

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2021 (Based on Japanese GAAP)

February 14, 2022

Company name: WirelessGate, Inc.
 Stock exchange listing: Tokyo
 Stock code: 9419 URL <https://www.wirelessgate.co.jp/>
 Representative: Representative Member of the Board and CEO HAMA NOBUHIRO
 Inquiries: Corporate Officer, CFO and Head of Administration Department TAKANO HIROYUKI TEL 03-6433-2045
 Scheduled date of ordinary general meeting of shareholders: March 24, 2022
 Scheduled date to file Securities Report: March 24, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2021	9,776	(9.0)	(283)	–	(337)	–	(388)	–
Year ended December 31, 2020	10,745	(5.2)	71	(26.2)	61	(8.1)	(139)	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2021	(36.22)	–	(46.8)	(9.9)	(2.9)
Year ended December 31, 2020	(13.07)	–	(17.5)	1.6	0.7

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2021	3,036	892	28.5	80.57
As of December 31, 2020	3,752	802	21.2	74.15

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2021	297	234	657	1,360
Year ended December 31, 2020	239	(107)	(270)	1,148

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2022 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	9,004	(7.9)	200	–	50	–	9	–	0.91

4. Notes

- (1) Changes in significant subsidiaries during the year ended December 31, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	10,779,774 shares	As of December 31, 2020	10,779,774 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	53,000 shares	As of December 31, 2020	53,000 shares
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Average number of shares during the period

Year ended December 31, 2021	10,726,774 shares	Year ended December 31, 2020	10,649,816 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	1,148,460	1,360,954
Accounts receivable - trade	1,099,338	831,734
Merchandise	47,624	28,838
Advance payments to suppliers	397,517	6
Prepaid expenses	188,443	188,697
Income taxes receivable	–	1,098
Other	25,650	14,547
Allowance for doubtful accounts	(15,943)	(15,065)
Total current assets	2,891,091	2,410,811
Non-current assets		
Property, plant and equipment		
Buildings	28,906	26,390
Accumulated depreciation	(17,603)	(16,959)
Buildings, net	11,303	9,430
Other	351,966	281,449
Accumulated depreciation	(269,509)	(235,986)
Other, net	82,456	45,463
Total property, plant and equipment	93,759	54,894
Intangible assets	114,713	6,408
Investments and other assets		
Investment securities	145,300	418,765
Long-term prepaid expenses	250,676	80,923
Insurance funds	203,216	–
Long-term accounts receivable - other	56,964	190,810
Deferred tax assets	30,877	31,335
Other	22,729	33,838
Allowance for doubtful accounts	(56,964)	(190,810)
Total investments and other assets	652,800	564,862
Total non-current assets	861,273	626,165
Total assets	3,752,365	3,036,977

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,239,777	908,991
Short-term borrowings	550,000	500,000
Current portion of long-term borrowings	364,968	100,008
Accounts payable - other	440,768	504,563
Current portion of bonds with share acquisition rights	60,000	–
Income taxes payable	36,841	–
Other	47,671	29,058
Total current liabilities	2,740,026	2,042,622
Non-current liabilities		
Long-term borrowings	200,042	91,634
Asset retirement obligations	9,962	10,066
Total non-current liabilities	210,004	101,700
Total liabilities	2,950,031	2,144,322
Net assets		
Shareholders' equity		
Share capital	908,009	908,009
Capital surplus	787,727	1,245,157
Retained earnings	(772,681)	(1,161,224)
Treasury shares	(127,657)	(127,657)
Total shareholders' equity	795,398	864,285
Share acquisition rights	6,935	28,369
Total net assets	802,334	892,655
Total liabilities and net assets	3,752,365	3,036,977

Consolidated statements of income and consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	10,745,349	9,776,033
Cost of sales	7,283,225	6,111,562
Gross profit	3,462,123	3,664,470
Selling, general and administrative expenses	3,390,322	3,948,379
Operating profit (loss)	71,801	(283,909)
Non-operating income		
Interest income	3	31
Gain on forfeiture of unclaimed dividends	1,125	–
Royalty income	7,585	1,001
Reversal of allowance for doubtful accounts	4,500	800
Other	1,190	642
Total non-operating income	14,404	2,475
Non-operating expenses		
Interest expenses	4,494	7,263
Share of loss of entities accounted for using equity method	–	42,305
Amortization of long-term prepaid expenses	13,999	1,936
Share issuance costs	163	–
Loss on investments in investment partnerships	5,507	2,838
Loss on cancellation of insurance policies	–	1,759
Other	318	139
Total non-operating expenses	24,484	56,243
Ordinary profit (loss)	61,721	(337,677)
Extraordinary losses		
Loss on retirement of non-current assets	0	1,359
Loss on valuation of investment securities	8,246	76,534
Impairment losses	191,684	6,778
Loss on business restructuring	79,970	–
Total extraordinary losses	279,901	84,672
Loss before income taxes	(218,179)	(422,350)
Income taxes - current	25,959	5,377
Income taxes - deferred	(4,959)	(457)
Total income taxes	20,999	4,919
Loss	(239,179)	(427,269)
Profit attributable to		
Loss attributable to owners of parent	(139,186)	(388,543)
Loss attributable to non-controlling interests	(99,992)	(38,726)
Comprehensive income	(239,179)	(427,269)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(139,186)	(388,543)
Comprehensive income attributable to non-controlling interests	(99,992)	(38,726)

Consolidated statements of changes in equity

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	896,078	940,948	(633,494)	(127,657)	1,075,874
Changes during period					
Issuance of new shares	11,931	11,931			23,863
Loss attributable to owners of parent			(139,186)		(139,186)
Purchase of shares of consolidated subsidiaries		(172,622)			(172,622)
Capital increase of consolidated subsidiaries		7,470			7,470
Net changes in items other than shareholders' equity					
Total changes during period	11,931	(153,220)	(139,186)	–	(280,476)
Balance at end of period	908,009	787,727	(772,681)	(127,657)	795,398

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	6,935	122,840	1,205,650
Changes during period			
Issuance of new shares			23,863
Loss attributable to owners of parent			(139,186)
Purchase of shares of consolidated subsidiaries		(27,377)	(200,000)
Capital increase of consolidated subsidiaries		4,529	12,000
Net changes in items other than shareholders' equity	–	(99,992)	(99,992)
Total changes during period	–	(122,840)	(403,316)
Balance at end of period	6,935	–	802,334

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	908,009	787,727	(772,681)	(127,657)	795,398
Changes during period					
Loss attributable to owners of parent			(388,543)		(388,543)
Capital increase of consolidated subsidiaries		457,429			457,429
Net changes in items other than shareholders' equity					
Total changes during period	–	457,429	(388,543)	–	68,886
Balance at end of period	908,009	1,245,157	(1,161,224)	(127,657)	864,285

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	6,935	–	802,334
Changes during period			
Loss attributable to owners of parent			(388,543)
Capital increase of consolidated subsidiaries		614,570	1,072,000
Net changes in items other than shareholders' equity	21,434	(614,570)	(593,135)
Total changes during period	21,434	–	90,321
Balance at end of period	28,369	–	892,655

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Loss before income taxes	(218,179)	(422,350)
Depreciation	84,296	42,268
Increase (decrease) in allowance for doubtful accounts	(5,257)	132,968
Interest income	(3)	(31)
Share-based payment expenses	–	21,434
Interest expenses	4,494	7,263
Share of loss (profit) of entities accounted for using equity method	–	42,305
Loss (gain) on valuation of investment securities	8,246	76,534
Loss (gain) on investments in investment partnerships	5,507	2,838
Decrease (increase) in trade receivables	(20,105)	251,642
Decrease (increase) in inventories	(45,277)	18,786
Impairment losses	191,684	6,778
Loss on business restructuring	79,970	–
Loss on retirement of non-current assets	0	1,359
Decrease (increase) in advance payments to suppliers	(67,152)	372,152
Increase (decrease) in trade payables	(97,723)	(323,016)
Decrease (increase) in long-term prepaid expenses	178,507	162,974
Increase (decrease) in accounts payable - other	46,731	74,802
Other, net	28,872	(131,130)
Subtotal	174,610	337,579
Interest received	3	31
Interest paid	(4,458)	(7,238)
Income taxes refund	69,867	–
Income taxes paid	(4,893)	(33,865)
Other proceeds	4,500	800
Net cash provided by (used in) operating activities	239,629	297,306
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,132)	(11,363)
Purchase of intangible assets	(70,841)	(19,166)
Purchase of investment securities	(20,000)	(20,000)
Proceeds from collection of short-term loans receivable	–	99,817
Proceeds from refund of leasehold deposits	7,249	–
Payments of leasehold deposits	(3,674)	(16,100)
Proceeds from cancellation of insurance funds	–	201,456
Net cash provided by (used in) investing activities	(107,399)	234,643
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	250,000	–
Repayments of long-term borrowings	(356,648)	(354,568)
Proceeds from issuance of shares	23,863	–
Proceeds from share issuance to non-controlling shareholders	12,000	1,012,000
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(200,000)	–
Dividends paid	(69)	–
Net cash provided by (used in) financing activities	(270,854)	657,432
Net increase (decrease) in cash and cash equivalents	(138,624)	1,189,382
Cash and cash equivalents at beginning of period	1,287,084	1,148,460
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(976,888)
Cash and cash equivalents at end of period	1,148,460	1,360,954