

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 14, 2023

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
 CFO and Member of the Board, and CAO of the Company Minoru Harada TEL 03-6433-2045
 Inquiries: Minoru Harada
 Scheduled date of ordinary general meeting of shareholders: March 28, 2023
 Scheduled date to file Securities Report: March 28, 2023
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	8,531	(12.7)	191	–	1	–	26	–
Year ended December 31, 2021	9,776	(9.0)	(283)	–	(337)	–	(388)	–

	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, 2022	2.44	–	3.0	0.1	2.2
Year ended December 31, 2021	(36.22)	–	(46.8)	(9.9)	(2.9)

(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, 2022	2,939	924	30.3	83.02
As of December 31, 2021	3,036	892	28.5	80.57

(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, 2022	183	4	(100)	1,449
Year ended December 31, 2021	297	234	657	1,360

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, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2023 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Notes

- (1) Changes in significant subsidiaries during the year ended December 31, 2022
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (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: Yes
- 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, 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 December 31, 2022	53,000 shares	As of December 31, 2021	53,000 shares
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Average number of shares during the period

Year ended December 31, 2022	10,726,774 shares	Year ended December 31, 2021	10,726,774 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	1,360,954	1,449,572
Accounts receivable - trade	831,734	817,290
Merchandise	28,838	79,000
Advance payments to suppliers	6	–
Prepaid expenses	188,697	247,456
Income taxes refund receivable	1,098	–
Other	14,547	3,439
Allowance for doubtful accounts	(15,065)	(11,033)
Total current assets	2,410,811	2,585,725
Non-current assets		
Property, plant and equipment		
Buildings	26,390	26,390
Accumulated depreciation	(16,959)	(18,370)
Buildings, net	9,430	8,019
Other	281,449	280,727
Accumulated depreciation	(235,986)	(250,166)
Other, net	45,463	30,560
Total property, plant and equipment	54,894	38,580
Intangible assets	6,408	3,001
Investments and other assets		
Investment securities	418,765	247,546
Long-term prepaid expenses	80,923	307
Long-term accounts receivable - other	190,810	188,499
Deferred tax assets	31,335	30,622
Other	33,838	33,838
Allowance for doubtful accounts	(190,810)	(188,499)
Total investments and other assets	564,862	312,316
Total non-current assets	626,165	353,898
Total assets	3,036,977	2,939,623

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	908,991	875,180
Short-term borrowings	500,000	500,000
Current portion of long-term borrowings	100,008	91,634
Accounts payable - other	504,563	498,616
Income taxes payable	–	13,673
Other	29,058	26,284
Total current liabilities	2,042,622	2,005,388
Non-current liabilities		
Long-term borrowings	91,634	–
Asset retirement obligations	10,066	10,170
Total non-current liabilities	101,700	10,170
Total liabilities	2,144,322	2,015,559
Net assets		
Shareholders' equity		
Share capital	908,009	908,009
Capital surplus	1,245,157	1,245,157
Retained earnings	(1,161,224)	(1,135,006)
Treasury shares	(127,657)	(127,657)
Total shareholders' equity	864,285	890,503
Share acquisition rights	28,369	33,560
Total net assets	892,655	924,064
Total liabilities and net assets	3,036,977	2,939,623

Consolidated statements of income and consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	9,776,033	8,531,068
Cost of sales	6,111,562	4,265,606
Gross profit	3,664,470	4,265,461
Selling, general and administrative expenses	3,948,379	4,074,186
Operating profit (loss)	(283,909)	191,275
Non-operating income		
Interest income	31	2
Royalty income	1,001	–
Reversal of allowance for doubtful accounts	800	5,479
Subsidy income	–	1,680
Other	642	440
Total non-operating income	2,475	7,603
Non-operating expenses		
Interest expenses	7,263	2,336
Share of loss of entities accounted for using equity method	42,305	186,209
Amortization of long-term prepaid expenses	1,936	–
Loss on investments in investment partnerships	2,838	8,298
Loss on cancellation of insurance policies	1,759	–
Other	139	37
Total non-operating expenses	56,243	196,882
Ordinary profit (loss)	(337,677)	1,996
Extraordinary income		
Gain on sale of investment securities	–	21,293
Gain on reversal of share acquisition rights	–	6,935
Gain on change in equity	–	16,680
Total extraordinary income	–	44,908
Extraordinary losses		
Loss on retirement of non-current assets	1,359	–
Loss on valuation of investment securities	76,534	10,035
Impairment losses	6,778	–
Total extraordinary losses	84,672	10,035
Profit (loss) before income taxes	(422,350)	36,869
Income taxes - current	5,377	9,938
Income taxes - deferred	(457)	712
Total income taxes	4,919	10,651
Profit (loss)	(427,269)	26,218
Profit attributable to		
Profit (loss) attributable to owners of parent	(388,543)	26,218
Loss attributable to non-controlling interests	(38,726)	–
Comprehensive income	(427,269)	26,218
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(388,543)	26,218
Comprehensive income attributable to non-controlling interests	(38,726)	–

Consolidated statements of changes in equity

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					
Profit (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			
Profit (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

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	908,009	1,245,157	(1,161,224)	(127,657)	864,285
Changes during period					
Profit (loss) attributable to owners of parent			26,218		26,218
Net changes in items other than shareholders' equity					
Total changes during period	-	-	26,218	-	26,218
Balance at end of period	908,009	1,245,157	(1,135,006)	(127,657)	890,503

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	28,369	-	892,655
Changes during period			
Profit (loss) attributable to owners of parent			26,218
Net changes in items other than shareholders' equity	5,191		5,191
Total changes during period	5,191	-	31,409
Balance at end of period	33,560	-	924,064

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(422,350)	36,869
Depreciation	42,268	19,721
Increase (decrease) in allowance for doubtful accounts	132,968	(6,341)
Interest income	(31)	(2)
Loss (gain) on sale of investment securities	–	(21,293)
Share-based payment expenses	21,434	12,126
Gain on reversal of share acquisition rights	–	(6,935)
Interest expenses	7,263	2,336
Share of loss (profit) of entities accounted for using equity method	42,305	186,209
Loss (gain) on valuation of investment securities	76,534	10,035
Loss (gain) on change in equity	–	(16,680)
Loss (gain) on investments in investment partnerships	2,838	8,298
Decrease (increase) in trade receivables	251,642	14,443
Decrease (increase) in inventories	18,786	(50,161)
Impairment losses	6,778	–
Loss on retirement of non-current assets	1,359	–
Decrease (increase) in advance payments to suppliers	372,152	6
Increase (decrease) in trade payables	(323,016)	(33,811)
Decrease (increase) in long-term prepaid expenses	162,974	80,615
Increase (decrease) in accounts payable - other	74,802	(5,947)
Decrease (increase) in prepaid expenses	–	(58,759)
Other, net	(131,130)	10,119
Subtotal	337,579	180,849
Interest received	31	2
Interest paid	(7,238)	(2,297)
Income taxes refund	–	7,596
Income taxes paid	(33,865)	(3,371)
Other proceeds	800	1,200
Net cash provided by (used in) operating activities	297,306	183,978
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,363)	–
Purchase of intangible assets	(19,166)	–
Purchase of investment securities	(20,000)	(20,000)
Proceeds from sale of investment securities	–	24,648
Proceeds from collection of short-term loans receivable	99,817	–
Payments of leasehold deposits	(16,100)	–
Proceeds from cancellation of insurance funds	201,456	–
Net cash provided by (used in) investing activities	234,643	4,648
Cash flows from financing activities		
Repayments of long-term borrowings	(354,568)	(100,008)
Proceeds from share issuance to non-controlling shareholders	1,012,000	–
Net cash provided by (used in) financing activities	657,432	(100,008)
Net increase (decrease) in cash and cash equivalents	1,189,382	88,618
Cash and cash equivalents at beginning of period	1,148,460	1,360,954
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(976,888)	–
Cash and cash equivalents at end of period	1,360,954	1,449,572