

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2022 (Based on Japanese GAAP)

August 10, 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 HAMA NOBUHIRO
 CEO
 CFO and Member of the Board, and CAO of Minoru Harada TEL 03-6433-2045
 the Company
 Inquiries: Minoru Harada
 Scheduled date to file Quarterly Securities Report: August 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2022	4,277	(17.2)	131	–	79	–	48	–
Six months ended June 30, 2021	5,165	(5.0)	(62)	–	(69)	–	(37)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2022	4.56		–	
Six months ended June 30, 2021	(3.50)		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2022	3,057		941		29.9	
As of December 31, 2021	3,036		892		28.5	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2021	–	0.00	–	0.00	0.00
Year ending December 31, 2022	–	0.00	–	0.00	0.00
Year ending December 31, 2022 (Forecast)	–	–	–	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 six months ended June 30, 2022
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
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|--|-----|
| Changes in accounting policies due to revisions to accounting standards and other regulations: | Yes |
| Changes in accounting policies due to other reasons: | No |
| Changes in accounting estimates: | No |
| Restatement of prior period financial statements: | No |

(4) Number of issued shares (common shares)

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

As of June 30, 2022	10,779,774 shares	As of December 31, 2021	10,779,774 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	53,000 shares	As of December 31, 2021	53,000 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	10,726,774 shares	Six months ended June 30, 2021	10,726,774 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	1,360,954	1,498,682
Accounts receivable - trade	831,734	823,675
Merchandise	28,838	54,781
Advance payments to suppliers	6	–
Prepaid expenses	188,697	230,460
Income taxes receivable	1,098	–
Other	14,547	3,696
Allowance for doubtful accounts	(15,065)	(14,923)
Total current assets	2,410,811	2,596,372
Non-current assets		
Property, plant and equipment	54,894	46,736
Intangible assets	6,408	4,562
Investments and other assets		
Investment securities	418,765	364,332
Long-term prepaid expenses	80,923	449
Long-term accounts receivable - other	190,810	189,560
Deferred tax assets	31,335	11,441
Other	33,838	33,838
Allowance for doubtful accounts	(190,810)	(189,560)
Total investments and other assets	564,862	410,062
Total non-current assets	626,165	461,361
Total assets	3,036,977	3,057,734
Liabilities		
Current liabilities		
Accounts payable - trade	908,991	848,310
Short-term borrowings	500,000	500,000
Current portion of long-term borrowings	100,008	100,008
Accounts payable - other	504,563	571,400
Income taxes payable	–	17,296
Other	29,058	27,412
Total current liabilities	2,042,622	2,064,427
Non-current liabilities		
Long-term borrowings	91,634	41,630
Asset retirement obligations	10,066	10,118
Total non-current liabilities	101,700	51,748
Total liabilities	2,144,322	2,116,176

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	908,009	908,009
Capital surplus	1,245,157	1,245,157
Retained earnings	(1,161,224)	(1,112,320)
Treasury shares	(127,657)	(127,657)
Total shareholders' equity	864,285	913,188
Share acquisition rights	28,369	28,369
Total net assets	892,655	941,558
Total liabilities and net assets	3,036,977	3,057,734

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	5,165,064	4,277,235
Cost of sales	3,355,575	2,041,030
Gross profit	1,809,489	2,236,204
Selling, general and administrative expenses	1,872,047	2,104,532
Operating profit (loss)	(62,558)	131,672
Non-operating income		
Interest income	1	1
Interest on tax refund	46	40
Reversal of allowance for doubtful accounts	300	1,249
Royalty income	793	–
Subsidy income	–	1,680
Other	334	233
Total non-operating income	1,475	3,204
Non-operating expenses		
Interest expenses	5,721	1,286
Share of loss of entities accounted for using equity method	–	47,512
Loss on investments in investment partnerships	1,459	6,919
Amortization of long-term prepaid expenses	1,162	–
Other	73	0
Total non-operating expenses	8,416	55,719
Ordinary profit (loss)	(69,499)	79,157
Extraordinary losses		
Loss on retirement of non-current assets	1,359	–
Total extraordinary losses	1,359	–
Profit (loss) before income taxes	(70,858)	79,157
Income taxes - current	1,286	10,359
Income taxes - deferred	4,152	19,893
Total income taxes	5,439	30,253
Profit (loss)	(76,298)	48,903
Profit attributable to		
Profit (loss) attributable to owners of parent	(37,571)	48,903
Loss attributable to non-controlling interests	(38,726)	–
Comprehensive income	(76,298)	48,903
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(37,571)	48,903
Comprehensive income attributable to non-controlling interests	(38,726)	–

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(70,858)	79,157
Depreciation	31,167	10,004
Loss on retirement of non-current assets	1,359	–
Share-based payment expenses	21,434	–
Increase (decrease) in allowance for doubtful accounts	(141)	(1,391)
Interest income	(1)	(1)
Interest expenses	5,721	1,286
Share of loss (profit) of entities accounted for using equity method	–	47,512
Loss (gain) on investments in investment partnerships	1,459	6,919
Decrease (increase) in trade receivables	87,144	8,058
Decrease (increase) in inventories	17,172	(25,943)
Decrease (increase) in advance payments to suppliers	121,485	6
Increase (decrease) in trade payables	(108,561)	(60,681)
Decrease (increase) in long-term prepaid expenses	81,713	80,473
Increase (decrease) in accounts payable - other	(4,159)	66,837
Other, net	18,228	(30,797)
Subtotal	203,164	181,441
Interest received	1	1
Interest paid	(5,717)	(1,251)
Income taxes paid	(21,166)	(655)
Income taxes refund	–	7,596
Other proceeds	300	600
Net cash provided by (used in) operating activities	176,581	187,732
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,327)	–
Purchase of intangible assets	(17,341)	–
Payments of leasehold and guarantee deposits	(16,100)	–
Net cash provided by (used in) investing activities	(40,769)	–
Cash flows from financing activities		
Repayments of long-term borrowings	(184,564)	(50,004)
Proceeds from share issuance to non-controlling shareholders	226,800	–
Net cash provided by (used in) financing activities	42,236	(50,004)
Net increase (decrease) in cash and cash equivalents	178,048	137,728
Cash and cash equivalents at beginning of period	1,148,460	1,360,954
Cash and cash equivalents at end of period	1,326,509	1,498,682