

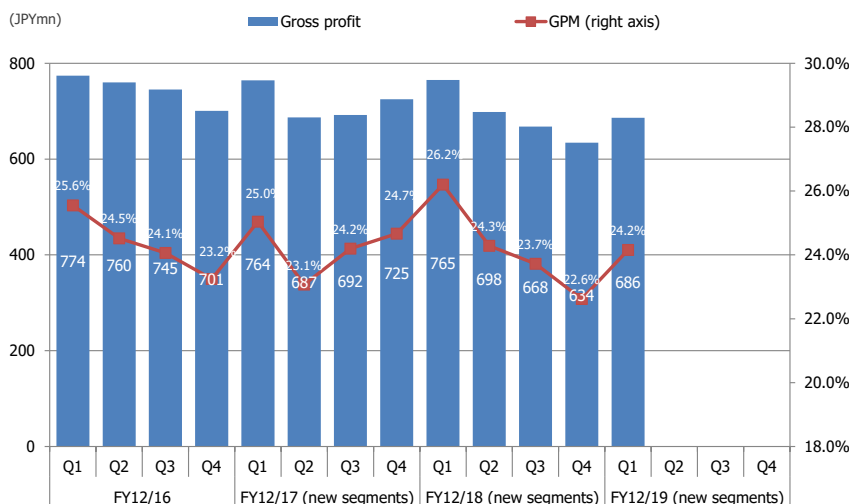
This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **May 14, 2019**, WirelessGate, Inc. announced earnings results for Q1 FY12/19.

Quarterly performance (JPYmn)	FY12/17				FY12/18				FY12/19				FY12/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	3,053	2,978	2,861	2,940	2,921	2,876	2,816	2,804	2,840				24.7%	11,500
YoY	0.8%	-3.9%	-7.6%	-2.5%	-4.3%	-3.4%	-1.6%	-4.6%	-2.8%					0.7%
Gross profit	764	687	692	725	765	698	668	634	686					
YoY	-1.2%	-9.6%	-7.1%	3.5%	0.1%	1.7%	-3.5%	-12.5%	-10.4%					
GPM	25.0%	23.1%	24.2%	24.7%	26.2%	24.3%	23.7%	22.6%	24.2%					
SG&A expenses	547	467	429	503	441	700	718	716	664					
YoY	16.6%	9.3%	8.3%	15.2%	-19.5%	50.0%	67.5%	42.3%	50.7%					
SG&A ratio	17.9%	15.7%	15.0%	17.1%	15.1%	24.4%	25.5%	25.5%	23.4%					
Operating profit	217	220	263	222	325	-2	-51	-82	22				54.2%	41
YoY	-28.6%	-33.9%	-24.6%	-15.9%	49.3%	-	-	-	-93.2%					-78.5%
OPM	7.1%	7.4%	9.2%	7.6%	11.1%	-	-	-	0.8%					0.4%
Recurring profit	178	181	224	200	285	-42	-91	-1,237	20				52.0%	38
YoY	-27.4%	-37.8%	-28.1%	-20.6%	60.3%	-	-	-	-93.1%					-
RPM	5.8%	6.1%	7.8%	6.8%	9.8%	-	-	-	0.7%					0.3%
Net income attrib. to parent company shareholders	95	107	136	124	191	-42	-71	-2,185	16				68.5%	23
YoY	-36.8%	-40.6%	-30.5%	-26.0%	102.0%	-	-	-	-91.8%					-
Net margin	3.1%	3.6%	4.7%	4.2%	6.5%	-	-	-	0.6%					0.2%
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	3,053	6,030	8,891	11,831	2,921	5,797	8,613	11,417	2,840					
YoY	0.8%	-1.6%	-3.6%	-3.3%	-4.3%	-3.9%	-3.1%	-3.5%	-2.8%					
Gross profit	764	1,451	2,143	2,868	765	1,464	2,132	2,766	686					
YoY	-1.2%	-5.4%	-5.9%	-3.7%	0.1%	0.8%	-0.6%	-3.6%	-10.4%					
GPM	25.0%	24.1%	24.1%	24.2%	26.2%	25.2%	24.7%	24.2%	24.2%					
SG&A expenses	547	1,014	1,443	1,946	441	1,141	1,859	2,575	664					
YoY	16.6%	13.1%	11.6%	12.5%	-19.5%	12.5%	28.9%	32.4%	50.7%					
SG&A ratio	17.9%	16.8%	16.2%	16.4%	15.1%	19.7%	21.6%	22.6%	23.4%					
Operating profit	217	438	701	923	325	323	272	191	22					
YoY	-28.6%	-31.4%	-29.0%	-26.2%	49.3%	-26.3%	-61.2%	-79.3%	-93.2%					
OPM	7.1%	7.3%	7.9%	7.8%	11.1%	5.6%	3.2%	1.7%	0.8%					
Recurring profit	178	358	582	782	285	243	152	-1,084	20					
YoY	-27.4%	-33.0%	-31.2%	-28.8%	60.3%	-32.2%	-73.9%	-	-93.1%					
RPM	5.8%	5.9%	6.5%	6.6%	9.8%	4.2%	1.8%	-	0.7%					
Net income attrib. to parent company shareholders	95	202	337	461	191	149	78	-2,107	16					
YoY	-36.8%	-38.9%	-35.8%	-33.4%	102.0%	-26.0%	-76.8%	-	-91.8%					
Net margin	3.1%	3.3%	3.8%	3.9%	6.5%	2.6%	0.9%	-	0.6%					

Source: Shared Research based on company data
 Note: Figures may differ from company materials due to differences in rounding methods.
 Note: Company forecasts are the most recent figures.

Quarterly gross profit and GPM



Source: Shared Research based on company data

Q1 FY12/19 results

- ▷ In Q1 FY12/19, sales were JPY2.8bn (-2.8% YoY), operating profit JPY22mn (-93.2% YoY), recurring profit JPY20mn (-93.2% YoY), and net income attributable to parent company shareholders JPY16mn (-91.8% YoY).
- ▷ Progress versus forecasts: In Q1 FY12/19, sales reached 24.7% of full-year forecasts (Q1 FY12/18 sales reached 25.6% of full-year FY12/18 results), operating profit 54.2% (170.3%), recurring profit 52.0% (versus recurring loss of JPY1.1bn in FY12/18), and net income 68.5% (net loss of JPY2.1bn in FY12/18).
- ▷ Sales down 2.8% YoY: Wireless Business Domain business (a B2B business) sales declined 49.0% YoY and Wireless Broadband business (a B2C business) sales declined 0.9% YoY. The WirelessGate Wi-Fi + WiMAX business continued to perform well due to the implementation of measures aimed at preventing membership cancellations.
- ▷ Operating profit down 93.2% YoY: GPM decreased 2.0pp YoY to 24.2% while the SG&A-to-sales ratio rose 8.3pp YoY to 23.4% as sales expenses increased as a result of the company entering into a new consignment sales agreement with Yodobashi Camera in August 2018, and OPM deteriorated 10.3pp YoY to 0.8%

Sales by segment

Quarterly (JPYmn)	FY12/16 (old segments)				FY12/17 (new segments)				FY12/18 (new segments)				FY12/19 (new segments)				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Consolidated sales	3,029	3,100	3,096	3,014	3,053	2,978	2,861	2,940	2,921	2,876	2,816	2,804	2,840				
YoY	15.7%	8.4%	7.6%	1.9%	0.8%	-3.9%	-7.6%	-2.5%	-4.3%	-3.4%	-1.6%	-4.6%	-2.8%				
Wireless Broadband	2,982	3,022	3,004	2,940	2,929	2,842	2,834	2,829	2,784	2,790	2,781	2,761	2,758				
YoY	15.3%	10.9%	6.2%	1.4%	-1.7%	-6.0%	-5.6%	-3.8%	-5.0%	-1.8%	-1.9%	-2.4%	-0.9%				
Mobile Internet Services	2,803	2,850	2,838	2,781	2,749	2,667	2,665	2,665	2,625	2,636	2,631	2,614	2,615				
YoY	17.8%	12.8%	7.5%	2.4%	-1.9%	-6.4%	-6.1%	-4.2%	-4.5%	-1.2%	-1.3%	-1.9%	-0.4%				
Public Wireless LAN Services	178	171	165	159	154	149	144	140	135	131	128	125	122				
YoY	-12.7%	-12.9%	-12.8%	-13.6%	-13.5%	-13.0%	-12.7%	-12.3%	-12.4%	-11.8%	-10.9%	-10.1%	-9.5%				
Option Services	-	-	-	-	26	25	25	24	24	23	22	21	21				
YoY	-	-	-	-	-	-	-	-	-9.8%	-10.6%	-11.8%	-12.0%	-13.0%				
Wireless Platform	40	30	53	34	-	-	-	-	-	-	-	-	-				
YoY	41.3%	10.3%	74.7%	13.0%	-	-	-	-	-	-	-	-	-				
Wireless Business Domain	-	-	-	-	112	129	21	41	128	74	26	33	66				
YoY	-	-	-	-	47	51	59	64	18	17	8	9	14				
Authentication Platform Service	-	-	-	-	287.2%	221.1%	38.5%	28.9%	-61.9%	-66.4%	-86.2%	-85.7%	-21.2%				
YoY	-	-	-	-	65	189	203	238	111	57	18	24	51				
Other Corporate Services	-	-	-	-	888.7%	275.1%	147.7%	98.4%	69.7%	-69.9%	-91.3%	-89.9%	-53.5%				
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-				
Other	8	48	40	40	11	19	6	70	9	11	9	10	16				
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Consolidated sales	3,029	6,129	9,225	12,240	3,053	6,030	8,891	11,831	2,921	5,797	8,613	11,417	2,840				
YoY	15.7%	11.9%	10.4%	8.2%	0.8%	-1.6%	-3.6%	-3.3%	-4.3%	-3.9%	-3.1%	-3.5%	-2.8%				
Wireless Broadband	2,982	6,003	9,007	11,947	2,929	5,771	8,605	11,434	2,784	5,574	8,355	11,115	2,758				
YoY	15.3%	13.1%	10.7%	8.2%	-2.7%	-4.7%	-5.3%	-5.2%	-5.0%	-3.4%	-2.9%	-2.8%	-0.9%				
Mobile Internet Services	2,803	5,653	8,492	11,273	2,749	5,416	8,081	10,746	2,625	5,261	7,891	10,505	2,615				
YoY	17.8%	15.2%	12.5%	9.8%	-1.9%	-4.2%	-4.8%	-4.7%	-4.5%	-2.9%	-2.3%	-2.2%	-0.4%				
Public Wireless LAN Services	178	350	515	674	154	303	448	587	135	267	395	521	122				
YoY	-12.7%	-12.8%	-12.8%	-13.0%	-13.5%	-13.2%	-13.1%	-12.9%	-12.4%	-12.1%	-11.7%	-11.3%	-9.5%				
Option Services	-	-	-	-	26	52	76	100	24	46	68	89	21				
YoY	-	-	-	-	-5.8%	-5.0%	-5.7%	-6.7%	-9.8%	-10.2%	-10.7%	-11.0%	-13.0%				
Wireless Platform	40	70	123	157	-	-	-	-	-	-	-	-	-				
YoY	41.3%	25.9%	43.2%	25.7%	-	-	-	-	-	-	-	-	-				
Wireless Business Domain	-	-	-	-	112	241	262	302	128	203	229	262	66				
YoY	-	-	-	-	499.6%	262.1%	110.3%	78.1%	14.7%	-15.7%	-12.6%	-13.4%	-49.0%				
Authentication Platform Service	-	-	-	-	47	51	59	64	18	35	43	52	14				
YoY	-	-	-	-	287.2%	221.1%	38.5%	28.9%	-61.9%	-31.7%	-26.8%	-18.3%	-21.2%				
Other Corporate Services	-	-	-	-	65	189	203	238	111	168	185	209	51				
YoY	-	-	-	-	888.7%	275.1%	147.7%	98.4%	69.7%	-11.4%	-8.5%	-12.1%	-53.5%				
Other	8	56	95	135	11	19	24	95	9	20	30	40	16				

Source: Shared Research based on company data

Note: In order to clarify sales to corporate customers, the company reviewed its classifications for sales starting from Q4 FY12/16. Comparisons for Q4 FY12/17 figures versus the previous year are based on classifications after the changes.

Wireless Broadband (sales: JPY2.8bn, -0.9% YoY)

Mobile Internet Services (sales: JPY2.6bn, -0.4% YoY)

- ▷ For Wireless Gate Wi-Fi + WiMAX, the number of subscribers increased slightly YoY as a result of the implementation of measures aimed at preventing membership cancellations among existing customers.
- ▷ As for WirelessGate SIM, WirelessGate worked to expand sales by promoting pre-paid SIM cards to foreign visitors.

Public Wireless LAN Services (sales: JPY122mn, -9.5% YoY)

Sales fell as the company struggled to win new customers at mass-market electronics retailers. From Q2, the company plans to expand sales by selling services via channels other than mass-market electronics retailers.

Option Services (sales: JPY21mn, -13.0% YoY)

This business includes remote telephone services and smart answering machine services via mass-market electronics retailers. From Q2, the company plans to expand sales with the ZoneAlarm Japan Edition mobile security application for individuals, a new service launched on March 14.

Wireless Business Domain (sales: JPY66mn, -49.0% YoY)**Authentication platform service business (sales: JPY14mn, -21.2% YoY)**

This business provides authentication platforms to other telecoms carriers.

Other corporate services (sales: JPY51mn, -53.5% YoY)

This business offers Wi-Fi infrastructure, IoT services, SIM services for corporate users, and security services.

Other (sales: JPY16mn, +84.7% YoY)

In this segment, the company mainly sells MAMORIO, an IoT device to track lost items.

This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <http://www.sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion by us that could influence investment decisions in the company, such opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp