



October 30, 2015

Press Release

Company Name: WirelessGate, Inc.

(Code 9419: Mothers)

Location: 5F Tennozu Yusen Bldg., 2-2-20

Higashi Shinagawa, Shinagawa-ku, Tokyo

Representative: Takehiro Ikeda,

Founder and CEO

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## **Notice Regarding a Resolution on the Conclusion of an Agreement for Stock Acquisition of Fon Japan Co., Ltd. and Fund Borrowings**

As announced in the press release "Notice regarding a resolution on the conclusion of an MOU for stock acquisition of and business tie-up with Fon Japan Co., Ltd." dated October 15, 2015, WirelessGate, Inc. concluded the Binding Memorandum of Understanding (MOU; hereinafter "MOU"), which is legally binding, with Fon Wireless Limited (location: London, England; hereinafter "Fon Ltd.") on October 15, 2015 to acquire some of the outstanding shares of Fon Japan Co., Ltd. (head office: Minato-ku, Tokyo; Representative Director and CEO: Hiroshi Kaneda; hereinafter "Fon Japan") and establish a business alliance with Fon Japan. The details have been discussed since then, and WirelessGate, Inc. announces, as noted below, that the Board of Directors meeting held today passed a resolution for the Company to conclude a share transfer agreement for the acquisition of the shares of Fon Japan held by Fon Ltd. (hereinafter "Share Transfer Agreement") with Fon Ltd.

The Share Transfer Agreement is scheduled to be concluded during local time at Fon Ltd.'s location on October 30, 2015. Discussions on the related contracts among shareholders and business partnership contracts are underway by the related parties.

### **1. The purpose of the stock acquisition and business partnership**

Since establishing a business as a Wi-Fi service aggregator in 2004, the Company has worked on expanding wireless broadband services and has bolstered its services as a comprehensive mobile network business that integrates multiple wireless communication infrastructures such as WiMAX and LTE (SIM card) services in addition to Wi-Fi services. The current market environment surrounding the Company anticipates future market expansion, particularly in the SIM service arena, and the Company believes that the key to further business expansion lies in launching competitive services in this area.

Having been founded as a Wi-Fi service aggregator, the Company provides value-added Wi-Fi services that are not offered by other companies. The purpose of the capital and business partnership is to promote the development and delivery of new global services as a more attractive comprehensive mobile network business together with Fon Ltd. by adding Fon Ltd.'s global Wi-Fi platform to the Company's infrastructure.

## 2. Details of the stock acquisition and business partnership, etc.

### (1) Details of the business partnership

Fon Ltd. has capital tie-ups with leading companies around the world, including Google, Microsoft, Deutsche Telekom, and British Telecom, and business alliances with some of the largest communication carriers in their countries and regions, such as Vodafone, Korea Telecom, Telstra, and Oi of Brazil. Fon Ltd. has the world's largest global Wi-Fi community, which covers more than 17 million Wi-Fi spots on the planet (The number of Fon spots is expected to exceed 50 million by 2018).

WirelessGate, Inc. plans to jointly develop and provide a service that combines the Company's wireless broadband service with Fon Ltd.'s overwhelmingly strong global Wi-Fi infrastructure. While differentiating the Company by using its SIM card services alone has proved to be difficult in the past, providing a service that efficiently uses LTE bandwidth as necessary based on a global Wi-Fi network will enable the Company to provide an inexpensive global service with unlimited communication speed that does not exist among other companies. Users will be able to use their own smartphones at a total of over 17 million Wi-Fi spots available in more than 200 countries. This will eliminate the need to rent a separate Wi-Fi router when they travel overseas. In addition, the Company plans to work jointly with Fon Japan to develop a new tourist business to serve the needs of visitors to Japan by installing public Fon spots in over 200,000 locations in areas including tourist destinations in Japan.

### (2) Details of the stock acquisition

As per the Share Transfer Agreement to be concluded, the Company expects to acquire a portion of the common shares (equivalent to 30% of total outstanding shares) of Fon Japan held by Fon Ltd. through a purchase from Fon Ltd. for 12,000,000 euros.

The Company will make Fon Japan its equity-method affiliate following the acquisition.

### (3) Dispatch of Director

As per the MOU concluded on October 15, 2015, the Company expects to obtain a contractual right to dispatch one Director to Fon Japan.

## 3. Overview of the business alliance partner

(1) Name	Fon Japan Co., Ltd.
(2) Location	13 <sup>th</sup> Floor, Holland Hills Mori Tower RoP, 5-11-1, Toranomom, Minato-ku, Tokyo
(3) Title and name of representative	Hiroshi Kaneda, Representative Director and CEO

(4) Business details	<ul style="list-style-type: none"> <li>• Import and sale of products for wireless communication systems and maintenance of wireless communication systems and equipment</li> <li>• Research and development of wireless communication systems and equipment</li> <li>• All operations included in and related to the above</li> </ul>	
(5) Capital	400,000 yen	
(6) Date of establishment	August 10, 2006	
(7) Major shareholders and shareholding ratios (Note 2)	Fon Wireless Limited	100.0%
(8) Relationship between publicly traded company and relevant company	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Purchasing wireless communication equipment and receiving services related to wireless communications
	Applicability to related parties	Not applicable

(Note) 1. Financial information on Fon Japan is not stated, as it is a privately held company.

2. Following the Company's acquisition of Fon Japan's common shares, Fon Ltd. and the Company will hold 70% and 30% of Fon Japan's common shares, respectively.

#### 4. Overview of the counterparty of the stock acquisition

(1) Name	Fon Wireless Limited
(2) Location	London, England
(3) Relationship between publicly traded company and relevant company	No special relationship that should be stated.

#### 5. Schedule

(1) Resolution by the Board of Directors	October 30, 2015
(2) Date of signing the Share Transfer Agreement	October 30, 2015 (scheduled)
(3) Date of signing the contract among shareholders	TBA
(4) Date of signing the business partnership contract	TBA
(5) Date of share transfer	November 6, 2015 (scheduled)

#### 6. Fund borrowings

While the Company will allocate its funds on hand to this stock acquisition, it also plans to borrow working capital from banks, as shown below, to maintain its financial stability.

(1) Lenders	Three banks
(2) Amount of borrowings	1.2 billion yen
(3) Form of borrowing	Loans based on an overdraft agreement signed individually with each lender
(4) Loan interest rate	Base rate (1-month TIBOR in yen plus spread)
(5) Date of borrowing	November 6, 2015
(6) Date of principal repayment	November 4, 2016 (repayable ahead of schedule)
(7) Presence of collateral	Without collateral or guarantee
(8) Use of funds	Working capital

\* The Company plans to refinance the funds obtained through this loan to medium- to long-term capital.

## 7. Outlook

This matter will have no material effect on the Company's consolidated financial results for the year ending December 31, 2015. The effect on the Company's future performance will be included in the financial forecasts for the next and subsequent fiscal years.

(Ref.) Forecasts of financial results for the fiscal year ending December 31, 2015 (as announced on October 15, 2015) and the results of the previous consolidated fiscal year

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Consolidated net income
Forecasts of consolidated financial results (FY ending Dec. 31, 2015)	11,259million yen	961 million yen	956 million yen	607 million yen
Previous consolidated results (FY ended Dec. 31, 2014)	9,105 million yen	794 million yen	789 million yen	499 million yen