

**Financial Results**  
**for the Six Months Ended December 31, 2022**  
**[Japanese GAAP]**  
**(Non-consolidated)**



February 3, 2023

Company name: WELLNET CORPORATION  
 Stock exchange listing: Tokyo Stock Exchange and Sapporo Securities Exchange  
 Code number: 2428  
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 Scheduled date of filing quarterly securities report: February 13, 2023  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

**1. Financial Results for the Six Months Ended December 31, 2022 (July 1, 2022 to December 31, 2022)**

(1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
December 31, 2022	4,920	10.5	562	46.2	561	45.3	444	57.6
December 31, 2021	4,452	(2.1)	385	14.4	386	8.2	282	14.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
December 31, 2022	23.58	23.37
December 31, 2021	14.98	14.93

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	28,872	7,623	26.2	400.10
As of June 30, 2022	23,642	7,410	31.1	390.16

(Reference) Equity: As of December 31, 2022: ¥7,551 million  
 As of June 30, 2022: ¥7,355 million

**2. Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2022	–	0.00	–	14.13	14.13
Fiscal year ending June 30, 2023	–	0.00			
Fiscal year ending June 30, 2023 (Forecast)			–	16.00	16.00

(Note) Revision of dividends forecast from recently announced figures: No

### 3. Financial Results Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	9,300	3.9	860	14.0	600	12.7	31.83

This forecast is based on the expectation that, with respect to the COVID-19 pandemic, the movement of people, especially in Japan, will recover to a certain degree, and will be greatly affected by the degree of recovery. The Company does not currently anticipate any extraordinary loss related to the valuation of investment securities at this point in time. The Company will promptly announce any significant events that should be disclosed.

#### \* Notes:

- (1) Adoption of special accounting procedures for preparing quarterly financial statements: No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: Yes
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):
    - As of December 31, 2022: 19,400,000 shares
    - As of June 30, 2022: 19,400,000 shares
  - 2) Total number of treasury shares at the end of the period:
    - As of December 31, 2022: 525,475 shares
    - As of June 30, 2022: 547,985 shares
  - 3) Average number of shares during the period:
    - Six months ended December 31, 2022: 18,858,254 shares
    - Six months ended December 31, 2021: 18,830,417 shares

\* These financial results are outside the scope of quarterly review procedures by a certified public accountant or an audit corporation.

#### \* Explanation of the proper use of financial results forecast and other notes

The financial results forecast and dividends forecast above are based on certain assumptions judged to be reasonable based on information available to the Company at the time of the announcement of this document. Actual business performance and dividends may differ from the forecasts due to various factors that may arise in the future.

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## 1. Qualitative Information on Financial Results for the Period under Review

### (1) Explanation of Business Results

#### 1) Analysis of Business Results

The Japanese economy in the six months of the fiscal year under review (July 1, 2022 to December 31, 2022) appears to be on a mild path of recovery from the downturn caused by the COVID-19 pandemic amid the continuing geopolitical risks surrounding the situation in Ukraine, and the sharp rise in prices such as resource prices and energy bills. As the government has expressed its policy of downgrading COVID-19 to a Class 5 disease, the same level as the seasonal flu, in May 2023, positive signs for a future recovery in economic activity have also started to emerge.

Under these circumstances, in the Company's main business domain markets, the transportation-related businesses such as airlines, buses, and railroads now appear to be on a path of recovery. At the same time, Digital Transformation (DX) is being actively promoted in a variety of industries and business categories, and the non-face-to-face and non-contact services are increasing, and IT is playing an increasingly important role in society.

The Company has also been promoting activities such as "Response to the age of electronic payment" and "IT Promotion Solution Project for transportation industry and the MaaS Business" as priority measures, with "paperless" and "cashless" as the keywords, and conducting measures considering a lifestyle-based fin-tech platform in this context, and has focused on our "Payment Plus Alpha Platform," including steady expansion of the use of *ekaiin.com*, a service that promotes DX of membership management.

As indicated in the "Start of Development of a Digital Travel Pass Using QR Codes" announced on November 18, 2022, the Surutto KANSAI Association, comprised of 61 train and bus operators primarily in the Kansai area as well as Okayama and Shizuoka, selected the Company as the system partner for services related to the digital travel pass using QR Codes, for which services are planned to commence in spring 2024. The Company newly established the "Osaka Innovation Lab" after the signing ceremony at the Sapporo head office in November 2022, and aims to achieve a highly convenient service by formalizing joint development operations and promoting the shift to contactless and cashless transactions using widespread QR Code travel passes. The Company will strengthen its relationship with members of the Association by participating in this project as well as accumulating relevant knowledge and greatly expanding thin client services for transport business operators.

As a result of these efforts, with respect to business results for the six months ended December 31, 2022, the Company reported net sales of ¥4,920 million (up 10.5% year on year), operating profit of ¥562 million (up 46.2% year on year), ordinary profit of ¥561 million (up 45.3% year on year) and profit of ¥444 million (up 57.6% year on year), marking increases in net sales and profits year on year.

#### 2) Changes in Environment Surrounding the Company and Response Strategy

The online payment market, the Company's business domain, is expected to continue achieving a certain level of growth in the future, but we believe that the expansion of electronic payment will lead to the commoditization of payments themselves, and we are making efforts to expand and improve cloud services that support DX for businesses as a concrete form of payment plus alpha.

##### A. "Smartphone payment service," *Shiharai-Hisho* during shift to paperless and cashless

*Shiharai-Hisho*, which carries out payments via bank-account-linked smartphones, has already been introduced at eight electric power companies, and the number of payments for local taxation and public utility charges that can be made using *Shiharai-Hisho* is also increasing, especially in areas where there are many partner banks, in addition to expanding a seamless linkage with the Company's cloud services as described in B below, which are *Bus Mori!*, *ALTAIR triple star*, and *ekaiin.com*, as well as developing embedded electronic money.

For *ekaiin.com*, a membership management service that enables electronic billing and payment of various expenses using the *Shiharai-Hisho* and credit cards, its adoption is now spread across a wide range of fields in addition to its conventional use, including reception work for public interest incorporated association

workshops and merchandise sales, solicitation of support for future support crowdfunding for restaurants in Sapporo in fiscal 2022, and solicitation for the commemorative event of the 65th anniversary of the establishment of the Japan Composer's Association "Japan Popular Song Championship." In the future, we will expand our service areas and focus on horizontal development of proven fields.

On the other hand, we have made alliances with 36 banks, including Sumitomo Mitsui Banking Corporation and Japan Post Bank Co., Ltd., and after completion of security measures due to a series of unauthorized use of fund transfer agent accounts connected with several banks, the Company is working to resume operations with them. As of January 31, 2023, the number of available banks has recovered to 24, and we will make continuous efforts to increase the number of available banks, including new ones.

#### B. Actively promoting IT (DX) projects for buses

Launched in August 2016, the smartphone electronic ticketing application *Bus Mori!* has expanded the types of electronic ticket to include single-trip tickets, coupon tickets, commuter passes, unlimited ride passes, and discount passes, and now handles more than 510 routes of bus and rail. During the COVID-19 pandemic, the Company is expanding smartphone commuter passes and smartphone coupon tickets, which can be purchased non-face-to-face. *ALTAIR triple star*, the cloud service for transport business operators that we have been developing since 2017, is an all-in-one total cloud service that can automate a series of operations, from inventory and timetable management for rides and events, ticket reservation, purchase, issuance, and authentication, to sales information aggregation and settlement processing. Especially in the case of MaaS, which is provided jointly by multiple operators, our extensive knowledge and experience in the labor-intensive settlement operations is a major advantage.

In the MaaS domain, the track record of implementation expanded as described below.

January 2020: *DohNa!!* in Hakodate City

October 2021: *Sendai MaaS*

January 2022: *OkhoNavi* in the Hokkaido Okhotsk area

February 2022: *JAL MaaS*

May 2022: *Going Around Hokkaido: Public Transportation Usage Promotion Campaign* in Hokkaido

June 2022: *Kumamoto metropolitan area park-and-ride social experiment commuter pass and coupon tickets*

September 2022: One-day subway tickets of the Transportation Bureau City of Sendai (QR electronic tickets) in *Sendai MaaS*

A key feature of the services we deploy is that they comprise a sustainable scheme that continues to be used even after the so-called demonstration period is over, since they realize conversion to variable costs from system costs, which are the mainstay of cloud services.

#### C. Current status of WELLNET's key product, Multi Payment Services

Multi Payment Services are expected to have the potential to grow in the area of non-face-to-face payments. Various operators have been adopting the Company's payment services for over 30 years, and The Company aims to continue to enhance payment gateway services that contribute to increase in convenience for both operators and consumers. The Company will continue to promote the development of payments and more services, and we believe that we have a significant advantage in this area because of our payment infrastructure.

In September 2022, the new smartphone barcode payment service *stanp* developed by the Company was adopted by Family Mart stores all around Japan, allowing customers using the Company's Multi Payment Services to make payments in real time without having to go through the multi-functional copy machines, by just directly scanning a barcode shown on their smartphone at the store cash registers. Going forward, the Company will actively promote sales activities to have the service adopted at convenience stores other than Family Mart as well.

#### D. Activities contributing to local communities and SDGs

We recognize that our business of “IT utilization and DX” itself supports the shift to an environmentally friendly business model, and that business expansion itself contributes to global environmental conservation.

As part of our social contribution, we are providing support to many students through our WELLNET Scholarship, established to help financially struggling students at colleges of technology in Hokkaido. Approximately ¥72 million in scholarships was paid to a total of 610 students until the fiscal year 2021, and many letters of gratitude were received from these students, which motivated our employees. Although many students were affected by COVID-19 in the fiscal year 2021, continuing from last year, we received reports that four colleges of technology in Hokkaido achieved a rate of zero students who dropped out due to financial difficulties, partly as a result of our support. We will continue these activities moving forward.

In addition, to participate in the “Scrum Sapporo” concept promoted by Hokkaido All Olympians, which aims to contribute to the promotion of local sports and to bid for the 2030 Sapporo Olympics and Paralympics in cooperation with Hokkaido, Sapporo City, and others, the Company concluded a sponsorship agreement with Masaya Yamada, a speed skater who holds the Japanese record in the men’s 1000 meters and is expected to compete in the Olympics. We intend to actively utilize *ekaiin.com* to expand support for athletes and also support sports through the Company’s services.

Our new Sapporo head office, which was completed in 2021 and is already in operation, received the platinum rank of WELL Certification in September 2022 for implementing office design that considers the health and working environment of our employees. The WELL Certification is an advanced initiative that began in 2014 in the U.S. to evaluate and certify spaces including buildings and offices from the standpoint of human health. This initiative represents an investment in our employees as human capital, and we also believe that it will lead to increased corporate value in the form of increased productivity, workstyle reforms and contribution towards achieving SDGs. As of today, the majority of entities that received the platinum rank in Japan are construction-related companies, and the Company is the first one to receive the rank in the fintech industry in Japan, and the first company in Hokkaido to do so as well.

#### E. Performance forecast and shareholder returns

The performance forecast is as presented in the “Notice Concerning Announcement of Financial Results Forecasts and Dividend Forecasts” announced on September 6, 2022. In addition, out of consideration for our shareholders, we plan for the dividend payout ratio to be 50% or more.

### (2) Explanation of Financial Position

#### 1) Status of assets, liabilities, and net assets

Total assets as of December 31, 2022 stood at ¥28,872 million. Current assets were ¥22,673 million. This mainly comprises cash and deposits of ¥18,611 million. Cash and deposits include ¥15,090 million of receiving agency deposits in money collection business, which is the money kept temporarily by the Company up to the predetermined date of transfer to operators in the following month. Non-current assets amounted to ¥6,198 million. This mainly comprises property, plant and equipment of ¥3,882 million, intangible assets of ¥487 million, and investments and other assets of ¥1,828 million.

Meanwhile, total liabilities amounted to ¥21,249 million. This mainly comprises receiving agency deposits of ¥15,090 million.

Total net assets amounted to ¥7,623 million. This mainly comprises shareholders’ equity of ¥7,547 million.

(Reference) Cash and deposits, net (net balance of cash and deposits after offsetting receiving agency deposits related to money collection business)

(Millions of yen)

	As of June 30, 2022	As of December 31, 2022
(A) Cash and deposits	13,129	18,611
(B) Receiving agency deposits	10,170	15,090
(A)-(B) Cash and deposits, net	2,958	3,520

## 2) Status of cash flows

Cash and cash equivalents (the “funds”) as of December 31, 2022 stood at ¥18,611 million. The status of cash flows and their contributing factors are as follows.

### (Cash flows from operating activities)

Funds provided by operating activities amounted to ¥5,403 million. The main factor for the increase is a ¥4,920 million increase in receiving agency deposits, which are temporarily held by the Company as they are sent to vendors on a designated date in the following month. Funds from other operating activities were ¥483 million, excluding the increase in receiving agency deposits, mainly due to the recording of ¥650 million in profit before income taxes.

(Reference) Cash flows from operating activities adjusted for increase (decrease) in receiving agency deposits

(Millions of yen)

	For the six months ended December 31, 2022
(A) Cash flows from operating activities	5,403
(B) Increase (decrease) in receiving agency deposits	4,920
(A)-(B) Cash flows from operating activities after adjustment	483

### (Cash flows from investing activities)

Funds provided by investing activities amounted to ¥444 million. The main factors for the increase are proceeds from sale of property, plant and equipment of ¥251 million and proceeds from redemption of investment securities of ¥200 million.

### (Cash flows from financing activities)

Funds used in financing activities amounted to ¥285 million. The main factor for the decrease is dividends paid of ¥266 million.

## (3) Explanation of Financial Results Forecast and Other Forward-looking Information

No changes have been made to the financial results forecast for the fiscal year ending June 30, 2023 provided in the “Notice Concerning Announcement of Financial Results Forecasts and Dividend Forecasts” announced on September 6, 2022.

## 2. Financial Statements and Significant Notes

### (1) Balance Sheet

(Thousands of yen)

	As of June 30, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	13,129,291	18,611,356
Accounts receivable - trade and contract assets	537,865	688,886
Merchandise	2,925	3,159
Work in process	465	–
Supplies	391	961
Deposits paid	2,637,730	2,637,082
Other	555,613	732,477
Total current assets	16,864,282	22,673,923
Non-current assets		
Property, plant and equipment	4,207,103	3,882,997
Intangible assets	565,450	487,041
Investments and other assets	2,005,800	1,828,757
Total non-current assets	6,778,354	6,198,796
Total assets	23,642,636	28,872,720
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	432,119	496,655
Deposits received	2,857,433	2,964,743
Current portion of long-term borrowings	100,000	100,000
Receiving agency deposits	10,170,572	15,090,887
Income taxes payable	157,745	227,552
Provision for bonuses	–	16,934
Provision for point card certificates	49	729
Other	487,884	347,042
Total current liabilities	14,205,805	19,244,544
Non-current liabilities		
Long-term borrowings	1,800,000	1,775,000
Provision for share awards	70,740	73,193
Asset retirement obligations	10,882	10,898
Long-term accounts payable - other	119,007	119,007
Other	25,397	26,409
Total non-current liabilities	2,026,027	2,004,509
Total liabilities	16,231,833	21,249,053
<b>Net assets</b>		
Shareholders' equity		
Share capital	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	3,906,621	4,073,460
Treasury shares	(729,679)	(703,349)
Total shareholders' equity	7,353,940	7,547,109
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,307	4,635
Total valuation and translation adjustments	1,307	4,635
Share acquisition rights	55,555	71,921
Total net assets	7,410,803	7,623,666
Total liabilities and net assets	23,642,636	28,872,720



(2) Statement of Income  
(Six months ended December 31)

(Thousands of yen)

	For the six months ended December 31, 2021	For the six months ended December 31, 2022
Net sales	4,452,604	4,920,399
Cost of sales	3,721,377	3,939,107
Gross profit	731,227	981,292
Selling, general and administrative expenses	346,146	418,490
Operating profit	385,080	562,802
Non-operating income		
Interest income	522	526
Foreign exchange gains	–	1,508
Gain on investments in investment partnerships	499	–
Gain on forfeiture of unclaimed dividends	1,164	1,164
Rental income	1,568	625
Subsidy income	3,705	–
Other	1,420	1,237
Total non-operating income	8,881	5,062
Non-operating expenses		
Interest expenses	2,003	1,903
Foreign exchange losses	5,274	–
Share acquisition rights issuance costs	–	2,570
Loss on investments in investment partnerships	–	1,560
Total non-operating expenses	7,278	6,033
Ordinary profit	386,683	561,831
Extraordinary income		
Gain on reversal of share acquisition rights	17,299	756
Subsidy income	–	88,399
Total extraordinary income	17,299	89,155
Profit before income taxes	403,983	650,987
Income taxes - current	110,674	206,856
Income taxes - deferred	11,193	(492)
Total income taxes	121,867	206,363
Profit	282,115	444,623

## (3) Statement of Cash Flows

(Thousands of yen)

	For the six months ended December 31, 2021	For the six months ended December 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	403,983	650,987
Gain on reversal of share acquisition rights	(17,299)	(756)
Depreciation	223,045	199,680
Interest and dividend income	(522)	(526)
Interest expenses	2,003	1,903
Loss (gain) on investments in investment partnerships	(499)	1,560
Decrease (increase) in trade receivables	(186,250)	(151,021)
Decrease (increase) in inventories	6,951	(338)
Increase (decrease) in trade payables	64,327	64,535
Decrease (increase) in deposits paid	(206,200)	648
Increase (decrease) in deposits received	55,836	107,309
Increase (decrease) in receiving agency deposits	5,475,978	4,920,314
Other, net	304,594	(258,456)
Subtotal	6,125,949	5,535,838
Interest and dividends received	8,017	8,022
Interest paid	(1,038)	(986)
Income taxes paid	(55,799)	(139,322)
Net cash provided by (used in) operating activities	6,077,127	5,403,551
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	–	80,021
Purchase of property, plant and equipment	(144,396)	(3,239)
Purchase of intangible assets	(84,732)	(52,634)
Proceeds from sale of property, plant and equipment	–	251,561
Proceeds from redemption of investment securities	–	200,000
Proceeds from share of profits on investments in capital	9,000	5,000
Payments of leasehold and guarantee deposits	–	(36,187)
Net cash provided by (used in) investing activities	(220,129)	444,523
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share acquisition rights	–	5,400
Repayments of long-term borrowings	(25,000)	(25,000)
Dividends paid	(290,388)	(266,387)
Net cash provided by (used in) financing activities	(315,388)	(285,987)
Net increase (decrease) in cash and cash equivalents	5,541,609	5,562,087
Cash and cash equivalents at beginning of period	10,423,938	13,049,269
Cash and cash equivalents at end of period	15,965,548	18,611,356

#### (4) Notes to Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes to substantial change in the amount of shareholders' equity)

There is no relevant information.

(Adoption of special accounting procedures for preparing quarterly financial statements)

There is no relevant information.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Guidance on Fair Value Measurement") from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment prescribed in paragraph 27-2 of the Guidance on Fair Value Measurement, the new accounting policies set forth in the Guidance on Fair Value Measurement have been applied prospectively.

This change has no effects on the quarterly financial statements.

(Changes in accounting estimates)

There is no relevant information.

(Significant subsequent events)

There is no relevant information.