

Materials for the 25th Annual General Meeting of Shareholders (FY2024)

(Matters not stated in documents issued by request for written delivery based on laws and regulations and the Articles of Incorporation among matters subject to measures for electronic provision)

Status of the Accounting Auditor

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the appropriateness of operations

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Consolidated Notes Table

Statement of Changes in Shareholders' Equity, etc.

Individual Notes Table

(from July 1, 2023 to June 30, 2024)

Fibergate Inc.

The above matters are not stated in the documents delivered to shareholders who have requested written delivery in accordance with laws and regulations and the provisions of Article 19 of the Company's Articles of Incorporation.

At the General Meeting of Shareholders, regardless of whether or not there is a request for written delivery, shareholders will be uniformly sent a document stating matters excluding the above matters from the matters subject to measures for electronic provision.

Status of the Accounting Auditor

(1) Name: KPMG Azusa LLC

(2) Amount of remuneration, etc.

| | Amount of remuneration, etc. |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Amount of remuneration, etc. of the Accounting Auditor for the current fiscal year | 42 million yen |
| Total amount of money and other property benefits payable by the Company and its subsidiaries to the Accounting Auditor | 42 million yen |

(Notes) Since the audit contract between the Company and the Accounting Auditor does not clearly distinguish the amount of audit remuneration, etc. for audits under the Companies Act and audits under the Financial Instruments and Exchange Act, and it is not possible to distinguish them substantially, the total amount of these remunerations is stated in the amount of remuneration, etc. of the accounting auditor for the current fiscal year.

(3) Reasons for the Audit and Supervisory Committee's consent to the remuneration, etc. of the Accounting Auditor

The Audit and Supervisory Committee agrees to the amount of remuneration, etc. of the Accounting Auditor under Article 399, Paragraph 1 of the Companies Act after examining the content of the Accounting Auditor's audit plan, the status of the performance of duties by the Accounting Auditor, and the basis for calculating the estimated remuneration.

(4) Details of non-audit work

There are no applicable matters.

(5) Policy for Determining the Dismissal or Non-Reappointment of the Accounting Auditor

If the Audit and Supervisory Committee deems it necessary to do so, such as when there is a hindrance to the execution of the duties of the Accounting Auditor, the Committee decides on the content of the proposal regarding the dismissal or non-reappointment of the Accounting Auditor.

In addition, if the Audit and Supervisory Committee finds that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Committee shall dismiss the Accounting Auditor with the consent of all Committee members. In this case, the Committee members selected by the Committee shall report the dismissal of the Accounting Auditor and the reason for the dismissal at the first general meeting of shareholders convened after the dismissal.

(6) Summary of the contents of the Limited Liability Contract

There are no applicable matters.

(7) Matters related to persons who have been suspended from business in the past two years

There are no applicable matters.

System for ensuring the appropriateness of operations

In order to improve management transparency and ensure compliance, the Group has positioned the establishment of an organizational structure that can respond quickly to changes in the business environment while strengthening its corporate governance system as a critical issue. The following is an outline of the decisions regarding the system to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure the appropriateness of the company's operations.

The Company's Board of Directors has resolved the "Basic Policy on Internal Control" in order to establish a system to ensure the appropriateness of operations.

The outline of the resolution of the Board of Directors is as follows:

- (1) The system to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
 - 1) Establish a "Compliance Code of Conduct" to comply with laws and regulations, the Articles of Incorporation, and social norms, and thoroughly disseminate it throughout the Company.
 - 2) In addition to establishing rules related to compliance, the Executive Officers' Committee shall establish and maintain a compliance system.
 - 3) Hold education and training on compliance as appropriate to maintain and improve compliance awareness.
 - 4) Establish a whistleblowing system to detect and prevent problems at an early stage, and respond appropriately and promptly.
 - (2) System for the storage and management of information related to the execution of duties by Directors

Information related to the execution of duties by Directors shall be created and stored in accordance with laws and regulations, document management regulations, and internal information management regulations, and shall be managed in a state where it can be viewed and copied by Directors, Audit and Supervisory Committee members, Accounting Auditors, etc., as necessary.
 - (3) Regulations and other systems related to the management of the risk of loss
 - 1) Establish risk management regulations, appoint an organization and person responsible for dealing with various conceivable risks in the Company's business activities, and establish an appropriate evaluation and management system.
 - 2) The Executive Officers' Meeting and the Audit and Supervisory Committee shall strengthen the system for preventing and mitigating various risks in business activities.
 - 3) In the event of a crisis, a task force shall be established and appropriate and prompt measures shall be taken to deal with the crisis, including appropriate communication of information both inside and outside the Company.
 - (4) System to ensure efficient execution of duties by Directors
 - 1) Separate the decision-making and business supervision functions of the Board of Directors from the business execution functions of the executive officers.
 - 2) Establish rules for the Board of Directors, the division of duties, and administrative authority, and clarify the duties, authority, and responsibilities of Directors.
 - 3) Hold the Board of Directors regularly once a month as well as hold meetings as necessary.
 - (5) System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries
 - 1) Establish a department in charge of affiliated companies and manage subsidiaries in accordance with the Subsidiary Management Regulations.
 - 2) The Board of Directors shall resolve the Group's management plan, and the Business Planning Division shall report the progress of the plan to the Board of Directors on a monthly basis.
 - 3) The Internal Audit Office shall conduct internal audits of the Company and its subsidiaries, and report the results to the President and Chief Executive Officer, the Board of Directors, and the Audit and Supervisory Committee.
- 4) The Internal Control Team within the Business Administration Division shall strengthen and improve internal controls.

- (6) Matters related to employees who are required to assist the Audit and Supervisory Committee in their duties
- 1) At the request of the Audit and Supervisory Committee, the Board of Directors shall appoint Audit and Supervisory Committees' staff in consultation with the Audit and Supervisory Committee members to assist them in the audit work.
 - 2) The authority to direct the nominated employees shall be delegated to the Audit and Supervisory Committee, and they shall not be subject to the direction and orders of the Directors.
- (7) Matters concerning the independence of employees who assist the duties of Audit and Supervisory Committee from Directors
- 1) An employee who receives a request from an Audit and Supervisory Committee to assist an Audit and Supervisory Committee shall not be subject to the direction and orders of the Directors or superior, etc.
 - 2) Personnel changes and appraisals of such employees shall be subject to the consent of the Audit and Supervisory Committee.
- (8) System for Directors and employees to report to Audit and Supervisory Committee and other systems for reporting to Audit and Supervisory Committee.
- 1) Audit and Supervisory Committee may attend important meetings such as the Executive Committee in addition to the Board of Directors, and request reports on the status of execution of duties from Directors and employees.
 - 2) Directors and employees shall promptly report to the Audit and Supervisory Committee when they discover a fact that violates laws and regulations or that may cause significant damage to the Company.
 - 3) Directors and employees shall promptly report to the Audit and Supervisory Committee when requested to report on matters related to the execution of duties.
 - 4) With regard to reports from employees, etc. to the Audit and Supervisory Committee, the contents of the reports shall be kept confidential in accordance with laws and regulations, and disadvantageous treatment of the whistleblowers shall be prohibited.
- (9) Other systems to ensure that audits by Audit and Supervisory Committee is conducted effectively
- 1) The Audit and Supervisory Committee shall ensure fairness and transparency, including outside Audit and Supervisory Committee, in accordance with laws and regulations.
 - 2) Audit and Supervisory Committee shall regularly exchange opinions with the Representative Director to promote mutual communication.
 - 3) The Audit and Supervisory Committee shall regularly exchange information with the Accounting Auditor and the Internal Audit Office to promote mutual cooperation.
 - 4) If the Audit and Supervisory Committee deems it necessary for audit work, they may hear the opinions of lawyers, certified public accountants, and other experts at the Company's expense.
- (10) System to ensure the reliability of financial reporting
- In order to ensure the reliability of financial reporting, the Executive Officers' Meeting (Executive Committee) shall strengthen company-wide control activities and control activities for each business process, and establish an operational system.
- (11) Basic approach to the elimination of transactions with anti-social forces and status of the development
- The Company recognizes that its special parties, shareholders, business partners, etc. have no relationship with anti-social forces.
- In order to take a resolute stance against anti-social forces that threaten social order and safety (such as organized crime groups, members of organized crime groups, associate members of organized crime groups, companies related to organized crime groups, racketeer groups, etc., groups engaging in criminal activities under the pretext of conducting social campaigns, and crime groups specialized in intellectual crimes), we have established the following basic policy on anti-social forces and shall comply with it.

(Basic Policy)

The Company will not provide money or other economic benefits to anti-social forces under any circumstances.

- 1) Taking a resolute stance against anti-social forces and practicing corporate activities that leave no gaps to exploit will contribute to the formation of a healthy civil society and lead to an increase in corporate value. In order to eradicate relationships with anti-social forces that pose a serious threat to corporate activities, top management makes it clear both inside and outside the Company that it is determined to completely cut off relationships with anti-social forces such as so-called racketeer groups and resolutely eliminate them as well as establishes a system that enables an organizational response to organized violence by anti-social forces based on the so-called "three nos" of "no fear," "no money," and "no use."
 - 2) In addition to centrally managing relevant internal and external information necessary to maintain a severance of relationships with anti-social forces, the Company will always cooperate with external specialized organizations to prepare an organization that provides guidance and support for problem-solving and strives to develop human resources.
 - 3) The Company will always maintain an awareness of crisis management, formulate internal rules and business manuals that respond to approaches from anti-social forces, and strive for education and training so as not to give anti-social forces an opportunity to take advantage of them. In addition, the Company will strengthen operational audits to confirm the effectiveness of organizational responses.
 - The Company will not have any relationship with anti-social forces and will not conduct transactions or contracts with anti-social forces.
 - In order to cut off all relationships with anti-social forces, all officers and employees will take a resolute stance.
 - In order to prevent damage caused by anti-social forces, the Company will cooperate with external specialized organizations such as the police, the Center for the Expulsion of Organized Crime Groups, and lawyers, and respond systematically and appropriately.
 - The Company will not respond to any unreasonable claims made by anti-social forces, will resolutely take legal action, and will strive to ensure the safety of officers and employees who respond.
 - The Company will never provide benefits to anti-social forces or engage in backroom deals for any reason.
- With regard to the Company's specific systems and countermeasures for the elimination of anti-social forces, the Company conducts surveys of new business partners, such as sales partners, subcontractors, suppliers, executives, etc., by searching the Internet and searching articles using Nikkei Telecom before the start of transactions, based on the Company's Anti-Social Forces Countermeasures Regulations and the Anti-Social Forces Survey Manual. In addition, the Company conducts the same survey of continuing business partners once a year.
- The basic transaction agreement includes a termination clause in the event that a relationship with anti-social forces is found.
- In addition, based on the above basic policy, the Company has established specific response guidelines and has established a system to eliminate transactions with anti-social forces based on the response guidelines.

Summary of the operational status of the system to ensure the appropriateness of operations

Based on the "Basic Policy on Internal Control" resolved at the Board of Directors meeting, the Company has established and operates an internal control system for the Company and its subsidiaries.

At the beginning of the fiscal year, the Company announces management policies, management issues, response guidelines, etc. to all employees in an effort to unify the understanding of all employees. During the fiscal year, the Internal Audit Office conducts audits and reports to the Board of Directors on the policies and implementation status of internal controls by each department.

In addition, at the end of the fiscal year, the Company recognizes that there will be no significant corrections based on the results of the evaluation of the status of the development and operation of internal controls by the Internal Audit Office.

The status of implementation of the Company for enhancement of corporate governance in the current fiscal year is as follows:

- 1) The Board of Directors met 14 times and held the Executive Committee (Executive Officers' Meeting) 50 times to decide on significant matters related to management, such as matters stipulated by laws and regulations, the formulation of management policies and budgets, and examined the analysis, countermeasures, and evaluation of the Company's monthly management performance, and deliberated from the perspective of compliance with laws and regulations and the appropriateness of operations.
- 2) Met the Audit and Supervisory Committee 14 times to discuss and decide on audit policies and plans, attended important internal meetings such as the Executive Committee, and audited the status of operations and assets, audits of the execution of duties by Directors, and compliance with laws and regulations. In addition, information was exchanged as appropriate with each Director, Accounting Auditor, Internal Audit Office, etc. For subsidiaries, the Company communicated and exchanged information with the officers and employees of subsidiaries to ensure the effectiveness of audits by the Audit and Supervisory Committee.
- 3) In light of the importance of the impact on the reliability of financial reporting, the internal control evaluation was conducted appropriately based on the formulated implementation plan. In addition, the appropriateness of financial results disclosure materials was ensured by disclosing them after submitting them to the Board of Directors.
- 4) With regard to information security measures, the Company has tightened its data management methods with the aim of preventing the leakage of confidential information of the Company, including personal information. In addition, information on information security is used on the intranet and other channels to disseminate and raise awareness.
- 5) The Company's internal audits were conducted appropriately in accordance with the audit plan prepared by the Internal Audit Office based on the Internal Audit Regulations. In addition, audits by the Audit and Supervisory Committee of subsidiaries were conducted appropriately.
- 6) The Nomination and Remuneration Committee has been established on a voluntary basis to examine the composition of the Company's Board of Directors, the policies and standards for the appointment and dismissal of Directors and Executive Officers, including Audit and Supervisory Committee members, and individual appointments, and to report to the Board of Directors. In addition, the remuneration system and remuneration policy for the Company's directors (including Audit and Supervisory Committee members), the details of remuneration for individual directors, and the agenda items for the General Meeting of Shareholders (only proposals related to remuneration) are examined and reported to the Board of Directors.

Consolidated Statement of Changes in Shareholders' Equity (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 shareholders' 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 |

(Notes) The listed amount is rounded down to the nearest million yen.

1. Consolidated Notes Table

(1) Matters related to the scope of consolidation

Number of consolidated subsidiaries: 5

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

a. 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

b. 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.)

2) Method of depreciation of significant depreciable assets

a. Tangible fixed 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

b. Intangible 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

Inaugural expenses

Equally amortized over a five-year period.

4) Criteria for reporting material provisions

a. 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.

b. 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.

5) 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.

6) 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.

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

a. Methods of hedge accounting

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

b. Means of hedging and hedging targets

Means of hedging ··· · Interest rate swaps

Hedging targets ····· · Interest on borrowings

c. 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.

d. Method of evaluating hedging effectiveness

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

2. Significant accounting estimates

There are no applicable matters

3. Consolidated balance sheet related

| | |
|---------------------------------------------------------------------------------------------------------------------|-------------------|
| (1) Accumulated depreciation of tangible fixed assets | 6,849 million yen |
| (2) Assets pledged as collateral | |
| 1) Real Estate for Sale | 489 million yen |
| 2) Investment Securities (It is a business deposit under the Building Lots and Buildings Transaction Business Act.) | 10 million yen |
| (3) The liabilities related to collateral are as follows. | |
| 1) Short-term borrowings | 140 million yen |
| 2) Current portion of long-term borrowings | 10 million yen |
| 3) Long-term borrowings | 355 million yen |

4. Consolidated statement of changes in equity related

(1) Matters concerning total number of shares issued

| The type of shares | 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) |
|--------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Common shares | 20,591,200 | 2,400 | – | 20,593,600 |

Notes: The total number of shares issued has increased by 2,400 shares due to the exercise of stock options.

(2) 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 Shares | 204 million yen | 10.00 yen | June 30, 2023 | September 28, 2023 |
| Board Meeting on February 14, 2024 | Common Shares | 101 million yen | 5.00 yen | December 31, 2023 | March 12, 2024 |

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

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

5. 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 is 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 33 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

a. 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.

b. 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.

c. 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 on June 30, 2024 are as follows.

| | Amount reported on consolidated balance sheet (millions of yen) | Market price (million yen) | Difference (million yen) |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------|--------------------------|
| (1) Accounts receivable | 1,772 | | |
| Allowance for doubtful accounts (*) | △5 | | |
| | 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 |

(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

(millions of yen)

| Division | Market value | | | |
|-----------------------|--------------|---------|---------|-------|
| | 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 |
| Total Asset | | | | |

2) Financial instruments other than those reported on the consolidated balance sheet in market value

(millions of yen)

| Division | 時価 | | | |
|----------------------|---------|---------|---------|-------|
| | 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.

6. Notes on revenue recognition related

(1) Information that breaks down revenue generated from contracts with customers

The Group consists of three reporting segments: Home Use business, Business Use business, and Real Estate business, 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.

(Million 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

a. 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.

b. 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

a. 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.

b. Information related to the calculation of transaction prices and the amount allocated to performance obligations

3) Sales of real estate

a. 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.

b. 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)

| | Current consolidated fiscal year |
|-------------------------------------------------------------------------------------------------|----------------------------------|
| Receivables resulting from contract with customer (balance at the beginning of the fiscal year) | 1,585 |
| Receivables resulting from contract with customer (balance at the end of the fiscal year) | 1,772 |
| Contract Assets (balance at the beginning of the fiscal year) | 217 |
| Contract Assets (balance at the end of the fiscal year) | 208 |
| Contract liabilities (beginning balance) | 1,638 |
| Contract liabilities (balance at the end of the fiscal year) | 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 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.

(Millions of yen)

| | June 2025 | June 2026 | June 2027 | June 2028 | June 2029 onward | Total |
|----------------------------------------------------------------|-----------|-----------|-----------|-----------|---------------------|--------|
| Expected revenue to be recognized As of June 30, 2024 | 6,783 | 5,507 | 4,210 | 2,960 | 3,728 | 23,190 |

7. Information per share

(1) Net assets per share 285.59 yen

(2) Net income per share 77.20 yen

8. Significant Aftermath

(Establishment of joint venture company)

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 field 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% |

Statement of changes in shareholders' equity (from July 1, 2023 to June 30, 2024)

(Millions of yen)

| | Shareholders' equity | | | | | | | | Valuation and translation adjustments | Share award rights | Total net assets |
|------------------------------------------------------------------------------------|----------------------|-----------------|-----------------------|-----------------------|--------------------------------------------------------------|-------------------------|----------------|----------------------------|-------------------------------------------------------------|--------------------|------------------|
| | Capital | Capital surplus | | | Retained earnings | | Treasury stock | Total Shareholders' equity | Other valuation difference on available-for-sale securities | | |
| | | 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 | △0 | 19 | 3,784 |
| Fluctuations in the current fiscal year | | | | | | | | | | | |
| Issuance of new share | 0 | 0 | | 0 | | | | 0 | | | 0 |
| Dividend of surplus | | | | | △305 | △305 | | △305 | | | △305 |
| Profit attributable to owners of parent | | | | | 1,323 | 1,323 | | 1,323 | | | 1,323 |
| Acquisition of treasury share | | | | | | | △188 | △188 | | | △188 |
| Disposal of treasury share | | | △2 | △2 | | | 20 | 17 | | | 17 |
| Changes in items other than shareholders' equity for the current fiscal year (net) | | | | | | | | | 0 | △19 | △19 |
| Total changes for the current fiscal year | 0 | 0 | △2 | △2 | 1,018 | 1,018 | △168 | 847 | 0 | △19 | 827 |
| Balance at the end of the current fiscal year | 494 | 400 | 14 | 415 | 4,059 | 4,059 | △356 | 4,611 | 0 | - | 4,611 |

(Notes) The listed amount is rounded down to the nearest million yen.

Non-Consolidated Notes Table

1. Notes on 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

Commodity .. 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.)

(2) Methods of depreciation of fixed assets

1) Tangible fixed 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:

| | |
|-----------------------------------|---------------|
| Build | 3 to 15 years |
| Tools, furniture & fixtures | 2 to 15 years |
| Communication equipmen | 10 years |

2) Intangible fixed 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) 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) Accounting criteria for revenue 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.

(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) Significant Hedge Accounting Methods

a. Methods of hedge accounting

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

b. Means of hedging and hedging targets

Means of hedging ····· Interest rate swaps

Hedging targets ····· Interest on borrowings

c. 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.

d. Method of evaluating hedging effectiveness

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

2. Notes on Significant accounting estimates

There are no applicable matters.

3. Notes on the Balance Sheet

(1) Accumulated depreciation of tangible fixed assets ····· 6,841 million yen

(2) Guarantee Debt

The Company provides debt guarantees for loans from financial institutions of the following affiliated companies:

FG Smart Asset Inc. ····· 505 million yen

(3) Monetary claims and liabilities to affiliated companies

Short-term monetary receivables ····· 2 million yen

Short-term monetary liabilities ····· 896 million yen

4. Notes to Statement of Income

Turnover with affiliated companies

Turnover by operating transactions

Sales ····· 1 million yen

selling, general and administrative expenses ····· 82 million yen

Non-operating Transactions Affiliates ····· 3 million yen

5. Notes on the Statement of changes in shareholders' equity

Matters concerning the type and total number of treasury stocks

| Type of shares | Number of shares at the beginning of the current fiscal year (shares) | Number of shares increased in the current fiscal year (shares) | Number of shares decreased in the current fiscal year (shares) | Number of shares at the end of the current fiscal year (shares) |
|----------------|-----------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|
| Common share | 181,172 | 159,100 | 18,065 | 322,207 |

(Notes) 1. The increase of 159,100 treasury shares is due to the acquisition of treasury shares in accordance with a resolution of the Board of Directors.

2. The decrease of 18,065 treasury shares is due to the disposal of treasury shares under the company's employee stock ownership plan for directors and employees.

6. Notes on Tax effect accounting related

Breakdown of deferred tax assets and liabilities by major causes

| | Current fiscal year (June 30, 2024) |
|----------------------------------------------|----------------------------------------|
| Deferred tax assets | |
| Allowance for doubtful accounts | 2 million yen |
| Provision for bonuses | 25 million yen |
| Impairment loss | 12 million yen |
| Bad debt expense | 0 million yen |
| Accrued business tax | 14 million yen |
| Excess depreciation | 25 million yen |
| Contract liabilities | 231 million yen |
| Accrued social insurance premiums | 3 million yen |
| Retirement benefit liability | 16 million yen |
| Amortization of deposit | 1 million yen |
| Loss on valuation of goods | 1 million yen |
| Stock-based remuneration expenses | 35 million yen |
| Loss on devaluation of investment securities | 11 million yen |
| Others | 1 million yen |
| Deferred tax assets Sub total | 384 million yen |
| Valuation allowance | △13 million yen |
| Deferred tax assets Total | 370 million yen |
| Deferred tax liabilities | |
| Contract Assets | 17 million yen |
| Deferred tax liabilities Total | 17 million yen |
| Net deferred tax assets | 353 million yen |

7. Notes on Related Party Information

(Million of yen)

| Type | Name of company, etc. | Holding (held) ratio of voting rights (%) | Relationship with the related parties | Details of transaction | Transaction amount | Account title | Balance at the end of the fiscal year |
|--------------------|-----------------------|-------------------------------------------|-----------------------------------------------------|---------------------------------------------|--------------------|-----------------------|---------------------------------------|
| Subsidiary company | NOIS Inc. | (Holding) Direct: 100% | Fund leasing Concurrent positions of officers, etc. | Fund borrowing (See Notes 1) | 850 | Short-term borrowings | 850 |
| | | | | Interest payment on borrowing (See Notes 1) | 3 | - | - |
| Subsidiary company | FG Smart Asset Inc. | (Holding) Direct: 100% | Concurrent positions of officers, etc. | Debt guarantee (See Notes 2) | 505 | - | - |

;/Transaction conditions and policy for determining transaction conditions, etc.

Notes: 1. The interest rate for borrowing of funds is determined rationally by taking into account market interest rates. We do not provide collateral.

2. The debt guarantee to FG Smart Asset Inc. is a guarantee for loans from financial institutions. We do not receive a guarantee fee.

8. Notes on revenue recognition related

This is as described in "(5) Accounting Standards for Revenue and Expenses" in "1. Notes on Significant Accounting Policies."

9. Note on Information per share

(1) Net assets per share 227.51 yen

(2) Net income per share 65.18 yen

10. Note of Significant post-balance sheet event

(Establishment of joint venture company)

The same content is described in the consolidated notes table "8. Notes on significant subsequent events", so the description has been omitted.