

# WirelessGate

TSE Mothers 9419



June 2014

# Summery

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- We are **THE ONLY COMPANY** which can provide flexible wireless solutions as an independent MVNO.
- We are going into 2<sup>nd</sup> era to achieve rapid and sustainable growth.
- Though our financial results in FY2013 are excellent, we can be better.
  - ROE: 26.8% (ranking 115/3279\*)
  - DOE: 13.9% (ranking 1/3279\*)

\* Source: Financial Indicators Ranking Report, May 16, 2014, Spring Capital Co., Ltd

# Wireless Technology Comparison

Combination of Wireless Technologies is essential.

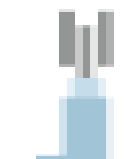
	Wi-Fi	WiMAX	LTE
Speed	◎	○	○
Coverage	×	○	◎
Cost	◎	△	×
Usable Device	◎	×	△
Data limitation	◎	◎	△
Frequency Band	Unlicensed	Licensed	Licensed

# Business Positioning

Wireless Carrier



Wi-Fi



WiMAX  
(TD-LTE)



LTE  
(FDD-LTE)

...

Wireless Platformer



Borrow



Partnership

Sales Channel/  
Distributor/  
Solution Partner

Retail Store

Device Vender

Solution Provider

Location Owner

...

Customer

Individual Customer  
(private, business)

Business Customer

...

## Characteristics and Strength

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- Flexible and Dynamic Adaptation against Technology and Market Change
- Low Cost Operation
  - No Large CAPEX
  - Small Company (only 16 colleagues)
- Unlimited Business Opportunity

## Market Approach

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# CUSTOMER FIRST

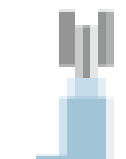
- Find Customer Demand.
- Create Solutions for a Particular Customer Segment.
- Find Appropriate Distribution Channel and/or Business Partner for the Customer Segment.

# Services

Wireless Carrier



Wi-Fi



WiMAX  
(TD-LTE)



LTE  
(FDD-LTE)

...



② Wi-Fi Environment  
Enabler Services

Wireless Platformer



① Wireless Services

Sales Channel/  
Distributor/  
Solution Partner

Retail Store

Device Vendor

Solution Provider

Location Owner

...

Customer

Individual Customer  
(private, business)

Business Customer

...

# Customer

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## ① Wireless Services

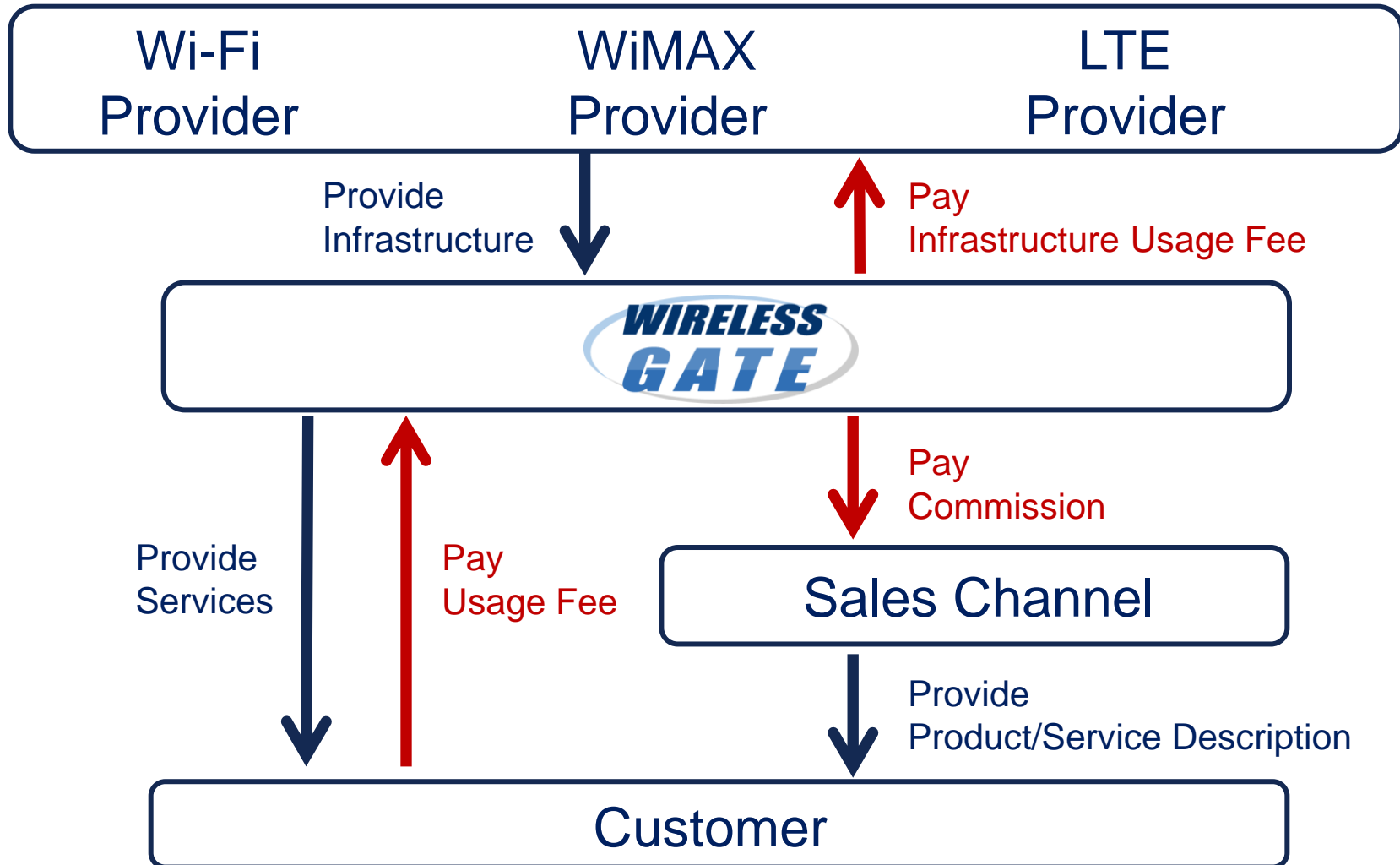
- Individual Customer
  - Data Heavy Customer (now providing)
  - Data Light Customer (TBA on July 1)
- Business Customer
  - M2M/IoT Customer (TBA on August 1)

## ② Wi-Fi Environment Enabler Services

- Regional Governments, Commercial Districts, Shopping Malls, Restaurants, Hotels, Small/Medium Offices, etc...
- Marketing Company (for Human Behavior Analytics)



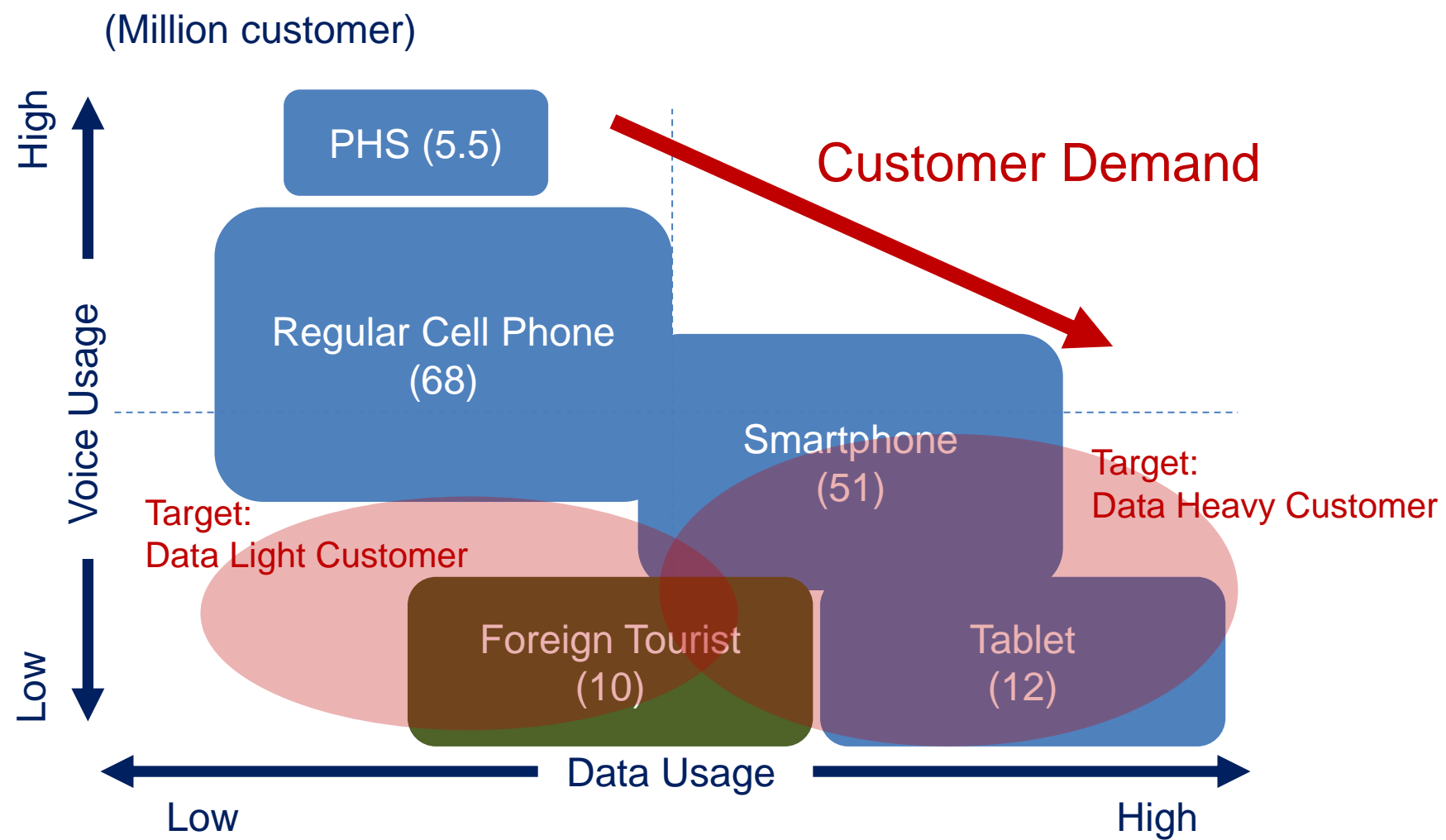
# Business Model: Wireless Services



# Service Fee for Individual Customer

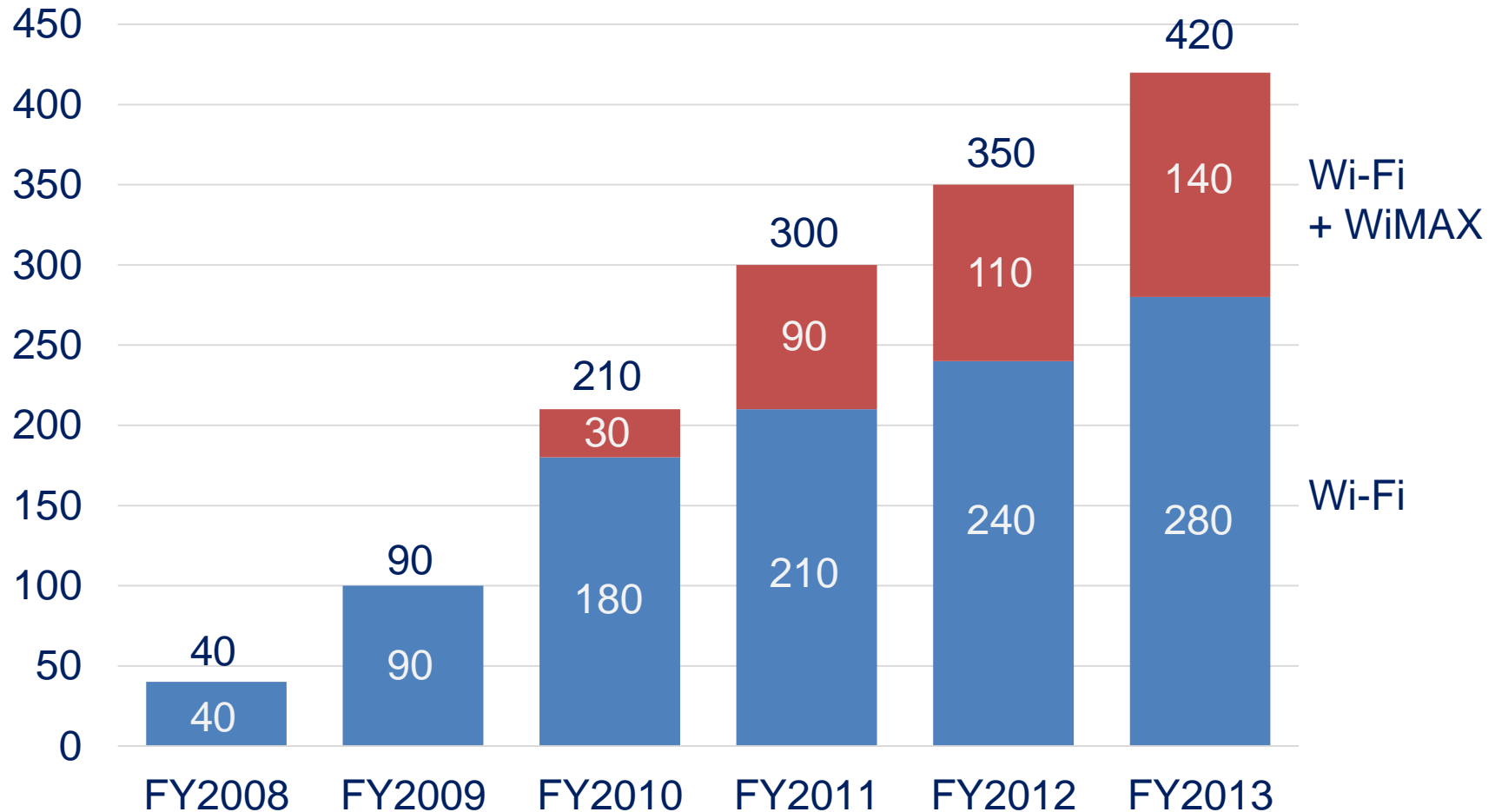
	Wi-Fi	Wi-Fi+WiMAX	Wi-Fi+LTE
Monthly fee	¥390	¥4,000	TBA on July 1
Borrowed from	<b>Wi-Fi</b> NTT, KDDI, Softbank, K-Opticom	<b>Wi-Fi</b> NTT, KDDI, Softbank, K-Opticom <b>WiMAX</b> UQ	<b>Wi-Fi</b> NTT, KDDI, Softbank, K-Opticom <b>LTE</b> NTT DoCoMo
Characteristics	40,000+ spots (including McDonalds, Starbucks, Airport, etc...)	Wi-Fi + Nation wide coverage and no data limitation WiMAX and WiMAX2+	Wi-Fi + Nation wide coverage LTE
Customer	Data Heavy Customer	Data Heavy Customer	Data Light Customer M2M/IoT Customer
Distribution Channel	Yodobashi Camera Cell-Phone Shops	Yodobashi Camera	TBA on July 1

# Customer Segment Mapping



# Customer Transition

(thousands)



# Sales Calculation

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## Stock-Based Stable Sales

$$\begin{aligned} \text{Monthly Sales} &= \text{¥390} \times \text{Wi-Fi Customer} \\ &\quad + \\ &\quad \text{¥4,000} \times \text{Wi-Fi+WiMAX Customer} \\ &\quad + \\ &\quad \text{¥(TBA)} \times \text{Wi-Fi+LTE Customer} \end{aligned}$$

# Strength for Wi-Fi Environment Enabler Business

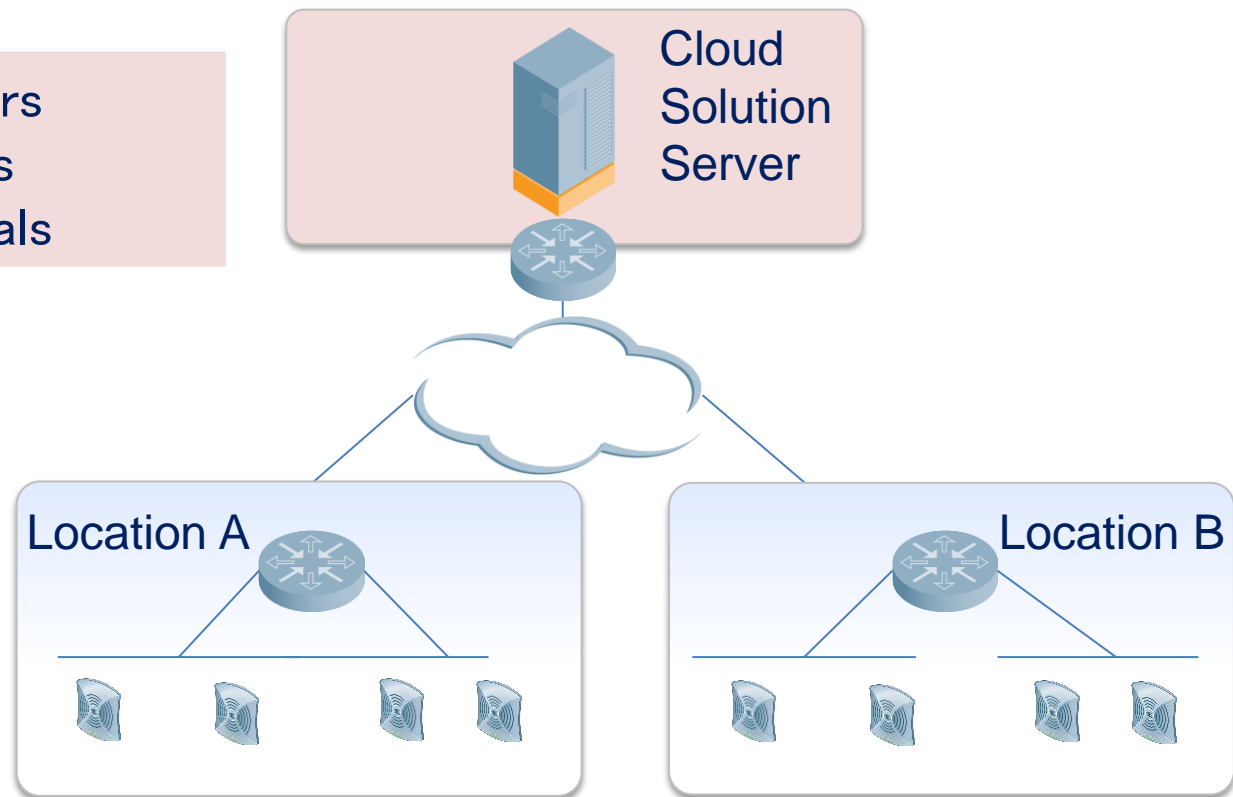
- Low Cost Operation/ Short Lead Time to Development
- Human (Wi-Fi Devices) Behavior Analytics

Cloud Server monitors

- Wi-Fi Environments
- Wi-Fi Devices signals

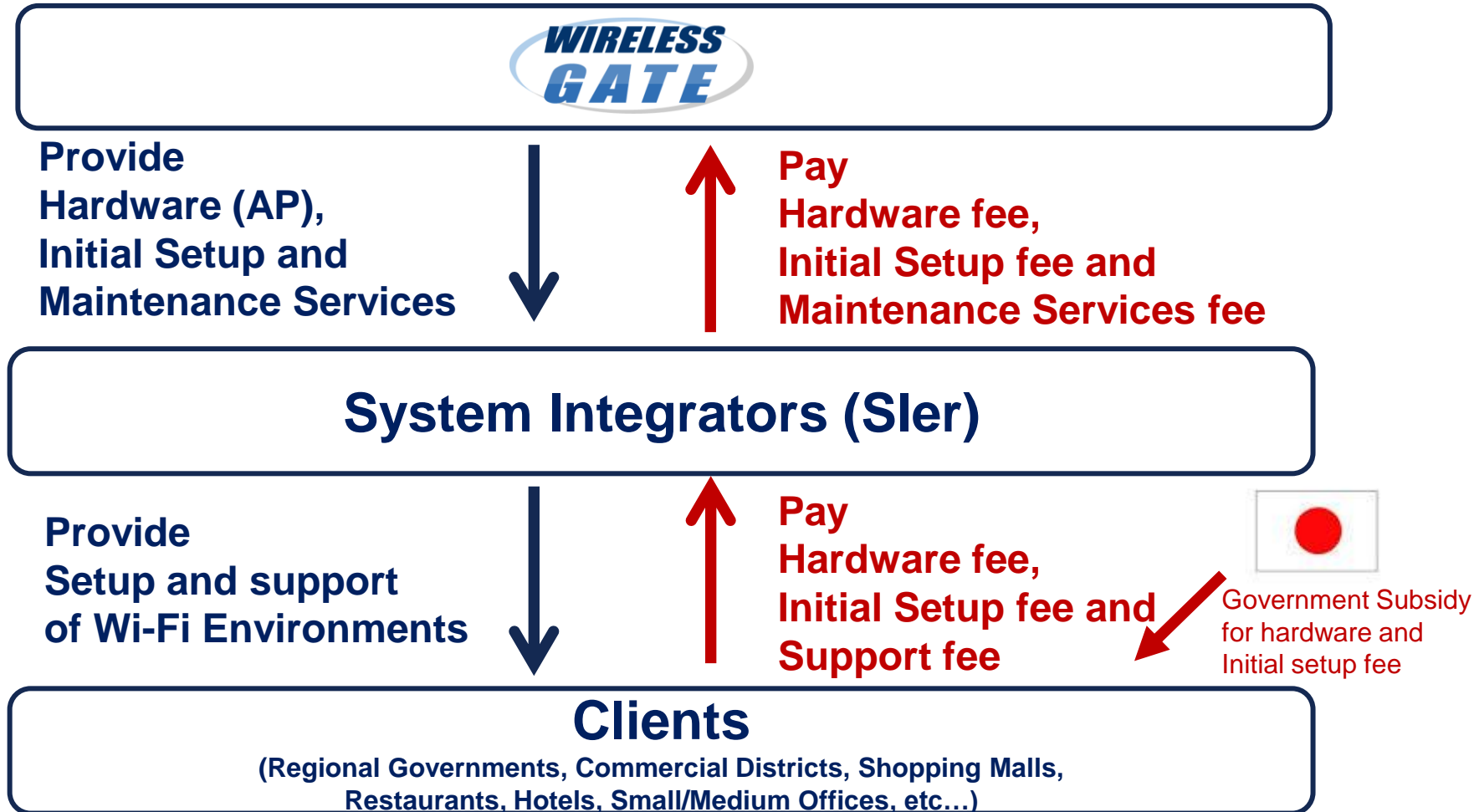
Cloud Server helps

- Auto Configuration
- Maintenance Free Operation



# Business Model: Wi-Fi Environment Enabler

## BASIC MODEL



## Service Fee from Sler to WG

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- One-time
  - Hardware Fee
  - Initial Setup Fee
  
- Monthly Fee
  - Maintenance Service Fee



# Business Model: Wi-Fi Environment Enabler

## SPONSOR MODEL

**NO COST for Clients**

**Business Sponsor**



**WIRELESS GATE**



**System Integrators**



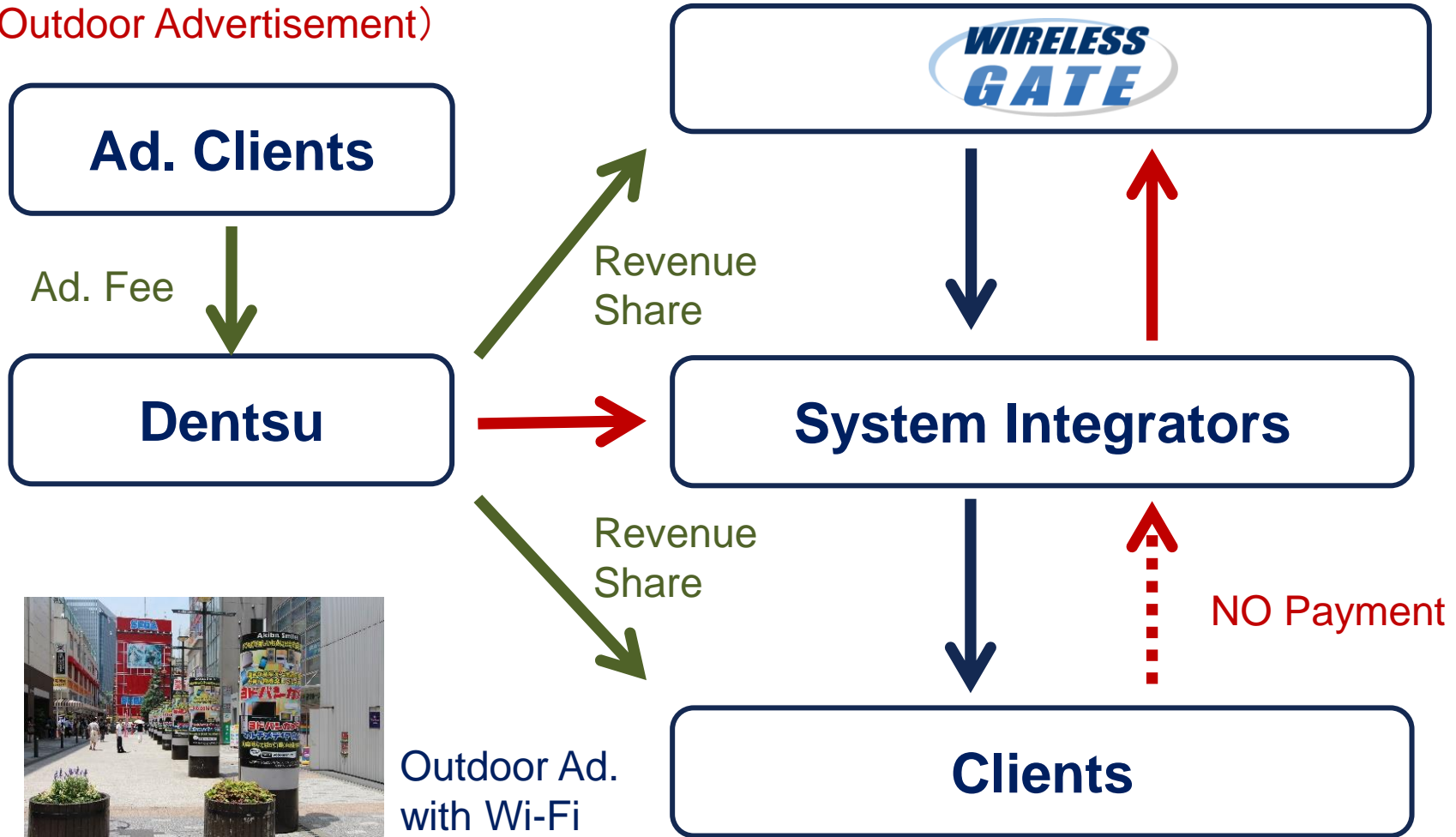
**NO Payment**

**Clients**

**WG's merit:  
Speed up on Clients' decision making**

# Business Model: Wi-Fi Environment Enabler

## SPONSOR MODEL (Outdoor Advertisement)



# Details of Outdoor Advertisement Model

Ad. Client can designate

- the name of SSID
- the URL after connected into Wi-Fi



Ad. Client can get the information on

- how many people who just walk through advertisement zone
- how many people who are interested in advertisement (stay 60seconds+ in front of Ad.)
- how many people who connect into Wi-Fi
- how many people who move to real shop

Outdoor Ad. with Wi-Fi

SSID:  
AD-Wi-Fi



Real Shop



Ad. EC website

move

# Market Potential

- Japanese Government requests Free Wi-Fi for
- Foreign Tourists
  - Sufferers in the case of Disaster

	Number of Location	Required number of APs /location	Minimum Required number of APs (thousands)
Commercial Districts	12,000	1-200	12
Shopping Mall	3,000	1-100	3
Restaurant	670,000	1-10	670
Hotel	80,000	1-1,000	80
Small/Medium Office	4,000,000	1-5	4,000
<b>TOTAL</b>			<b>4,765</b>

# Clients

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- Ginza (Basic Model)
- Akihabara (Sponsor Model)
- Exhibition Coordination Company (Human Behavior Analytics)
  
- Many Potential Clients under Negotiation with Various Sponsor Models

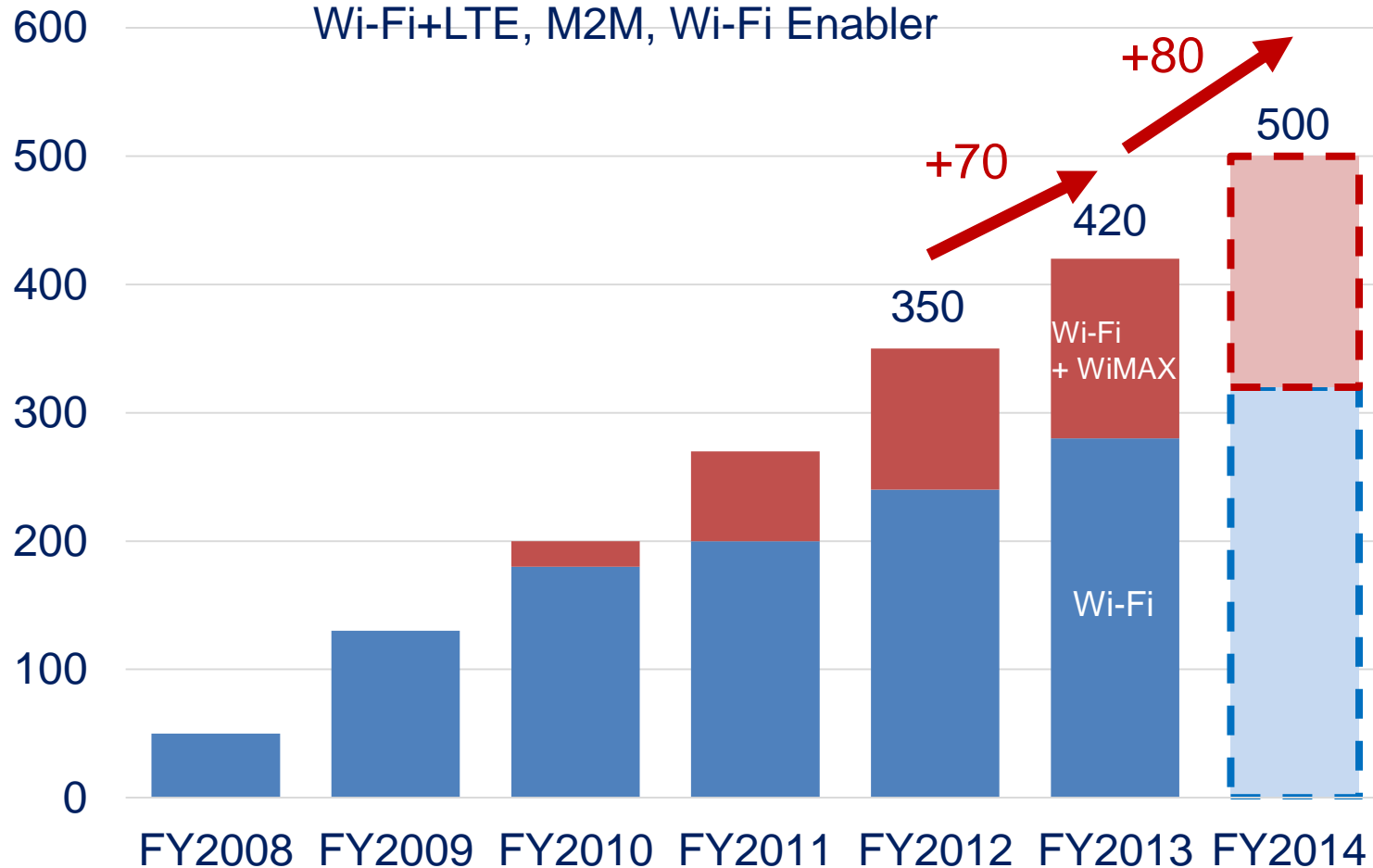
# Income Statement

(JPY Million)	FY 2012 Cons.	FY2013 Cons.	FY2014 Est.
<b>Total Sales</b>	<b>5,501</b>	<b>7,055</b>	<b>8,509</b>
<b>YoY</b>	<b>59.9%</b>	<b>28.3%</b>	<b>20.6%</b>
<b>Operating Profit</b>	<b>597</b>	<b>786</b>	<b>900</b>
<b>YoY</b>	<b>54.7%</b>	<b>31.6%</b>	<b>14.6%</b>
<b>Ordinary Profit</b>	<b>576</b>	<b>785</b>	<b>898</b>
<b>YoY</b>	<b>48.8%</b>	<b>36.2%</b>	<b>14.5%</b>
<b>Net Income</b>	<b>423</b>	<b>483</b>	<b>543</b>
<b>YoY</b>	<b>51.6%</b>	<b>14.1%</b>	<b>12.4%</b>
<b>ROE</b>	<b>37.5%</b>	<b>26.9%</b>	

# FY2014 Estimation Assumption

(thousands)

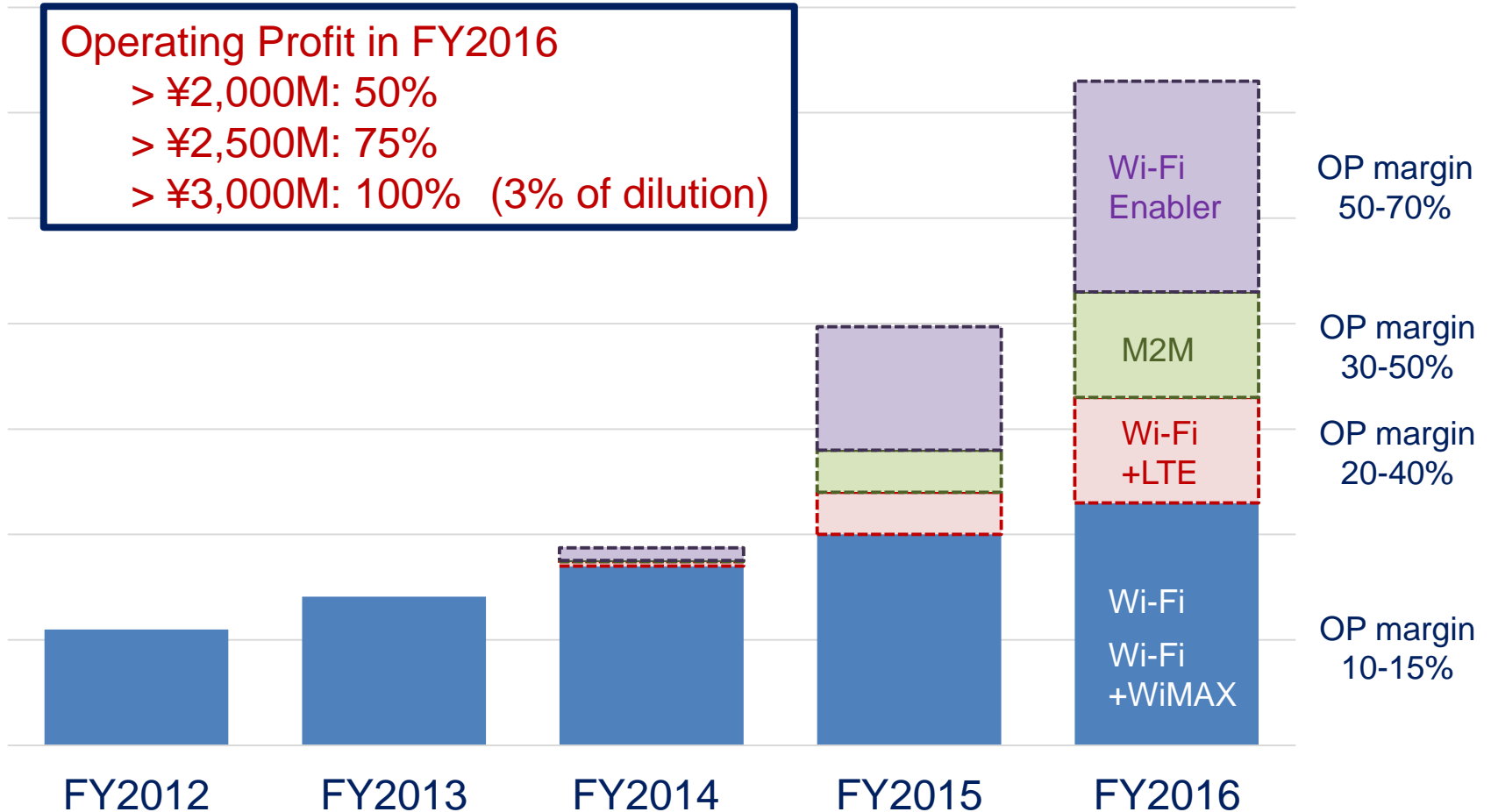
No Contribution from:  
Wi-Fi+LTE, M2M, Wi-Fi Enabler



# Total Sales Estimation

Stock Option will be assigned to management team if

**Operating Profit in FY2016**  
 > ¥2,000M: 50%  
 > ¥2,500M: 75%  
 > ¥3,000M: 100% (3% of dilution)



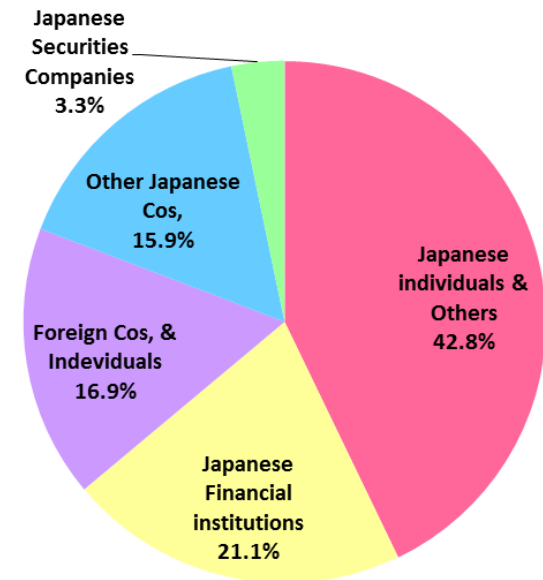


# Principal Shareholders

Principal shareholders	Number of Shares Held	Percentage of total shares held
Yodobashi Camera Co., Ltd.	1,416,400	14.0
The Master Trust Bank of Japan, Ltd. (Trust account)	938,100	9.2
Takehiro Ikeda	556,000	5.5
Japan Trustee Services Bank, Ltd. (Trust account)	406,800	4.0
Terukazu Fujisawa	400,000	3.9
Japan Securities Finance Co., Ltd.	252,900	2.5
Kazuhiko Sakamaki	208,000	2.1
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	188,200	1.9
Nippon Life Insurance Company	180,000	1.8
The Bank of New York Mellon as Agent BNYM AS EA Dutch Pension Omnibus 140016	170,000	1.7

Shares issued and outstanding  
10,142,800 shares

The number of Shareholders  
6,984



As of March 31, 2014

# Shareholder Return

Share Buy-Back (May 22- July 4)

- up to 20,000 shares  
5,600 shares (May 31)
- up to ¥100 Million

(Million)

600

500

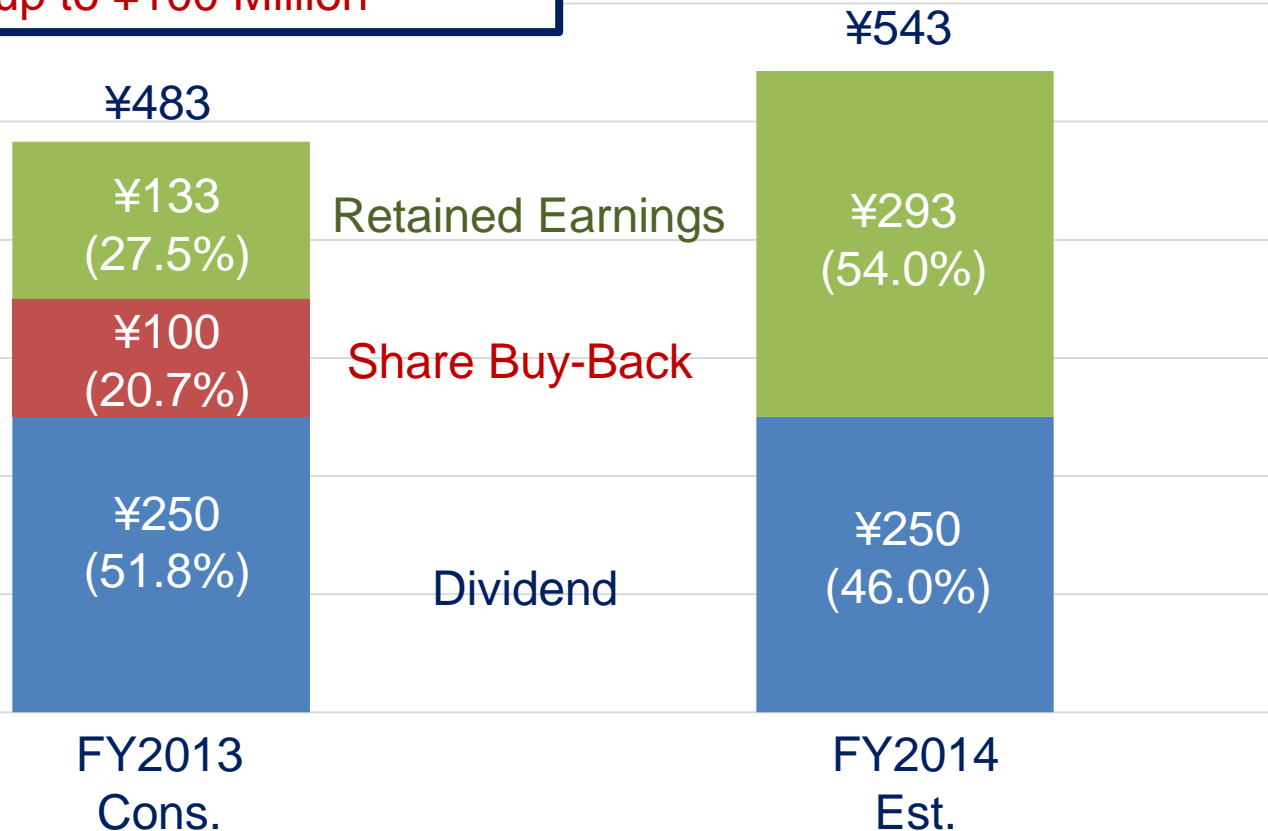
400

300

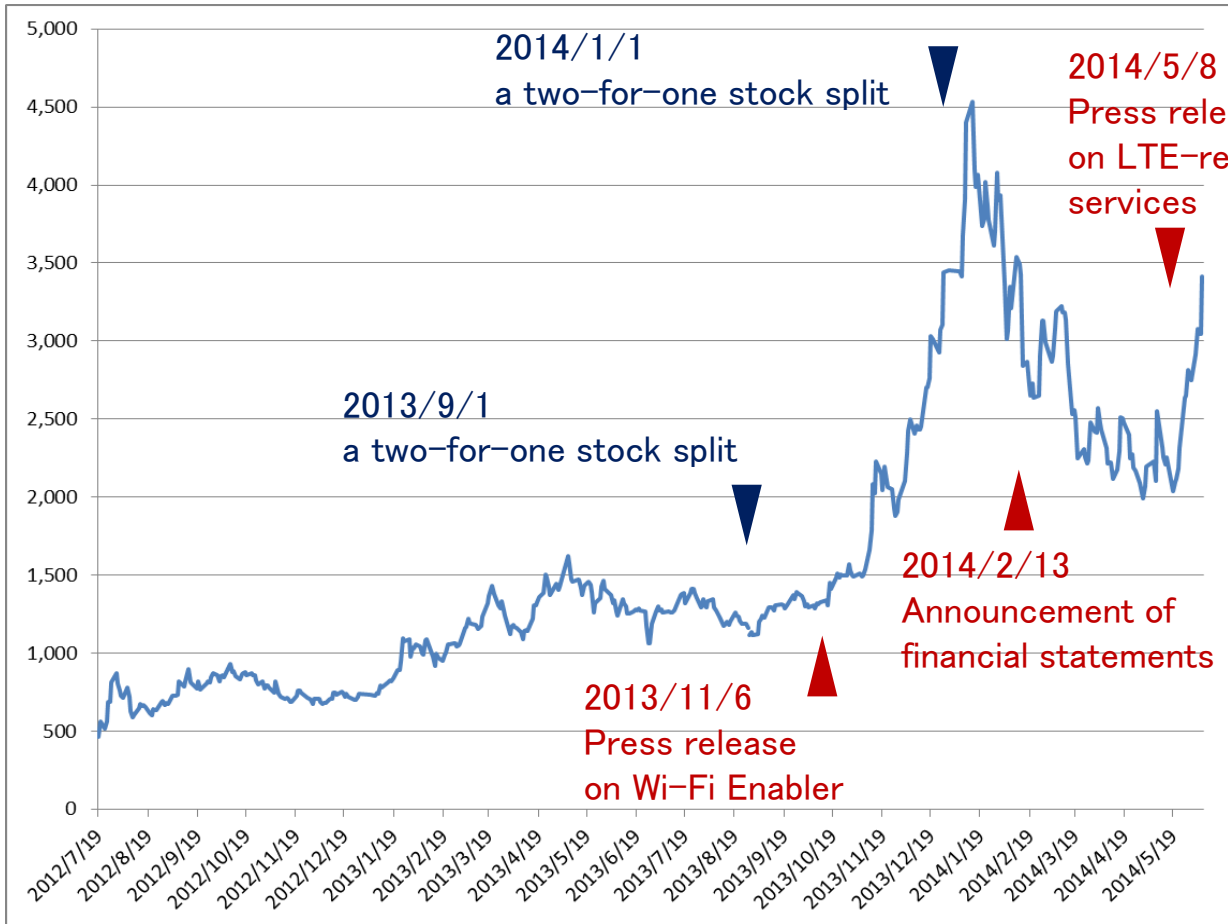
200

100

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# Trend in Share Prices



Jul. 19, 2012:  
Listed on TSE Mothers

Jan. 14, 2014:  
Record high at ¥5,070

Jul. 19, 2012:  
Yearly low at ¥452

Jun. 6, 2014:  
Closed at ¥3,415  
(Market Value:  
¥ 34.6 billion)

Mar. 31, 2014:  
6,984 shareholders

# Topics

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- We had started the preparation to change to TSE 1<sup>st</sup> or 2<sup>nd</sup> section.
- We will have a presentation at Bank of America Merrill Lynch JAPAN Conference in September 2014.
- LTE services for individual customer will be announced on July 1.
- M2M/IoT solutions will be announced on August 1.

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# Thank You for Your Interest.

IR Website:

(English)

<http://www.wirelessgate.co.jp/en/>

(Japanese)

<http://www.wirelessgate.co.jp/ir/>

## Cautionary Note Regarding Forward-Looking Statements

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- ✓ The materials and information provided in this briefing contain so-called forward-looking statements. These are based on assumptions involving current expectations, forecasts and risks, and involve uncertainties that may produce results that substantially differ from statements.
- ✓ These risks and uncertainties include general domestic and international economic circumstances, such as general industrial and market conditions and fluctuations in interest rates and foreign exchange rates.
- ✓ WirelessGate, Inc. is under no obligation to update or revise any of the forward-looking statements included in this briefing upon the emergence of any new information or future event.