above.

(3) Risk management system for financial instruments

1) Management of credit risk (risk related to non-performance of contracts by business partners, etc.)

In accordance with the credit management regulations, the sales department regularly monitors the status of major business partners with regard to trade receivables, and the sales promotion division manages the due dates and balances of each counterparty, and works to quickly identify and alleviate concerns about collection due to deterioration in financial conditions, etc.

2) Management of market risks (risks related to fluctuations in foreign exchange rates, interest rates, etc.)

The Company conducts deposits mainly with financial institutions with high credit ratings.

Investment securities are managed by regularly assessing their market value.

With regard to trade payables denominated in foreign currencies, we regularly monitor the risk of foreign exchange rate fluctuations.

We use interest rate swap transactions to suppress the risk of fluctuations in interest rates paid on borrowings.

3) Management of liquidity risk related to financing (risk of not being able to make payments on the due date)

The finance and accounting department manages liquidity risk by conducting a comparative analysis with the cash flow plan (cash flow statement) in a timely manner and maintaining liquidity on hand.

4) Supplementary explanation of matters related to the market value of financial instruments

Since fluctuations are factored in the calculation of the market value of financial instruments, the value of financial instruments may fluctuate due to the adoption of different assumptions.

## 2. Matters related to the market value of financial instruments

The amount reported on the consolidated balance sheet, the market value, and the difference between them are as follows.  
Previous consolidated fiscal year (June 30, 2023)

	Amount reported on consolidated balance sheet (million yen)	Market price (million yen)	Difference (million yen)
(1) Accounts receivable	1,585		
Allowance for doubtful accounts (*)	-6		
Allowance for bad debts (*)			
	1,579	1,579	△0
(2) Investment securities	11	11	—
Total Asset	1,591	1,591	△0
(1) Corporate bonds (including bonds scheduled to be redeemed within one year)	50	51	1
(2) Long-term borrowings (including Current portion of long-term borrowings)	4,322	4,307	-15
Total liabilities	4,372	4,358	-13
Derivatives transaction	—	—	—

\* For accounts receivable, we deduct the corresponding allowance for doubtful accounts.

(Notes) 1 Cash is omitted from the notes. In addition, deposits, accounts payable, short-term borrowings, and income taxes payable are settled in a short period of time, so the market value is approximated to the book value, so the notes is omitted. Derivatives transactions are interest rate swaps, and all of them are subject to special treatment. Therefore, since it is treated as an integral part of the long-term borrowings that are subject to hedging, the market value is included in the market value of the long-term borrowings.

### 2 Unlisted Shares

Since there is no market price, it is not included in the investment securities in the table above.

	Amount reported on consolidated balance sheet (million yen)
Unlisted shares	39

Current consolidated fiscal year (June 30, 2024)

	Amount reported on consolidated balance sheet (million yen)	Market price (million yen)	Difference (million yen)
(1) Accounts receivable	1,772		
Allowance for doubtful accounts (*)	△5		
Allowance for bad debts (*)			
	1,767	1,767	△0
(2) Investment securities	11	11	—
Total Asset	1,779	1,779	△0
(1) Corporate bonds (including bonds scheduled to be redeemed within one year)	50	49	△0
(2) Long-term borrowings (including Current portion of long-term borrowings)	4,252	4,208	△43
Total liabilities	4,302	4,258	△44
Derivatives transaction	—	—	—

\* For accounts receivable, we deduct the corresponding allowance for doubtful accounts.

(Notes) 1 Cash is omitted from the notes. In addition, deposits, accounts payable, short-term borrowings, and income taxes payable are settled in a short period of time, so the market value is approximated to the book value, so the notes is omitted. Derivatives transactions are interest rate swaps, and all of them are subject to special treatment. Therefore, since it is treated as an integral part of the long-term borrowings that are subject to hedging, the market value is included in the market value of the long-term borrowings.

2 Unlisted Shares

Since there is no market price, it is not included in the investment securities in the table above.

	Amount reported on consolidated balance sheet (million yen)
Unlisted shares	0

## (Notes) 2 Schedule of redemption after the closing date of monetary claims

## Previous consolidated fiscal year (June 30, 2023)

	Within 1 year (million yen)	More than 1 year and within 5 years (million yen)	More than 5 years and less than 10 years (million yen)	More than 10 years (million yen)
Cash and deposits	2,382	—	—	—
Accounts receivable	1,585	0	—	—
Investment Securities				
Other securities with maturity (government bonds)	—	—	10	—
Total	3,967	0	10	—

## Current consolidated fiscal year (June 30, 2024)

	Within 1 year (million yen)	More than 1 year and within 5 years (million yen)	More than 5 years and less than 10 years (million yen)	More than 10 years (million yen)
Cash and deposits	2,120	—	—	—
Accounts receivable	1,771	0	—	—
Investment Securities				
Other securities with maturity (government bonds)	—	—	10	—
Total	3,892	0	10	—

## (Notes) 3 Scheduled repayment amount of corporate bonds, long-term borrowings, and lease obligations after the consolidated settlement date

## Previous consolidated fiscal year (June 30, 2023)

	Within 1 year (million yen)	More than 1 year and within 2 years (million yen)	More than 2 years and less than 3 years (million yen)	More than 3 years and less than 4 years (million yen)	More than 4 years and less than 5 years (million yen)	More than 5 years (million yen)
Short-term borrowings	300	—	—	—	—	—
Corporate bond	—	—	—	—	—	50
Long-term borrowings	1,096	1,007	835	675	287	420
Lease Obligations	1,396	1,007	835	675	287	470

## Current consolidated fiscal year (June 30, 2024)

	Within 1 year (million yen)	More than 1 year and within 2 years (million yen)	More than 2 years and less than 3 years (million yen)	More than 3 years and less than 4 years (million yen)	More than 4 years and less than 5 years (million yen)	More than 5 years (million yen)
Short-term borrowings	140	—	—	—	—	—
Corporate bond	—	—	—	—	—	50
Long-term borrowings	1,203	1,070	868	481	244	384
Lease Obligations	1,343	1,070	868	481	244	434

3. Matters related to the breakdown of the market value of financial instruments by level

The market value of financial instruments is classified into the following three levels according to the observability and significance of the inputs used to calculate the market value.

Level 1 of market value: Among the inputs related to the calculation of the observable market value, the market value calculated by the market price of the asset or liability that is the subject of the calculation of the market value formed in an active market.

Level 2 of market value: Among the inputs related to the calculation of the observable market value, the market value calculated using inputs related to the calculation of the market value other than the input of level 1

Level 3 of market value: Market value calculated using inputs related to the calculation of unobservable market prices

In the event that multiple inputs are used that have a significant impact on the calculation of market value, the market value is classified as the level to which each of these inputs belongs and has the lowest priority in calculating the market value.

(1) Financial instruments reported on the consolidated balance sheet in market value

Previous consolidated fiscal year (June 30, 2023)

Division	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment Securities				
Other Securities				
stock	0	—	—	0
Government debt	10	—	—	10
Corporate bond	—	1	—	1
Golf membership	10	1	—	11

Current consolidated fiscal year (June 30, 2024)

Division	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment Securities				
Other Securities				
stock	0	—	—	0
Government debt	10	—	—	10
Corporate bond	—	1	—	1
Golf membership	10	1	—	11



(2) Financial instruments other than those reported on the consolidated balance sheet in market value  
Previous consolidated fiscal year (June 30, 2023)

Division	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable	—	1,579	—	1,579
Total Asset	—	1,579	—	1,579
Corporate bond	—	51	—	51
Long-term borrowings	—	4,307	—	4,307
Total liabilities	—	4,358	—	4,358

Current consolidated fiscal year (June 30, 2024)

Division	Market value (million yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable	—	1,767	—	1,767
Total Asset	—	1,767	—	1,767
Corporate bond	—	49	—	49
Long-term borrowings	—	4,208	—	4,208
Total liabilities	—	4,258	—	4,258

(Notes) 1. Explanation of the valuation technique used to calculate the market value and the input related to the calculation of it  
Accounts receivable

The market value of accounts receivable is calculated based on the discounted present value based on the interest rate that takes into account the amount of the receivable, the period until maturity, and credit risk for each receivable classified for a certain period, and is classified as level 2 of market value.

Investment securities

Listed stocks and government bonds are evaluated using market prices. Since listed stocks and government bonds are traded in an active market, their market value is classified as level 1 of market value. Although golf memberships are not traded in an active market, they have a published base value, so the market value is classified as level 2 of market value. Corporate bonds are valued using the discounted present value method, and the market value is classified as level 3 of market value.

Corporate bonds and long-term borrowings

These market values are calculated using the discounted present value method based on the interest rate that takes into account the total amount of principal and interest, the remaining term of the debt, and credit risk, and are classified as Level 2 of market value.

(Note: 2.Information on the market value of Level 3 among the financial instruments recorded on the consolidated balance sheet in market value

(1) Quantitative information on significant unobservable inputs

Previous consolidated fiscal year (June 30, 2023)

There are no applicable matters.

Current consolidated fiscal year (June 30, 2024)

There are no applicable matters.

(2) Adjustment table from the balance at the beginning of the fiscal year to that at the end of the fiscal year, and the gain or loss on valuation recognized in the profit or loss for the current consolidated fiscal year

Previous consolidated fiscal year (June 30, 2023)

(Millions of yen)

	Investment securities Other securities Corporate bond	Total
Balance at the beginning of the fiscal year	39	39
Profit and loss or other comprehensive income for the current fiscal year	—	—
Recorded in profit and loss	—	—
Recorded in other comprehensive income	—	—
Net value of purchases, sales, issuances and settlements	—	—
Transfer to the market value of Level 3	—	—
Transfer from the market value of Level 3	△39	△39
Balance at the end of the fiscal year	—	—
Gain/Loss on valuation on financial assets and liabilities held on the consolidated balance sheet date of the amount recorded in the profit and loss for the current fiscal year	—	—

Current consolidated fiscal year (June 30, 2024)

There are no applicable matters.

(3) Explanation of mark-to-market valuation process

For financial instruments classified as Level 3, the person in charge of evaluation determines the valuation method of the target financial instrument and calculates the market value in accordance with the valuation policy and procedures established by the Group. In addition, the calculation results are approved by the appropriate approver.

In calculating market value, we use valuation techniques and inputs that can most appropriately reflect the nature, characteristics, and risks of the target financial instruments.

(4) Explanation of the impact on market value in case of a change in a significant unobservable input

An increase (decrease) in the discount rate will cause the market value of financial assets to fall (rise).

(Derivatives transactions related)

Derivatives transactions to which hedge accounting is applied

Interest rates

Previous consolidated fiscal year (June 30, 2023)

Methods of hedge accounting	Types of transactions	Main hedging targets	Contract amount, etc. (million yen)	Contract amount of more than 1 year (million yen)	Market value (million yen)
Special Processing of Interest Rate Swaps	Interest Rate Swap Trading Variable receipts and fixed payments	Long-term borrowings	1,404	1,054	(Notes)

(Notes) Since interest rate swaps by special processing are treated as an integral part of long-term borrowings that are subject to hedging, the market value is included in the market value of the long-term borrowings.

Current consolidated fiscal year (June 30, 2024)

Methods of hedge accounting	Types of transactions	Main hedging targets	Contract amount, etc. (million yen)	Contract amount of more than 1 year (million yen)	Market value (million yen)
Special Processing of Interest Rate Swaps	Interest Rate Swap Trading Variable receipts and fixed payments	Long-term borrowings	1,254	883	(Notes)

(Notes) Since interest rate swaps by special processing are treated as an integral part of long-term borrowings that are subject to hedging, the market value is included in the market value of the long-term borrowings.

(Retirement benefits related)

1. Outline of the retirement benefit plan adopted

The Group has adopted a lump-sum retirement allowance plan to provide retirement benefits to employees. As a retirement benefit, a lump-sum payment is paid based on the period of service.

The Group's lump-sum retirement allowance plan calculates retirement benefit liabilities and retirement benefit expenses related using the simplified method.

As a method of calculating retirement benefit obligations, we apply the method based on the voluntary retirement at the end of the fiscal year.

2. Defined Benefit Plan

(1) Adjustment table of the balance of retirement benefit liabilities at the beginning and end of the fiscal year under the simplified method

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Balance of retirement benefit liabilities at the Beginning of the fiscal year	36 million yen	44 million yen
Retirement benefit expenses	12 million yen	11 million yen
Amount of retirement benefits paid	-4 million yen	-1 million yen
Balance of retirement benefit liabilities at the end of the fiscal year	44 million yen	53 million yen

(2) Balance of retirement benefit obligations at the end of the fiscal year and a adjustment table of assets related to retirement benefit liabilities and retirement benefits reported in the consolidated balance sheet

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2024)
Retirement benefit obligations under unfunded plan	44 million yen	53 million yen
Net liabilities and assets reported on the consolidated balance sheet	44 million yen	53 million yen
Retirement benefit liabilities	44 million yen	53 million yen
Net liabilities and assets reported on the consolidated balance sheet	44 million yen	53 million yen

(3) Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method

Previous consolidated fiscal year 12 million yen

Current consolidated fiscal year 11 million yen

(Stock Options, etc. related)

1. Amount of expenses reported and account title for stock options

The Company and its consolidated subsidiaries are unlisted companies on the date of grant, and the intrinsic value per unit of stock options, etc. is 0 yen, so expenses are not reported.

2. Details, size, and fluctuations of stock options

The number of stock options is calculated in terms of the number of shares in the current consolidated fiscal year (ending June 2023).

On December 1, 2017, the Company conducted a stock split of 50 shares per common share, a stock split of 2 shares per common share on September 1, 2018, and a stock split of 2 shares per common stock on September 1, 2019,.

(1) Details of stock options

Company Name	The Company
Name	5th Series of stock acquisition rights
Date of resolution	October 31, 2017 Resolution of the Extraordinary General Meeting of Shareholders
Classification and number of grant recipients	Audit & Supervisory Board Member: 1 Employees: 19 Subsidiary Director: 1
Number of stock options by type of share	Common share: 400,000 shares
Date of grant	November 1, 2017
Vesting conditions	There are no vesting conditions.
Eligible work period	—
Exercise period	From November 2, 2019 to November 11, 2027
Number of stock acquisition rights (units)*1,*2	12 (See Notes 1)
Types, contents, and number of shares subject to stock acquisition rights*	Common share: 0 shares (See Notes 1)
Amount paid at the time of exercise of stock acquisition rights (yen)*	212 (See Notes 3)
In the case of issuance of shares through the exercise of stock acquisition rights, the issue price of shares and the amount of capital inclusion*	Issue price 212 yen Amount of capital inclusion 106 yen
Conditions for exercising stock acquisition rights*	1) The exercise of stock acquisition rights shall be carried out on a one-by-one basis. 2) A person who has been assigned stock acquisition rights must be in the position of a director, audit & supervisory board member, or employee of the Company or an affiliated company of the Company at the time of the exercise of the stock acquisition rights; provided, however, that this shall not apply in the event of resignation as a director or audit & supervisory board member of the Company or an affiliated company due to the expiration of the term of office, or in the case of mandatory retirement or other justifiable reasons. 3) In the event of the death of a person who has been allotted stock acquisition rights, the heirs shall not be able to exercise the stock acquisition rights. 4) Other conditions shall be in accordance with the agreement concerning the allotment of stock acquisition rights concluded between the Company and the person to whom the stock acquisition rights have been allotted based on the resolution of the General Meeting of Shareholders and that of the Board of Directors.
Matters concerning the transfer of stock acquisition rights*	Approval by resolution of the Company's Board of Directors shall be required
Matters concerning the grant of stock acquisition rights in connection with act of reorganization*	—

\*1. The contents as of the end of the current consolidated fiscal year are described. As of the end of the preceding month of the month in which the annual securities report is submitted (August 31, 2024), there is no change in these matters.

(Notes) 1. The number of shares subject to each stock acquisition right (hereinafter referred to as “granted shares”) shall be 200 shares; provided, however, that if the number of shares specified below is adjusted, the same adjustment shall be made with respect to the number of granted shares.

After the date on which the stock acquisition rights are allocated (hereinafter referred to as the “allotment date”), in the event that the Company conducts a stock split (including the case of gratuitous allotment of shares; the same shall apply hereinafter) for common share or consolidation of shares, the number of shares to be adjusted according to the following formula; provided, however, that such adjustment shall be made with respect to the number of shares subject to stock acquisition rights that have not been exercised at the time of such adjustment, and fractions of less than one share resulting from the adjustment shall be rounded down.

$$\text{Number of Shares Adjusted} = \text{Number of Shares Before Adjustment} \times \text{Ratio of Splits and Consolidations}$$

In addition, if there is an unavoidable reason that requires an adjustment of the number of granted shares after the allotment date, the number of granted shares shall be adjusted to a reasonable extent.

2. As for whether or not it is necessary to pay money in exchange for stock acquisition rights, it is not necessary to pay money.
3. In the event that the Company conducts a stock split or consolidation of shares with respect to common shares after the allotment date, or if it is necessary to adjust the exercise price in accordance with these cases, the exercise price shall be adjusted according to the following formula, and the fraction of less than 1 yen resulting from the adjustment shall be rounded up.

$$\text{Adjusted Exercise Amount} = \text{Exercise Amount before Adjustment} \times \frac{1}{\text{Ratio of Splits and Consolidations}}$$

In addition, after the allotment date, in the event that the Company issues new shares or disposes of treasury shares of the Company’s common at a value lower than the market price (however, before the Company’s IPO, it shall be deemed to be the unadjusted exercise price at that time) (except in the case of the sale of treasury stocks pursuant to the provisions of the Companies Act, conversion of securities converted into the Company’s common share or convertible securities, or exercise of stock acquisition rights that can request delivery of the Company’s common share), the exercise price shall be adjusted according to the following formula, and the fraction of less than 1 yen resulting from the adjustment shall be rounded up.

$$\text{Adjusted Exercise Amount} = \text{Exercise Amount before Adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{paid-up amount per share}}{\text{Stock price before new issuance}}}{\text{Number of shares already issued} + \text{Number of shares increased by new issuance}}$$

In addition to the above, after the allotment date, in the event that the Company allots shares of other types to common shares without dividends of shares of other companies to common shareholders, the Company may adjust the exercise price as it deems necessary if it is necessary to adjust the exercise price.

4. Reasons and conditions for acquisition of stock acquisition rights by the company related to the 5th series of stock acquisition rights
  - 1) When a merger agreement in which the Company becomes a dissolved company is approved at the General Meeting of Shareholders, or when a proposal for an absorption split agreement or share transfer in which the Company becomes a spin-off company is approved at the General Meeting of Shareholders, the Company may acquire stock acquisition rights free of charge on a date separately determined by the Board of Directors.
  - 2) In the event that the holder of the stock acquisition rights no longer falls under the conditions for exercising the stock acquisition rights (except in cases where the Board of Directors recognizes that there is a justifiable reason) or waives all or part of the stock acquisition rights in writing prescribed by the Company, the Company shall acquire the stock acquisition rights free of charge.

Company Name	Consolidated subsidiaries (FG-Lab Inc.)	Consolidated subsidiaries (FG-Lab Inc.)
Name	1st Series of stock acquisition rights	2nd Series of stock acquisition rights
Date of resolution	November 12, 2020 Resolution of the Extraordinary General Meeting of Shareholders	November 12, 2020 Resolution of the Extraordinary General Meeting of Shareholders
Classification and number of grant recipients	Director of consolidated subsidiaries: 2 Employee of consolidated subsidiaries: 2	Audit & Supervisory Board Member of consolidated subsidiaries: 1 Director of the Company: 1 Employee of the Company: 3
Number of stock options by types of shares	Common share: 2,587 shares	Common share: 1,978 shares
Date of grant	December 1, 2020	December 1, 2020
Vesting conditions	There are no vesting conditions.	
Eligible work period	-	-
Exercise period	From December 2, 2023 to November 11, 2030	From December 2, 2023 to November 11, 2030
Number of stock acquisition rights (units)*	2,587 (Notes) 1	1,978 (Notes) 1
Types, contents, and number of shares subject to stock acquisition rights*	Common share: 2,587 shares (See Notes 1)	Common share: 1,978 shares (See Notes 1)
Amount paid at the time of exercise of stock acquisition rights (yen)*	500 (See Notes 3)	500 (See Notes 3)
In the case of issuance of shares through the exercise of stock acquisition rights, the issue price of shares and the amount of capital inclusion*	Issue price 500 yen Amount of capital inclusion 250 yen	Issue price 500 yen Amount of capital inclusion 250 yen
Conditions for exercising stock acquisition rights*	<p>1) The exercise of stock acquisition rights shall be carried out on a one-by-one basis.</p> <p>(2) A person who has been assigned stock acquisition rights must hold the position of director, audit &amp; supervisory board member, executive officer, or employee of the Company or its affiliates at the time of exercising the rights. However, this shall not apply if the Board of Directors deems that there is a justifiable reason.</p> <p>3) The Company's common share is listed on one of the financial stock exchanges.</p> <p>4) In the event of the death of a stock acquisition right holder, the heirs shall not be able to exercise the stock acquisition rights.</p> <p>5) Other conditions shall be in accordance with the agreement concerning the allotment of stock acquisition rights concluded between the Company and the person to whom the stock acquisition rights have been allotted based on the resolution of the General Meeting of Shareholders and that of the Board of Directors.</p>	
Matters concerning the transfer of stock acquisition rights*	Approval by resolution of the Company's Board of Directors shall be required.	
Matters concerning the grant of stock acquisition rights in connection with act of reorganization*	(See Notes 5)	

\* The contents as of the end of the current consolidated fiscal year are described. As of the end of the preceding month of the month in which the annual securities report is submitted (August 31, 2024), there is no change in these matters.

(Notes) 1. The number of shares subject to each stock acquisition right (hereinafter referred to as “granted shares”) shall be 200 shares; provided, however, that if the number of shares specified below is adjusted, the same adjustment shall be made with respect to the number of granted shares.

After the date on which the stock acquisition rights are allocated (hereinafter referred to as the “allotment date”), in the event that the Company conducts a stock split (including the case of gratuitous allotment of shares; the same shall apply hereinafter) for common share or consolidation of shares, the number of shares to be adjusted according to the following formula; provided, however, that such adjustment shall be made with respect to the number of shares subject to stock acquisition rights that have not been exercised at the time of such adjustment, and fractions of less than one share resulting from the adjustment shall be rounded down.

Number of Shares Adjusted = Number of Shares Before Adjustment × Ratio of Splits and Consolidations

In addition, in the event of an absorption merger, new merger, absorption split, new share split, share exchange, or share transfer, or any other unavoidable reason after the allotment date, the number of shares subject to stock acquisition rights shall be adjusted to a reasonable extent.

2. As for whether or not it is necessary to pay money in exchange for stock acquisition rights, it is not necessary to pay money.

3. In the event that the Company conducts a stock split or consolidation of shares with respect to common shares after the allotment date, or if it is necessary to adjust the exercise price in accordance with these cases, the exercise price shall be adjusted according to the following formula, and the fraction of less than 1 yen resulting from the adjustment shall be rounded up.

$$\text{Adjusted Exercise Amount} = \text{Exercise Amount before Adjustment} \times \frac{1}{\text{Ratio of Splits and Consolidations}}$$

In addition, in the event that the Company issues shares to be offered or disposes of treasury stocks at a paid-up amount lower than the exercise price (excluding the issuance or disposal of shares based on the exercise of stock acquisition rights), the exercise price shall be adjusted according to the following formula, and the fraction of less than 1 yen resulting from the adjustment shall be rounded up.

$$\text{Adjusted Exercise Amount} = \frac{\text{Number of shares already issued} \times \text{Exercise Price before adjustment} + \text{Number of Newly Issued Shares} \times \text{Amount paid per share}}{\text{Number of shares already issued} + \text{Increase in the number of shares due to new issuance}}$$

In addition to the above, in the event of an absorption merger, a new merger, an absorption split, a new share split, a share exchange or a share transfer, or any other unavoidable reason, the number of shares subject to stock acquisition rights shall be adjusted to a reasonable extent.

4. Reasons and conditions for acquisition of stock acquisition rights by the Company involved in the first and second series of stock acquisition rights

1) The Company may acquire the Stock Acquisition Rights free of charge if the General Meeting of Shareholders approves a proposal for approval of a merger agreement in which the Company becomes a dissolved company or a proposal for approval of a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary (if a resolution of the Board of Directors of the Company is not required if a resolution of the General Meeting of Shareholders is required) is approved by the Company before the Company exercises its rights.

2) In the event that the holder of stock acquisition rights cease to fall under the provisions of the conditions for the exercise of stock acquisition rights before the stock acquisition rights are exercised, or if the stock acquisition rights held by the stock acquisition rights holder are waived, the Company may acquire the stock acquisition rights free of charge.

5. In the event of merger (limited to the case where the Company ceases to exist due to the merger) , absorption splits, new company splits, share exchanges, or share transfers (collectively referred to as “reorganization acts”), the stock acquisition rights of the company listed in (a) to (e) of Article 236, paragraph 1, item 8 of the Companies Act (hereinafter referred to as the “Company subject to reorganization”) shall be delivered to the holder of the remaining stock acquisition rights (hereinafter referred to as “remaining stock acquisition rights”) as of the effective date of the reorganization act in each case. In this case, the remaining stock acquisition rights shall be extinguished and the company subject to reorganization shall issue new stock acquisition rights; provided, however, that it shall be limited to cases in which the Company stipulates in the absorption merger agreement, new merger agreement, absorption split agreement, new split plan, share exchange agreement, or share transfer plan in accordance with the following conditions.

1) Number of stock acquisition rights of company subject to reorganization to be delivered

The same number of stock acquisition rights shall be delivered as the number of stock acquisition rights held by holder of the remaining stock acquisition rights at the time of the effective date of the reorganization acts.

2) The type of shares of the company subject to the reorganization subject to stock acquisition rights

It shall be the common share of the company subject to reorganization.

(3) Number of shares of the company subject to reorganization subject to stock acquisition rights

The Company shall determine the type and number of shares to be the subject of the stock acquisition rights to be allocated, taking into account the conditions of the reorganization acts and other factors.

4) Value of assets invested in the exercise of stock acquisition rights

The value of the assets to be invested in the exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the amount paid after the reorganization by adjusting the exercise price determined by taking into account the conditions of the reorganization acts by the number of shares of the



- company subject to reorganization subject to stock acquisition rights determined in accordance with (3) above.
- 5) Period for which stock acquisition rights can be exercised  
The period shall from the date of commencement from which the stock acquisition rights can be exercised or effective date of reorganization acts, whichever is later, to the expiry date of which the Company may exercise the stock acquisition rights.
  - 6) Conditions for the exercise of stock acquisition rights  
The Company shall determine in accordance with the conditions for the exercise of stock acquisition rights above.
  - 7) Matters related to increasing capital and capital reserves  
The Company shall determine in accordance with issue price and amount of capital inclusion of shares in the case of issuing shares through the exercise of the above-mentioned stock acquisition rights.
  - 8) Restriction on acquisition of stock acquisition rights by transfer  
The acquisition of stock acquisition rights by transfer shall require the approval of the company subject of reorganization.
  - 9) Reason for the acquisition of stock acquisition rights  
The Company shall determine in accordance with Notes 4 above.

(Additional Information)

The items that should be described are summarized in “1) [Details of the stock option system] of (2) [Status of stock acquisition rights, etc.] in 1. [Information on the Company’s shares] in 4. [Corporate information].

(2) Size of stock options and their fluctuation

(1) Number of stock options

	The Company	Consolidated subsidiaries (FG-Lab Inc.)	Consolidated subsidiaries (FG-Lab Inc.)
	5th series of stock acquisition rights	1st series of stock acquisition rights	2nd series of stock acquisition rights
Before vesting (shares)			
At the end of the previous consolidated fiscal year	—	2,587	1,978
Granted	—	—	—
Expired	—	—	—
Vested	—	—	—
Yet to be vested	—	2,587	1,978
After vesting (shares)			
At the end of the previous consolidated fiscal year	2,400	—	—
Vested	—	—	—
Rights exercised	2,400	—	—
Expired	—	—	—
Yet to be exercised	—	—	—

2) Unit price information

	The Company	Consolidated subsidiaries (FG-Lab Inc.)	Consolidated subsidiaries (FG-Lab Inc.)
	5th series of stock acquisition rights	1st series of stock acquisition rights	2nd series of stock acquisition rights
Strike price (yen)	212	500	500
Average stock price at the time of exercise (yen)	1,149	—	—
Fair valuation unit price on date of grant (yen)	—	—	—

3. How to estimate a fair valuation of stock options

Since the Company and its consolidated subsidiaries are not listed as of the date of grant, the fair method of estimating the valuation unit price of stock options is based on the estimate of the intrinsic value per unit.

In addition, the intrinsic value per unit is calculated by deducting the strike price from the valuation value of the Company's shares, and the valuation method of the Company's shares is determined by comprehensively taking into account the price calculated by the revenue return method.

4. How to estimate the number of stock options vested

Basically, since it is difficult to make a reasonable estimate of the number of expirations in the future, we have adopted a method that reflects only the actual number of expirations.

5. The total amount of intrinsic value at the end of the current consolidated fiscal year and the total amount of intrinsic value of stock options exercised in the current consolidated fiscal year as of the date of exercise when calculated based on the intrinsic value per unit of stock options

- 1) Total intrinsic value at the end of the current consolidated fiscal year — million yen  
 2) The total intrinsic value of stock options exercised in the current consolidated fiscal year as of the date of exercise 2 million yen

6. Details, scale, and fluctuations in the post-delivery type of transactions in which shares are delivered free of charge as remuneration for directors

(1) Details of the post-delivery type

	Post-delivery short-term stock-based remuneration in 2022	Post-delivery long-term stock-based remuneration in 2022
Classification and number of grant recipients (persons)	Directors of the Company (excluding Outside Directors): 5	Directors of the Company (excluding those who are Audit and Supervisory Committee members): 7 Directors who are Audit and Supervisory Committee members: 3
Number of shares granted by type of share	Common share: 15,000	Common share: 27,000
Date of grant	October 1, 2022	October 1, 2022
Vesting conditions	<ul style="list-style-type: none"> <li>• Holding a position of Directors or other positions of the Company specified by the Board of Directors during the eligible work period.</li> <li>• Numerical targets for consolidated ordinary income have been achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Holding a position of Directors or other positions of the Company specified by the Board of Directors during the eligible work period.</li> <li>• The share price growth rate of the Company's shares exceeds 1.0</li> </ul>
Eligible work period	At the conclusion of the Ordinary General Meeting of Shareholders during the period as from September 28, 2022 to June 2023	At the conclusion of the Ordinary General Meeting of Shareholders during the period as from September 28, 2022 to June 2023

(2) Scale of post-delivery type and its fluctuations

1) Amount of expenses reported and title of account

(Millions of yen)

	Previous consolidated fiscal year (From July 1, 2022 to June 30, 2024)	Current consolidated fiscal year (From July 1, 2024 to June 30, 2024)
Selling, general and administrative expenses	19	-5
Stock-based remuneration expenses		

2) Number of shares

	Post-delivery short-term stock-based remuneration in 2023	Post-delivery long-term stock-based remuneration in 2024
At the end of previous consolidated fiscal year (shares)	15,000	27,000
Granted (shares)	—	—
Expired (shares)	—	27,000
Vested (shares)	15,000	—
Yet to be vested (shares)	—	—
Yet to be issued after vesting (shares)	—	—

3) Unit price information

	Post-delivery short-term stock-based remuneration in 2022	Post-delivery long-term stock-based remuneration in 2022
Fair valuation unit price as of the date of grant	910	906

(3) Among transactions in which shares are delivered free of charge as remuneration for directors, etc., a method of estimating the fair valuation unit price of the post-delivery type

The valuation value is calculated using an option evaluation model (Monte Carlo simulation).

(4) Method of estimating the number of vested shares

Basically, since it is difficult to rationally estimate the number of future expirations, the pre-delivery type adopts a method that reflects only the actual number of expirations.

7. Details, scale, and fluctuations in the post-delivery type of transactions in which shares are delivered free of charge as remuneration, etc.

(1) Details of the post-delivery type

	Post-delivery type for executive officers in 2022
Classification and number of grant recipients (persons)	Executive officers of the Company: 3
Number of shares granted by type of share	Common share: 5,131
Date of grant	October 1, 2022
Vesting conditions	<ul style="list-style-type: none"> <li>• Holding the position of an executive officer of the Company during the eligible work period.</li> <li>• Numerical targets for consolidated ordinary income have been achieved</li> </ul>
Eligible work period	At the conclusion of the Ordinary General Meeting of Shareholders during the period as from September 28, 2022 to June 2023

(2) Scale of post-delivery type and its fluctuations

1) Amount of expenses reported and title of account

(Millions of yen)

	Previous consolidated fiscal year (From July 1, 2022 to June 30, 2024)	Current consolidated fiscal year (From July 1, 2024 to June 30, 2024)
Selling, general and administrative expenses	28	
Stock-based remuneration expenses		-1

2) Number of shares

	Post-delivery type for executive officers in 2022
At the end of previous consolidated fiscal year (shares)	5,131
Granted (shares)	—
Expired (shares)	2,066
Vested (shares)	3,065
Yet to be vested (shares)	—
Yet to be issued after vesting (shares)	—

3) Unit price information

	Post-delivery type for executive officers in 2022
Fair valuation unit price as of the date of grant	915

(3) Among transactions in which shares are delivered free of charge as remuneration for directors, etc., a method of estimating the fair valuation unit price of the post-delivery type

The closing price of the Company's shares on the Tokyo Stock Exchange, Inc. on the business day prior to the resolution of the Board of Directors regarding the grant.

(4) Method of estimating the number of vested shares

The amount of stock-based remuneration for each individual is calculated by dividing the amount obtained by dividing the closing price of the Company's shares on the Tokyo Stock Exchange, Inc. on the business day prior to the resolution of the Board of Directors to resolve stock-based remuneration for each individual (rounded down to the nearest decimal point). The number of unvested shares at the end of the fiscal year is calculated by dividing the estimated stock-based remuneration amount based on the results of the fiscal year ending June 2023 by the fair valuation unit price on the date of grant, and may differ from the actual number of vested shares.

(Tax effect accounting related)

1. Breakdown of deferred tax assets and liabilities by major causes

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2024)
Deferred tax assets		
Allowance for doubtful accounts	2 million yen	2 million yen
Provision for bonuses	25 million yen	25 million yen
Impairment loss	16 million yen	12 million yen
Bad debt expense	0 million yen	0 million yen
Accrued business tax	24 million yen	21 million yen
Excess depreciation	18 million yen	25 million yen
Contract liabilities	344 million yen	231 million yen
Accrued social insurance premiums	3 million yen	3 million yen
Retirement benefit liability	13 million yen	16 million yen
Amortization of deposit	1 million yen	1 million yen
Loss on valuation of goods	32 million yen	35 million yen
Loss on devaluation of investment securities	— million yen	11 million yen
Stock-based remuneration expenses	7 million yen	— million yen
Others	17 million yen	13 million yen
Deferred tax assets Sub total	508 million yen	401 million yen
Valuation allowance	△6 million yen	△12 million yen
Deferred tax assets Total	501 million yen	389 million yen
Deferred tax liabilities		
Contract Assets	△28 million yen	△17 million yen
Deferred tax liabilities Total	△28 million yen	△17 million yen
Net deferred tax assets	472 million yen	372 million yen

2. When there is a significant difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting, a breakdown of the major items that caused the difference

	Previous consolidated fiscal year (June 30, 2023)	Current consolidated fiscal year (June 30, 2024)
Statutory effective tax rate		
(Adjustment)		
Inhabitant tax on per capita basis		
Entertainment expenses not qualifying for deduction	Note is omitted because the difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting is less than 5/100 of the statutory effective tax rate.	Note is omitted because the difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting is less than 5/100 of the statutory effective tax rate.
Special deduction of corporate income tax		
Difference in applicable tax rate for consolidated subsidiaries		
Changes in valuation allowance		
Others		
Burden rate of corporate income tax, etc. after application of tax effect accounting		

(Asset retirement obligations related)

Based on the real estate lease agreement of the office, the Group recognizes the obligation related to the restoration of the property to its original state at the time of moving out as an asset retirement obligation

Since the security deposit related to the lease contract is capitalized, instead of reporting the liability of the asset retirement obligation, the amount of the security deposit related to the real estate lease contract is reasonably estimated and the amount that is deemed to be unpredictable for the final recovery of the security deposit related to the real estate lease contract is reported as an expense.

(Real estate related)

Some consolidated subsidiaries had condominiums for rent in Osaka and Saitama prefectures.

In addition, the amount reported on the consolidated balance sheet, the amount of changes during the period, and the market value of the leased real estate are as follows.

(Millions of yen)

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Amount reported on consolidated balance sheet		
Balance at the beginning of the fiscal year	629	—
Changes during the period	△629	—
Balance at the end of the fiscal year	—	—
Market value at the end of the fiscal year	—	—

(Notes) 1. The amount reported on the consolidated balance sheet is obtained by deducting the accumulated depreciation from the acquisition cost.

2. The main decrease in the previous fiscal year is due to the sale of real estate for rent in Osaka Prefecture (260 million yen) and the transfer of real estate for rent in Saitama Prefecture to real estate for sale (360 million yen).

In addition, profits and losses related to leased real estate are as follows.

(Millions of yen)

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Rental income	18	—
Rental cost	15	—
Difference	2	—
Other profits and losses	—	—

(Revenue recognition related)

1. Information that breaks down revenue generated from contracts with customers

The Group consists of three reporting segments: Home Use, Business Use, and Real Estate, as well as the Renewable Energy (Electricity) Business, which does not belong to the reporting segments.

The breakdown of the Group's earnings by revenue recognition period is as follows.

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	Reporting segment				Others	Total
	Home use business	Business use business	Real estate business	Total		
Goods or services to be transferred at a single point in time	2,151	867	1,656	4,675	8	4,683
Goods or services that are transferred over a period of time	7,449	644	—	8,094	—	8,094
Revenue generated from contracts with customers	9,600	1,512	1,656	12,769	8	12,777
Other earnings	—	—	18	18	—	18
Sales to external customers	9,600	1,512	1,674	12,787	8	12,795

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

(Millions of yen)

	Reporting segment				Others	Total
	Home use business	Business use business	Real estate business	Total		
Goods or services to be transferred at a single point in time	2,126	861	506	3,494	27	3,521
Goods or services that are transferred over a period of time	8,260	814	—	9,074	0	9,074
Revenue generated from contracts with customers	10,386	1,675	506	12,568	27	12,596
Other earnings	—	—	17	17	—	17
Sales to external customers	10,386	1,675	523	12,585	27	12,613

2. Information that forms the basis for understanding the revenue generated from contracts with customers

The main revenues of the Group's home use business and business use business are the provision of telecommunications services and the sale of products. In addition, the main revenue of the real estate business is the sale of real estate.

(1) Provision of telecommunications services

1) Information on performance obligations

The obligation to perform the provision of telecommunications services consists of a performance obligation to install and configure the Internet connection equipment at the service provided property (the "initial introduction service") and a performance obligation to provide the Internet service after the installation and configuration of the Internet connection device (hereinafter referred to as the "monthly usage fee service").

If the initial introduction service is recognized as a performance obligation integrated with the monthly usage fee service, it is judged to be a performance obligation that is satisfied for a certain period of time, which is the contract period of the Internet service, because control over the goods or services is transferred to the customer for a certain period of time, and revenue is recognized. In addition, if it is not considered to be a performance obligation integrated with the monthly usage fee service, it is judged to be a performance obligation that is satisfied at the time of completion of the installation and configuration work of the Internet connection device, because control over the goods or services is transferred to the customer and the performance obligation is satisfied by the completion of the installation and configuration work of the Internet connecting device, and the revenue is recognized.

2) Information related to the calculation of transaction prices and the amount allocated to performance obligations

The transaction price for the provision of telecommunications services is the contract price determined at the time of the contract with the customer, and there is no variable consideration. In addition, since the prices for the installation and configuration of Internet connection equipment and Internet services at the properties provided by the service are specified in the contract, the transaction price is allocated based on the contract price.

2) Sales of products

1) Information on performance obligations

The sale of products is obligated to be fulfilled by the delivery of the products to the customer. Since control over the product is transferred to the customer at the time the product is delivered, we judge it to be a performance obligation that is satisfied at the time the delivery of the product is completed, and we recognize the revenue.

2) Information related to the calculation of transaction prices and the amount allocated to performance obligations

The transaction price for the sale of products is the contract price determined at the time of the contract with the customer.

(3) Sales of real estate

(1) Information on performance obligations

The sale of real estate is obligated to be performed by the delivery of the real estate. Since control over the real estate is transferred to the customer when the conditions of the delivery in the real estate sales contract concluded with the customer are satisfied, we judge that the performance obligation is satisfied at the time the delivery of the real estate is completed, and we recognize the profits.

2) Information related to the calculation of transaction prices and the amount allocated to performance obligations

The transaction price for the sale of real estate is the contract price determined at the time of the contract with the customer.

3. Information on the relationship between the fulfillment of performance obligations under the contract with the customer and the cash flow resulting from the contract, and the amount and timing of revenue that is expected to be recognized in the following consolidated fiscal year and beyond from the contract with the customer that exists at the end of the current consolidated fiscal year.

(1) Balance of contract assets and contract liabilities, etc.

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Receivables resulting from contract with customer (balance at the beginning of the fiscal year)	1,375	1,585
Receivables resulting from contract with customer (balance at the end of the fiscal year)	1,585	1,772
Contract Assets (balance at the beginning of the fiscal year)	197	217
Contract Assets (balance at the end of the fiscal year)	217	208
Contract liabilities (beginning balance)	1,958	1,638
Contract liabilities (balance at the end of the fiscal year)	1,638	1,317

Contract assets are compensation for Internet services that have not yet been billed for the purpose of providing telecommunications services to customers who have completed the provision of performance obligations as of the end of the fiscal year. Contract assets are transferred to receivables arising from contracts with customers when the rights of the Company and its consolidated subsidiaries to consideration become unconditional.

The contract liabilities are related to the down payment received from the customer after the completion of the installation and configuration work for the installation and configuration of the Internet connection equipment in the provision of telecommunications services. Contract liabilities are depleted upon recognition of revenues.

Of the amount of revenue recognized in the previous consolidated fiscal year, the amount included in the balance of contract liabilities as of the beginning of the fiscal year was 550 million yen.

In addition, there is no revenue recognized in the previous consolidated fiscal year from performance obligations fulfilled (or partially satisfied) in the past period.

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the balance of contract liabilities as of the beginning of the fiscal year was 496 million yen.

In addition, there is no revenue recognized in the current consolidated fiscal year due to performance obligations fulfilled (or partially satisfied) in the past period.



(2) Transaction price allocated to remaining performance obligations

The remaining performance obligation is related to the revenue from the provision of telecommunications services.

The total amount of transaction price allocated to the remaining performance obligations and the period for which revenue is expected to be recognized are as follows.

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	June 2024	June 2025	June 2026	June 2027	June 2028 onward	Total
Expected revenue to be recognized As of June 30, 2023	6,674	5,597	4,397	3,124	3,473	23,267

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

(Millions of yen)

	2025年6月期	2026年6月期	2027年6月期	2028年6月期	2029年6月期以降	合計
Expected revenue to be recognized As of June 30, 2024	6,783	5,507	4,210	2,960	3,728	23,190

(Segment information, etc.)

[Segment information]

1. Overview of reporting segments

The Group's reporting segments are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate business performance, for which financial information is available separately among the Group's business constituent units.

The method used to identify reporting segments is by product and service, and there are three reporting segments:

1) Home use business

Construction, maintenance, operation, support, PB provision, etc. of Internet-free apartment

2) Business use business

Construction, maintenance, operation, support, PB provision, etc. of free Wi-Fi facilities

3) Real estate business

Buying, selling, leasing, etc. of real estate

2. Method of calculating the amount of sales, profits or losses, assets, liabilities, and other items for each reporting segment

The method of accounting for the reported business segments is in accordance with the accounting policy adopted to prepare the consolidated financial statements.

Profit in the reporting segment is based on operating income.

3. Information on the amount of sales, profits or losses, assets, liabilities, and other items for each reporting segment  
Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	Reporting Segments				Others (See Notes 1)	Total	Adjustment amount (See Notes 2)	Amount reported on the consolidated financial statement (See Notes 3)
	Home use business	Business use business	Real estate business	Total				
Sales								
Sales to external customers	9,600	1,512	1,674	12,787	8	12,795	—	12,795
Internal sales or transfers between segments	—	—	—	—	—	—	—	—
Total	9,600	1,512	1,674	12,787	8	12,795	—	12,795
Segment Profit	2,970	289	136	3,396	1	3,398	△1,078	2,320
Segment Assets	8,625	366	655	9,647	1	9,648	3,116	12,764
Other items								
Depreciation expenses	1,374	16	10	1,401	0	1,402	39	1,442
Amount of increase of tangible fixed assets and intangible fixed assets	2,391	24	—	2,415	—	2,415	76	2,491

(Notes) 1. 「The "Other"」 category is a business segment that is not included in the reporting segment and includes the renewable energy (electricity) business.

2. The amount of adjustment is as follows.

- (1) The adjustment of segment profit of -1,078 million yen is general and administrative expenses that have not been allocated to each reporting segment.
- (2) The adjusted amount of 3,116 million yen in segment assets is a company-wide asset that has not been allocated to each reporting segment. Company-wide assets consist mainly of surplus funds under management (cash and deposits).
- (3) The adjustment for depreciation and amortization of 39 million yen is a depreciation expense related to company-wide assets that have not been allocated to the reporting segment.
- (4) The adjustment for the increase in property, plant and equipment and intangible assets of 76 million yen is the increase in fixed assets related to company-wide assets that are not allocated to reporting segments.

3. Segment profit is adjusted to operating income in consolidated financial statements.

Current consolidated fiscal year(from July 1, 2023 to June 30, 2024)

(単位：百万円)

	Reporting Segments				Others (Notes 1)	Total	Adjustment amount (Notes 2)	Amount reported on the consolidated financial statements (Notes 3)
	Home use business	Business use business	Real estate business	Total				
Sales								
Sales to external customers	10,386	1,675	523	12,585	27	12,613	—	12,613
Internal sales or transfers between segments	—	—	—	—	—	—	—	—
Total	10,386	1,675	523	12,585	27	12,613	—	12,613
Segment Profit	2,910	480	57	3,448	7	3,456	△1,068	2,387
Segment Assets	9,375	430	489	10,295	5	10,300	2,775	13,076
Other items								
Depreciation expenses	1,590	20	10	1,621	0	1,621	28	1,650
Amount of increase of Property, plant and equipment, and Intangible Assets	2,185	77	—	2,262	4	2,267	96	2,364

(Notes) 1. 「The "Other"」 category is a business segment that is not included in the reporting segment and includes the renewable energy (electricity) business.

2. The amount of adjustment is as follows.

- (1) The adjustment of segment profit of -1,068 million yen is general and administrative expenses that have not been allocated to each reporting segment.
- (2) The adjusted amount of 2,775 million yen in segment assets is a company-wide asset that has not been allocated to each reporting segment. Company-wide assets consist mainly of surplus funds under management (cash and deposits).
- (3) The adjustment for depreciation and amortization of 28 million yen is a depreciation expense related to company-wide assets that have not been allocated to the reporting segment.
- (4) The adjustment for the increase in property, plant and equipment and intangible assets of 76 million yen is the increase in fixed assets related to company-wide assets that are not allocated to reporting segments.

3. Segment profit is adjusted to operating income in consolidated financial statements.

**【Related information】**

Previous consolidated fiscal year (from July 1, 2021 to June 30, 2022)

## 1. Information for each product and service

Since the same information is disclosed in the segment information, it is omitted.

## 2. Regional information

## (1) Sales

As there is no sales to external customers outside of Japan, there is no applicable matter

## (2) tangible fixed assets

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet. The description has been omitted.

## 3. Key customer-specific information

(Millions of yen)

Name or surname of the customer	Sales	Relevant Segment Name
USEN-NEXT LIVING PARTNERS. Inc.	1,996	Home use business
Ichigo Owners Inc.	1,581	Real estate business

Current consolidated fiscal year(from July 1, 2023 to June 30, 2024)

## 1. Information for each product and service

Since the same information is disclosed in the segment information, it is omitted.

## 2. Information by Region

## (1) Sales

Since sales to external customers in Japan exceed 90% of sales in the consolidated income statement, the description has been omitted.

## (2) tangible fixed assets

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet. The description has been omitted.

## 3. Key customer-specific information

(Millions of yen)

Name or surname of the customer	Sales	Relevant Segment Name
USEN-NEXT LIVING PARTNERS. Inc	2,669	Home use business

**【Information on impairment losses on fixed assets by reported segment】**

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	Home use business	Business use business	Real estate business	Total	Others	Adjustment amount	Amount reported on the consolidated financial statements
Impairment loss	24	5	80	110	—	—	110

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

There is no applicable matters

**【Information on amortization of goodwill and undepreciated balances by reporting segment】**

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	Home use business	Business use business	Real estate business	Total	Others	Adjustment amount	
Depreciation for the period	—	—	21	21	—	—	Depreciation for the period
Balance at the end of the current fiscal year	—	—	—	—	—	—	Balance at the end of the current fiscal year

Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)

There is no applicable matters.

**【Information on Gains on Negative Goodwill by Reporting Segment】**

There is no applicable matter.

[Related Party Information]

1 Transactions with Related Parties

(1) Transactions between the Company and related parties

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

There are no applicable matters.

Current consolidated fiscal year (from July 1, 2022 to June 30, 2023)

There are no applicable matters.

(2) Transactions between consolidated subsidiaries of the Company and related parties

Executives and major shareholders of the company that submitted the consolidated financial statements (limited to individuals) etc.

Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)

Position	Name of company, etc.	Location	Capital or investment (million yen)	Business details or job	Holding (held) ratio of voting rights (%)	Relationship with the related parties	Details of transaction	Transaction amount (million yen)	Account title	Balance at the end of the fiscal year (million yen)
Executive	Masanori Inomata	—	—	President and Chief Executive Officer of the Company	(Held) Direct: 13.82 Indirect: 35.52	Conversion of convertible bonds with stock acquisition rights	Conversion of convertible bonds with stock acquisition rights (See Notes 1)	50	Corporate bond	50

Current consolidated fiscal year (from July 1, 2022 to June 30, 2023)

Position	Name of company, etc.	Location	Capital or investment (million yen)	Business details or job	Holding (held) ratio of voting rights (%)	Relationship with the related parties	Details of transaction	Transaction amount (million yen)	Account title	Balance at the end of the fiscal year (million yen)
Executive	Masanori Inomata	—	—	President and Chief Executive Officer of the Company	(Held) Direct: 13.82 Indirect: 35.52	Conversion of convertible bonds with stock acquisition rights	Conversion of convertible bonds with stock acquisition rights (See Notes 1)	50	Corporate bond	50

Companies in which executives and their close relatives own a majority of voting rights	Chintai Seikatsu Inc. (See Notes 2)	Chuo-ku, Sapporo, Hokkaido	10	Monthly condominiums and real estate sales and leasing brokerage, real estate operation and leasing management	-	Real estate sales brokerage	Real estate sales brokerage (See Note 3)	10	-	-
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Transaction conditions and policy for determining transaction conditions, etc.

(Notes) 1. The issue price of convertible bonds with stock acquisition rights is determined based on the price calculated by a third-party organization.

2. Masanori Inomata, the President and Chief Executive Officer of the Company, owns the majority of the voting rights.

3. The transaction amount and other transaction conditions are subject to the same terms and conditions as other parties that are not related to the Company

2 Notes on Parent Company or significant affiliates

There are no applicable matters.



## (Information per share)

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Net assets per share	230.12 yen	285.59 yen
Net income per share	72.70 yen	77.20 yen
Diluted Net income per share	72.58 yen	76.95 yen

(Notes) The basis for the calculation of Net income per share and Diluted Net income per share is as follows.

	Previous consolidated fiscal year (from July 1, 2022 to June 30, 2023)	Current consolidated fiscal year (from July 1, 2023 to June 30, 2024)
Net income per share		
Profit attributable to owners of parent (million yen)	1,482	1,567
Amounts not attributable to common shareholders(million yen)	—	—
Net income attributable to owners of parent related to common stock (million yen)	1,482	1,567
Average number of shares of common stock during the period (shares)	20,398,817	20,306,773
Diluted Net income per share		
Adjusted amount of Profit attributable to owners of parent (million yen)	—	—
Increase in common share (shares)	33,313	64,459
(of which Stock acquisition rights (shares))	(33,313)	(64,459)
Since it does not have a dilution effect, it was not included in the calculation of net income per share after adjusting for potential shares	—	—

(Significant Aftermath)

We have established a joint venture company with H-Power Holdings Inc. (hereinafter referred to as “H-Power Holdings”)

(1) Background of Joint Venture Establishment

Our group, as a part of development of a service combining our telecommunication and renewable energy fields together, have established a joint venture company EnePulse Inc. (hereinafter referred to as “EnePulse”) with H-Power Holdings, which is a consolidated subsidiary of HIKARI TSUSHIN, INC., aiming to expand the sales channels and to increase the corporate values of both companies through the collaboration.

At EnePulse, the strengths of Fibergate Group in the telecommunications field and the strength of H-Power Holdings in energy filed are combined to provide infrastructure with both telecommunication service and energy service functions for not only apartment complexes, medical and nursing care facilities, and hotels, but also new markets.

(2) Summary of the Joint Venture

(1) Trade name	EnePulse Corporation
(2) Address	2-10-12 Shiba-Daimon, Minato-ku, Tokyo
(3) Title and name of representative	Taichi Yamaji, President and Representative Director
(4) Business	Outsourced sales of telecommunications services Contract sales of renewable energy services Contract sales of energy services
(5) Capital stock	20 million yen
(6) Date of Establishment	July 23rd, 2024
(7) Accounting period	June
(8) Major shareholders and shareholding ratio	Fibergate Inc. 51% H-Power Holdings. Inc. 49%

## 5) [Consolidated Supplementary Schedule]

## [Schedule of corporate bonds]

Company name	Brand	Issuance date	Balance at the beginning of the current fiscal year (million yen)	Balance at the end of the current fiscal year (million yen)	Interest rate (%)	Guarantee	Redemption deadline
OffGrid-Lab Inc.	1st Series of Convertible Bonds with Stock Acquisition Rights	October 14, 2021	50 (-)	50 (-)	0.35	Unsecured Bonds	October 14, 2031
Total	-	-	50 (-)	50 (-)	-	-	-

(Notes) 1. The amount to be redeemed within one year is shown in the bracket in the “Balance at the end of the current fiscal year” column.

2. The description of convertible bonds with stock acquisition rights is as follows.

Brand	Conversion Billing Period	Convertible price (yen)	Issued Shares	Amount of capital inclusion (yen/share)
1st series	From October 15, 2022 to September 30, 2031	50,000	Common share	25,000

3. The scheduled amount of redemption for the five years after the consolidated settlement date is as follows

Within 1 year (million yen)	More than 1 year and within 2 years (million yen)	More than 2 years and less than 3 years (million yen)	More than 3 years and less than 4 years (million yen)	More than 4 years and less than 5 years (million yen)
-	-	-	-	-

## [Schedule of borrowings, etc.]

Division	Balance at the beginning of the current fiscal year (million yen)	Balance at the end of the current fiscal year (million yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	300	140	0.77	-
Current portion of long-term borrowings	1,096	1,203	0.51	-
Long-term borrowings (Excluding those scheduled to be repaid within one year)	3,226	3,049	0.55	From July 2024 to March 2056
Total	4,622	4,392	-	-

(Notes) 1. The “average interest rate” refers to the weighted average interest rate on the balance of borrowings and other assets at the end of the fiscal year.

2. The expected repayment amount of long-term borrowings for five years after the consolidated settlement date is as follows.

	More than 1 year and within 2 years (million yen)	More than 2 years and less than 3 years (million yen)	More than 3 years and less than 4 years (million yen)	More than 4 years and less than 5 years (million yen)
Long-term borrowings	1,070	868	481	244

## [Schedule of asset retirement obligation]

There are no applicable matters.

## (2) [Others]

Quarterly information, etc. for the current consolidated fiscal year

(Cumulative Period)	1st quarter	2nd quarter	3rd quarter	Current consolidated fiscal year
Sales (million yen)	2,852	5,806	9,537	12,613
Net income for the quarter (current fiscal year) before adjustment for taxes (million yen)	538	1,093	1,857	2,304
Quarterly (current fiscal year) net income attributable to owners of parent (million yen)	370	731	1,256	1,567
Net income per share for the quarter (current fiscal year) (yen)	18.19	35.97	61.85	77.20

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share for the quarter (yen)	18.19	17.77	25.90	17.28

## 2. [Non-consolidated financial statements and others]

### (1) [Financial statements]

#### 1) [Balance sheet]

(Millions of yen)

	Previous fiscal year (June 30, 2023)	Current fiscal year (June 30, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	1,442	1,479
Accounts receivable	※ 2 1,543	※ 2 1,755
Contract Assets	217	208
Commodity	632	664
Work in progress	—	0
Supplies	0	0
Others	84	79
Allowance for doubtful accounts	-6	-5
Current assets total	3,915	4,183
Fixed asset		
Tangible fixed assets		
Building	6	35
Tools, furniture & fixtures	8	10
Communication equipment	6,544	7,153
Construction in progress	3	—
Total tangible fixed assets	6,563	7,199
Intangible assets		
Software	55	68
Software in progress	30	27
Total intangible assets	86	96
Investment and other assets		
Investment securities	40	1
Shares of related companies	196	196
Deposit	34	45
Deferred tax assets	453	353
Claims in Bankruptcy, Reorganization, etc.	0	1
Others	1	18
Allowance for doubtful accounts	-1	-1
Investment and other assets total	725	614
Fixed asset total	7,375	7,910
Deferred assets		
Inaugural expenses	0	—
Deferred assets total	0	—
Total assets	11,290	12,094

(Millions of yen)

	Previous fiscal year (June 30, 2023)	Current fiscal year (June 30, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	642	667
Short-term borrowings	※ 1, ※ 2 400	※ 1, ※ 2 850
Current portion of long-term borrowing	1,085	1,192
Income taxes payable	363	286
Contract liabilities	1,638	1,317
Provision for bonuses	82	83
Provision for stock-based remuneration	5	—
Others	※ 2 383	※ 2 337
Current liabilities total	4,601	4,734
Fixed liabilities		
Long-term borrowings	2,860	2,694
Provision for retirement benefits	44	53
Fixed liabilities total	2,904	2,747
Total liabilities	7,506	7,482
<b>Net assets</b>		
Shareholders' equity		
Capital	494	494
Capital surplus		
Capital reserve	400	400
Other capital surplus	17	14
Capital surplus total	417	415
Retained earnings		
Other retained earnings		
Retained earnings carried forward	3,041	4,059
Retained earnings total	3,041	4,059
Treasury stock	-188	-356
Shareholders' equity total	3,764	4,611
Valuation and translation adjustments		
Other valuation difference on available-for-sale securities	-0	0
Total valuation and translation adjustments	-0	0
Share award rights	19	—
Total net assets	3,784	4,611
Total liabilities and equity	11,290	12,094

## 2 [profit and loss statement]

(Millions of yen)

	Previous fiscal year (from July 1, 2021 to June 30, 2023)	Current fiscal year (from July 1, 2022 to June 30, 2024)
Sales	10,753	※ 1 11,643
Cost of goods sold	5,452	6,245
Gross profit	5,301	5,398
Selling, general and administrative expenses	※ 1, ※ 2 3,343	※ 1, ※ 2 3,393
Operating income	1,958	2,004
Non-operating income		
Interest income	0	0
Dividend income	0	0
Foreign exchange profit	—	0
Point revenue	5	5
Others	—	26
Total Non-operating income	0	2
Point revenue	6	35
Non-operating expenses		
Interest expenses	※ 1 20	※ 1 23
Foreign exchange loss	1	—
Amortization of bond issuance expenses	0	—
Others	0	0
Total Non-operating expenses	22	24
Ordinary income	1,942	2,016
Extraordinary income		
Gain on sale of investment securities	0	—
Gain on extinguishment of tie-in shares	99	—
Total Extraordinary income	100	—
Extraordinary loss		
Loss on retirement of fixed asset	33	51
Impairment loss	29	—
Loss on devaluation of investment securities	—	39
Total Extraordinary loss	63	91
Net income before taxes	1,979	1,925
Income taxes-current	474	501
Income taxes-deferred	78	99
Total income taxes	552	601
Net income	1,426	1,323

[Schedule of cost of goods sold]

Division	Notes No.	Previous fiscal year (from July 1, 2021 to June 30, 2023)			Current fiscal year (from July 1, 2022 to June 30, 2024)		
		Amount (million yen)		Composition ratio (%)	Amount (million yen)		Composition ratio (%)
I Cost of goods sold							
1. Inventory of goods at the beginning of the fiscal year		630			632		
2. Purchases		1,611			1,661		
Total		2,242			2,293		
3. Transfer amount to other accounts	*1	880			921		
4. Inventory of goods at the end of the fiscal year		632	729	13.4	664	707	11.3
II Labor cost			57	1.0		53	0.9
III Expenses	*2		4,664	85.6		5,483	87.8
Grand total			5,452	100.0		6,245	100.0
Inventory of goods at the beginning of the fiscal year			—			—	
Total			5,452			6,245	
Ending work in process inventory			—			—	
Cost of goods sold for the current fiscal year			5,452			6,245	

\*1 The breakdown of the main transfers to other accounts is as follows.

	Previous fiscal year	Current fiscal year
Communication equipment (million yen)	880	921

\*2 The breakdown of the main expenses is as follows.

	Previous fiscal year	Current fiscal year
Communication Line Usage Charges (million yen)	2,998	3,578
Depreciation expenses (million yen)	1,420	1,634
Construction outsourcing costs (million yen)	199	225



3) [Statement of changes in shareholders' equity]

Previous fiscal year (from July 1, 2022 to June 30, 2023)

(Millions of yen)

	Shareholders' equity							
	Capital	Capital surplus			Retained earnings		Treasury stock	Total Shareholders' equity
		Capital reserve	Other capital surplus	Capital surplus total	Other retained earnings Retained earnings carried forward	Retained earnings total		
Balance at the beginning of the current fiscal year	494	400	11	411	1,706	1,706	△200	2,411
Fluctuations in the current fiscal year								
Dividend of surplus					-91	-91		-91
Net income					1,426	1,426		1,426
Acquisition of treasury stock							-4	-4
Disposal of treasury stock			6	6			16	22
Changes in items other than shareholders' equity for the current fiscal year (net)								
Total changes for the current fiscal year	—	—	6	6	1,334	1,334	12	1,352
Balance at the end of the current fiscal year	494	400	17	417	3,041	3,041	-188	3,764

	Valuation and translation adjustments		Share award rights	Total net assets
	Other valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
Balance at the beginning of the current fiscal year	-0	-0	—	2,411
Fluctuations in the current fiscal year				
Dividend of surplus				△91
Net income				1,426
Acquisition of treasury stock				△4
Disposal of treasury stock				22
Changes in items other than shareholders' equity for the current fiscal year (net)	0	0	19	19
Total changes for the current fiscal year	0	0	19	1,372
Balance at the end of the current fiscal year	-0	-0	19	3,784

Current fiscal year (from July 1, 2023 to June 30, 2024)

(Millions of yen)

	Shareholders' equity							Total Shareholders' equity
	Capital	Capital surplus			Retained earnings		Treasury stock	
		Capital reserve	Other capital surplus	Capital surplus total	Other retained earnings Retained earnings carried forward	Retained earnings total		
Balance at the beginning of the current fiscal year	494	400	17	417	3,041	3,041	-188	3,764
Fluctuations in the current fiscal year								
Issuance of new share	0	0		0				0
Dividend of surplus					-305	-305		-305
Net income					1,323	1,323		1,323
Acquisition of treasury stock							-188	-188
Disposal of treasury stock			-2	-2			20	17
Changes in items other than shareholders' equity for the current fiscal year (net)								
Total changes for the current fiscal year	0	0	-2	-2	1,018	1,018	-168	847
Balance at the end of the current fiscal year	494	400	14	415	4,059	4,059	-356	4,611

	Valuation and translation adjustments		Share award rights	Total net assets
	Other valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
Balance at the beginning of the current fiscal year	-0	-0	19	3,784
Fluctuations in the current fiscal year				
Issuance of new share				0
Dividend of surplus				-305
Net income				1,323
Acquisition of treasury stock				-188
Disposal of treasury stock				17
Changes in items other than shareholders' equity for the current fiscal year (net)	0	0	-19	-19
Total changes for the current fiscal year	0	0	-19	827
Balance at the end of the current fiscal year	0	0	—	4,611

[Notes]

(Significant Accounting Policies)

1. Valuation Criteria and methods of Assets

(1) Valuation criteria and methods of securities

Subsidiary Shares ..... We use the cost method based on the moving average method.

Other Securities

Anything other than stocks, etc. that do not have a market price...

Market value method (all valuation differences are processed by the direct net assets method, and the cost of sale is calculated by the moving average method)

Stocks, etc. without market price..... Cost method based on moving average method

(2) Valuation criteria and methods of inventories

Goods..... We use the cost method based on the moving average method.

(Balance sheet value is calculated by the method of book value devaluation due to a decrease in profitability.)

Work in progress..... We use the cost method based on individual method.

(Values on the balance sheet is calculated by the method of devaluation due to a decrease in profitability.)

Supplies..... We use cost method based on the final purchase cost method.

(Balance sheet value is calculated by the method of book value devaluation due to a decrease in profitability.)

2. Methods of depreciation of fixed assets

(1) Tangible fixed assets (excluding leased assets)

We use the declining ratio method.

However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings acquired on or after April 1, 2016.

The main service life is as follows:

Building: 3 to 15 years

Tools, furniture & fixtures: 2 to 15 years

Communication equipment: 10 years

(2) Intangible fixed assets (excluding leased assets)

We use the straight-line method.

For software used by the Company, we use a straight-line method based on the period of use within the company (5 years).

3. How to Handle Material Deferred Assets

Inaugural expenses

It is equally amortized over a five-year period.

4. Basis for reporting allowances

(1) Allowance for doubtful accounts

In order to prepare for bad debt expense on sales receivables, we consider the recoverability of general receivables based on the actual rate of bad debts and specific receivables such as receivables of doubtful concern on a case-by-case basis, and report the amount that is expected to be uncollectible.

(2) Provision for bonuses

In order to use the funds for the payment of bonuses to our employees, we estimate the expenses to be borne in the current fiscal year out of the expected amount to be paid in the future.

(3) Provision for retirement benefits

In order to prepare for retirement benefits for employees, the Company applies a simplified method that uses the amount of retirement benefits required at the end of the fiscal year as a retirement benefit obligation for the calculation of provision for retirement benefits and retirement benefit expenses.

(4) Provision for stock-based remuneration

In order to prepare for future benefits of the Company's stock, etc., to employees, the amount of the expected payment that is recognized to have occurred by the end of the current fiscal year has been reported.

5. Conversion Standards for Significant foreign currency-dominated assets or liabilities into Japanese currency

Foreign currency-denominated monetary claims and liabilities are converted into yen based on the spot exchange rate at the end of the fiscal year, and the conversion difference is treated as profit or loss.

6. Accounting criteria for revenue and expenses

- Provision of communication services

The obligation to perform the provision of telecommunication services consists of a performance obligation to install and configure the Internet connection equipment at the service provided property (the “initial introduction service”) and a performance obligation to provide the Internet service after the installation and configuration of the Internet connection device (hereinafter referred to as the “monthly usage fee service”).

If the initial introduction service and the monthly usage fee service are recognized as an integrated performance obligation, both are reported as revenue according to the service period of the monthly usage fee. If the obligation to perform the initial introduction service and the monthly usage fee service are not considered to be integrated, the initial introduction service will report revenue at the time of completion of the installation and configuration work of the Internet-connecting device, and the monthly usage fee service will report revenue according to the contract period of the monthly usage fee service.

- Sales of products

The sale of products is obligated to be fulfilled by the delivery of the products to the customer. Since control over the product is transferred to the customer at the time the product is delivered, we judge it to be a performance obligation that is satisfied at the time the delivery of the product is completed, and we recognize the revenue.

7. Significant Hedge Accounting Methods

(1) Methods of hedge accounting

With regard to interest rate swaps, we have adopted special treatment for those that satisfy the special treatment cases.

(2) Means of hedging and hedging targets

Means of hedge... Interest rate swaps

Hedging targets... Interest on borrowings

(3) Hedging Policy

The Company engages in derivatives transactions for the purpose of avoiding the risk of interest rate fluctuations on borrowings, and has a policy of not engaging in derivatives transactions for speculative purposes.

(4) Method of hedging effectiveness evaluation

Interest rate swap transactions meet the requirements for special treatment, so the evaluation of their effectiveness is omitted.

(Significant accounting estimates)

There are no applicable matters.

(Balance Sheet related)

\*1 The Company has concluded an overdraft agreement with the bank of its business in order to efficiently procure working capital.

The outstanding balance of unexecuted borrowings related to overdraft agreements at the end of the fiscal year is as follows.

	Previous fiscal year (June 30, 2023)	Current fiscal year (June 30, 2024)
Overdraft limit	3,600 million yen	3,700 million yen
Balance of borrowings executed	— million yen	— million yen
Balance amount	3,600 million yen	3,700 million yen

\*2 Monetary claims and liabilities to affiliated companies

	Previous fiscal year (June 30, 2023)	Current fiscal year (June 30, 2024)
Short-term monetary receivables	3 million yen	2 million yen
Short-term monetary obligations	440 million yen	896 million yen

3 Guarantee Debt

We provide debt guarantees for borrowings from financial institutions of the following affiliated companies.

	Previous fiscal year (June 30, 2023)	Current fiscal year (June 30, 2024)
FG Smart Asset Inc.	676 million yen	505 million yen

(Income statement related)

\*1 Transaction amount with affiliated companies

	Previous fiscal year (from July 1, 2022 to June 30, 2023)	Current fiscal year (from July 1, 2023 to June 30, 2024)
Transaction amount arising from business transactions		
Sales	— million yen	1 million yen
Selling, general and administrative expenses	53 million yen	82 million yen
Transaction amount arising other than from business transactions	1 million yen	3 million yen

\*2 The main expenses, amounts, and approximate ratios of selling, general and administrative expenses are as follows.

	Previous fiscal year (from July 1, 2022 to June 30, 2023)	Current fiscal year (from July 1, 2023 to June 30, 2024)
Salary and allowances	973 million yen	1,056 million yen
Sales commission	986 million yen	1,002 million yen
Depreciation expenses	6 million yen	5 million yen
Provision for doubtful accounts	△0 million yen	△0 million yen
Provision for retirement benefits	12 million yen	11 million yen
Provision for bonuses	82 million yen	83 million yen
Stock-based remuneration expenses	48 million yen	△7 million yen

Notes: Stock-based remuneration expenses for the current fiscal year include stock-based remuneration expenses of -9 million yen that were reimbursed due to the expiration of post-issued stock-based remuneration prior to vesting.

Approximate ratio

Selling expenses	30.21%	29.65%
General and administrative expenses	69.79%	70.35%

(Securities related)

Previous fiscal year (June 30, 2023)

Shares of subsidiaries (balance sheet amount: 196 million yen) are not listed because they are shares without a market price.

Current fiscal year (June 30, 2023)

Shares of subsidiaries (balance sheet amount: 196 million yen) are not listed because they are shares without a market price.

(Tax effect accounting related)

1. Breakdown of deferred tax assets and liabilities by major causes

	Previous fiscal year (June 30, 2023)	Current fiscal year (June 30, 2024)
Deferred tax assets		
Allowance for doubtful accounts	2 million yen	2 million yen
Provision for bonuses	25 million yen	25 million yen
Impairment loss	16 million yen	12 million yen
Bad debt expense	0 million yen	0 million yen
Accrued business tax	21 million yen	14 million yen
Excess depreciation	18 million yen	25 million yen
Contract liabilities	344 million yen	231 million yen
Accrued social insurance premiums	3 million yen	3 million yen
Provision for retirement benefits	13 million yen	16 million yen
Amortization of deposit	1 million yen	1 million yen
Valuation loss of related companies	1 million yen	1 million yen
Loss on valuation of goods	27 million yen	35 million yen
Loss on devaluation of investment securities	— million yen	11 million yen
Stock-based remuneration expenses	7 million yen	— million yen
Others	1 million yen	1 million yen
Deferred tax assets Sub total	487 million yen	384 million yen
Valuation allowance	-4 million yen	-13 million yen
Deferred tax assets total	482 million yen	370 million yen
Deferred tax liabilities		
Contract Assets	-28 million yen	-17 million yen
Deferred tax liabilities total	-28 million yen	-17 million yen
Net deferred tax assets	453 million yen	353 million yen

2. When there is a significant difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting, a breakdown of the major items that caused the difference

	Previous fiscal year (June 30, 2023)	Current fiscal year (June 30, 2024)
Statutory effective tax rate	30.4%	
(Adjustment)		
Inhabitant tax on per capita basis	0.1	Note is omitted because the difference between the statutory effective tax rate and the corporate tax burden rate after the application of tax effect accounting is less than 5/100 of the statutory effective tax rate.
Entertainment expenses not qualifying for deduction	0.9	
Special deduction for corporate income tax	△2.0	
Gain on extinguishment of tie-in shares	△1.5	
Increase or decrease in valuation allowance	0.1	
Others	△0.1	
Burden rate of corporate tax, etc. after application of tax effect accounting	27.9	

(Revenue recognition related)

The information that forms the basis for understanding revenues arising from contracts with customers is the same as “Notes (Revenue recognition related)” in the consolidated financial statements so notes have been omitted.

(Significant post-balance sheet event)

(Establishment of joint venture company)

The same content is described in the consolidated notes table " Significant Aftermath ", so the description has been omitted.



4) [Supplementary schedule]

[Schedule of securities]

Since the amount of securities is less than one-hundredth of the total amount of assets, the description of the schedule of securities is omitted.

[Detailed Table of Tangible fixed assets]

Division	Type of assets	Balance at the beginning of the current fiscal year (million yen)	Increase in the current fiscal year (million yen)	Decrease in the current fiscal year (million yen)	Depreciation for the current fiscal year (million yen)	Balance at the end of the current fiscal year (million yen)	Accumulated depreciation (million yen)
Fixed tangible asset	Building	6	34	3	2	35	5
	Tools, furniture & fixtures Tools, Instruments & Fixtures	8	9	0	7	10	54
	Communication equipment	6,544	2,262	45	1,608	7,153	6,685
	Leased assets	—	—	—	—	—	96
	construction in progress Asset under construction	3	—	3	—	—	—
	Total	6,563	2,306	52	1,617	7,199	6,841
Fixed intangible asset	Software	55	35	0	23	68	—
	Software in progress Software Asset Tenderness	30	32	35	—	27	—
	Total	86	68	35	23	96	—

(Notes) 1. Main details of the increase in the current fiscal year

- Communication equipment

Installation of a set of equipment for each property to provide our telecommunication services: 2.262 billion yen

2. Main details of the decrease in the current fiscal year

- Communication equipment

Removal of a set of equipment installed at each property for the provision of the Company's telecommunication services: 45 million yen

[Schedule of provisions]

Account title	Balance at the beginning of the current fiscal year (million yen)	Increase in the current fiscal year (million yen)	Decrease in the current fiscal year (million yen)	Balance at the end of the current fiscal year (million yen)
Allowance for doubtful accounts Allowance for bad debts	7	5	6	7
Provision for bonuses Bonus allowance	82	83	82	83
Provision for stock-based compensation	5	1	6	—

(2) Major assets and liabilities]

Since consolidated financial statements have been prepared, the description has been omitted.

(3) [Others]

There are no applicable matters.

## 6. [Summary of the Company's stock affairs]

Fiscal year	From July 1 to June 30 of the following year
Ordinary general meeting of shareholders	Within 3 months after the end of each fiscal year
Reference date	June 30 of each year
Reference date for dividends of surplus	June 30 of each year, and December 31 of each year
Number of shares in one unit	100 shares
Purchase of shares of less than one unit	
Handling location	1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation, Securities Agency Department
Administrator of the Register of Shareholders	1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Agency	—
Purchase commission	Free of charge
Methods of public notices	<p>The Company shall make public notice electronically.</p> <p>However, in the event of an accident or other unavoidable reason for which electronic public notice cannot be made, it will be posted in the Nihon Keizai Shimbun.</p> <p>Electronic public notices are posted on the Company's website, and the address is as follows.</p> <p><a href="https://www.fibergate.co.jp/">https://www.fibergate.co.jp/</a></p>
Benefits for shareholders	There are no applicable matters.

(Notes) The Articles of Incorporation stipulate that shareholders of the Company may not exercise any rights other than the following rights with respect to their shares of less than one unit.

(1) Rights listed in each item of Article 189, paragraph 2 of the Companies Act

(2) The right to make a request pursuant to the provisions of Article 166, paragraph 1 of the Companies Act

(3) The right to allot shares to be offered and the right to receive allotment of stock acquisition rights according to the number of shares held by shareholders

## 7. [Reference information on the Company]

### 1. [Information on the parent company, etc. of the Company]

The Company does not have a parent company as stipulated in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

### 2. [Other reference information]

The following documents have been submitted between the beginning of the current fiscal year and the date of submission of the annual securities report.

#### (1) Annual Securities Report and its attached documents and confirmation notes

Fiscal Year (24th) (July 1, 2022 to June 30, 2024) September 28, 2023 Submitted to the Director of the Hokkaido Local Finance Bureau

#### (2) Internal Control Report and its attachments

Submitted to the Director of the Hokkaido Local Finance Bureau on September 28, 2023

#### (3) Quarterly reports and confirmation notes

1st Quarter of the 25th Fiscal Period (July 1, 2023 to September 30, 2023) Submitted to the Director of the Hokkaido Local Finance Bureau on November 14, 2023

2nd Quarter of the 25th Fiscal Period (October 1, 2023 to December 31, 2023) Submitted to the Director of the Hokkaido Local Finance Bureau on February 14, 2024

3rd Quarter of the 25th Fiscal Period (January 1, 2024 to March 31, 2024) Submitted to the Director of the Hokkaido Local Finance Bureau on May 14, 2024

#### (4) Extraordinary Report

Submitted to the Director of the Hokkaido Local Finance Bureau on September 28, 2023

This is an extraordinary report based on Article 19, paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Details, etc. (Results of the Exercise of Voting Rights at the General Meeting of Shareholders).

#### (5) Report on the status of purchases of treasury shares

Reporting Period (September 1, 2023 to September 30, 2023) October 2, 2023 Submitted to the Hokkaido Local Finance Bureau

Reporting Period (November 15, 2023 to November 30, 2023) December 1, 2023 Submitted to the Hokkaido Local Finance Bureau

Reporting Period (December 1, 2023 to December 31, 2023) January 5, 2024 Submitted to the Hokkaido Local Finance Bureau

Reporting Period (January 1, 2024 to January 31, 2024) February 11, 2024 Submitted to the Hokkaido Local Finance Bureau

Reporting Period (February 1, 2024 to February 29, 2024) March 1, 2024 Submitted to the Hokkaido Local Finance Bureau

Reporting Period (March 1, 2024 to March 31, 2024) April 1, 2024 Submitted to the Hokkaido Local Finance Bureau

## Part II [Information on Guarantors for the Company]

There are no applicable matters.

## [Cover]

[Document submitted]	Internal Control Report
[Article of the application law requiring submission of this document]	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director, Hokkaido Local Finance Bureau
[Date of submission]	September 27, 2024
[Company name]	Fibergate.Inc.
[Company name (in English)]	Fibergate Inc.
[Position and name of representative]	Masanori Inomata, Representative Director, President Executive Officer
[Position and name of Chief Financial Officer]	Takafumi Hamauzu, Director, Senior Executive Officer, Head of Corporate Planning Division
[Location of head office]	Nishi 8-10-3, Minami 1-Jo, Chuo-ku, Sapporo
[Place where available for public inspection]	Fibergate Inc. Tokyo Office (2-10-12, Shibadaimon, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashikabuto-cho, Chuo-ku, Tokyo) Securities Membership Corporation Sapporo Securities Exchange (Nishi 5-14-1, Minami 1-Jo, Chuo-ku, Sapporo)

## 1 [Matters related to the basic framework of internal control over financial reporting]

Masanori Inomata, Representative Director, President Executive Officer, and Takafumi Hamauzu, Senior Executive Officer,, are responsible for the development and operation of the Company's internal control over financial reporting, and the “Establishment of Standards for Evaluation and Audit of Internal Control over Financial Reporting and Standards of Practice for Evaluation and Audit of Internal Control over Financial Reporting (Opinion)” published by the Corporate Accounting Council. In accordance with the basic framework of internal control indicated in the above, we have established and operate internal control over financial reporting.

Internal control aims to achieve its objectives within a reasonable range by organically linking each basic element of internal control and functioning as one. For this reason, it may not be possible to completely prevent or detect false statements in financial reports due to internal control over financial reporting.

## 2 [Matters related to the scope of evaluation, reference date, and evaluation procedure]

The evaluation of internal control over financial reporting is conducted on June 30, 2023, the last day of the current fiscal year, as the reference date, and the evaluation is in accordance with generally accepted standards for evaluating internal control over financial reporting.

In this evaluation, we evaluate internal controls (company-wide internal controls) that have a significant impact on overall financial reporting on a consolidated basis, and then select business processes to be evaluated based on the results. In the evaluation of the business processes, we evaluated the effectiveness of internal controls by analyzing the selected business processes, identifying control points that have a significant impact on the reliability of financial reporting, and evaluating the development and operation status of the control points.

The scope of the evaluation of internal control over financial reporting is determined to the extent necessary for the Company and its consolidated subsidiaries from the perspective of the significance of the impact on the reliability of financial reporting. The significance of the impact on the reliability of financial reporting is determined in consideration of the significance of the monetary and qualitative impact, and the scope of the evaluation of internal control related to business processes has been rationally determined based on the results of a company-wide internal control evaluation conducted for the Company and one consolidated subsidiaries. The four consolidated subsidiaries are judged to be negligible from the viewpoint of monetary and qualitative significance, and are not included in the scope of evaluation of company-wide internal controls.

With regard to the scope of evaluation of internal control over business processes, the amount of consolidated sales (after the elimination of intercompany transactions) in the previous consolidated fiscal year of each business site was added up, and the Company, which accounted for approximately two-thirds of the consolidated sales of the previous consolidated fiscal year, was designated as an “significant business site”. At the selected significant business sites, business processes ranging from sales, accounts receivables and inventories were evaluated as accounts that are largely related to the company's business objectives. In addition, business processes related to significant accounts that involve estimates and forecasts, as well as businesses or operations that engage in high-risk transactions, have been added to the evaluation list as business processes of high significance, taking into account the impact on financial reporting.

## 3 [Matters related to evaluation results]

As a result of the above evaluation, we have determined that the Company's internal control over financial reporting is effective as of the end of the current fiscal year.

## 4 [Supplementary information]

There is no supplementary information.

## 5 [Special affairs]

There are no noteworthy matters that are pertinent to this securities report.

## [Cover]

[Document submitted]	Confirmation Note
[Article of the application law requiring submission of this document]	Article 24-4-2, paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director, Hokkaido Local Finance Bureau
[Date of submission]	September 27, 2024
[Company name]	Fibergate.Inc.
[Company name (in English)]	Fibergate Inc.
[Position and name of representative]	Masanori Inomata, Representative Director, President Executive Officer
[Position and name of Chief Financial Officer]	Takafumi Hamauzu, Director, Senior Executive Officer, Head of Corporate Planning Division
[Location of head office]	Nishi 8-10-3, Minami 1-Jo, Chuo-ku, Sapporo
[Place where available for public inspection]	Fibergate Inc. Tokyo Office (2-10-12, Shibadaimon, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashikabuto-cho, Chuo-ku, Tokyo) Securities Membership Corporation Sapporo Securities Exchange (Nishi 5-14-1, Minami 1-Jo, Chuo-ku, Sapporo)

1. [Matters concerning the appropriateness of the contents of the annual securities report]

Masanori Inomata, Representative Director, President Executive Officer, and Takafumi Hamazu, Director, Senior Executive Officer confirmed that the contents of the Company's annual securities report for the 25th fiscal year (July 1, 2023 to June 30, 2024) are properly described in accordance with the Financial Instruments and Exchange Act.

2 [Special affairs]

There are no noteworthy matters that are pertinent to this securities report.