

Financial Results
for the Nine Months Ended March 31, 2024
[Japanese GAAP]
(Non-consolidated)



May 8, 2024

Company name: WELLNET CORPORATION
 Stock exchange listing: Tokyo Stock Exchange, Sapporo Securities Exchange
 Code number: 2428
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 Scheduled date of filing quarterly securities report: May 13, 2024
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: No

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

1. Financial Results for Nine Months Ended March 31, 2024 (July 1, 2023 to March 31, 2024)

(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	%
Nine months ended								
March 31, 2024	7,560	5.4	922	17.5	923	17.6	643	20.6
March 31, 2023	7,169	6.5	784	36.2	785	34.1	533	27.2

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2024	34.09	33.85
March 31, 2023	28.29	28.03

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	24,930	8,180	32.4	427.68
As of June 30, 2023	24,892	7,826	31.1	410.38

(Reference) Equity: As of March 31, 2024: ¥8,083 million
 As of June 30, 2023: ¥7,745 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2023	Yen –	Yen 0.00	Yen –	Yen 16.84	Yen 16.84
Fiscal year ending June 30, 2024	–	0.00	–		
Fiscal year ending June 30, 2024 (Forecast)				21.00	21.00

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

3. Financial Results Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 to June 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Yen
	10,160	7.8	1,150	22.9	790	24.3	41.86

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

* 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: No
 - 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 March 31, 2024: 19,400,000 shares
 - As of June 30, 2023: 19,400,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - As of March 31, 2024: 498,316 shares
 - As of June 30, 2023: 525,475 shares
 - 3) Average number of shares during the period:
 - Nine months ended March 31, 2024: 18,888,253 shares
 - Nine months ended March 31, 2023: 18,863,599 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 nine months of the fiscal year under review (July 1, 2023 to March 31, 2024) continued to encounter uncertainties due to changes in the Bank of Japan's monetary easing measures, uncertainty about the outlook for a weak yen, and resource prices amid unstable international affairs and growing distrust in the political situation in Japan.

Under these circumstances, in the Company's main business domain markets, Digital Transformation (DX) is being actively promoted in a variety of industries and business categories, 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 the 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 expanding "Payment Plus Alpha Platform," including expansion of the use of a DX tool for membership management, *ekaiin.com*, and provision of the new service for issuing and storing electronic invoices, *SHIMA-YELL*.

In addition to these services, for the "all-in-one cloud-based services for transport operators" that have been expanding development and platforms, the Company has decided on the name of "Surutto QRtto" for the KANSAI THRU PASS digital travel pass service using QR Codes, and the time has finally come for a full-fledged rollout, including the announcement of the planned commencement of services in June 2024. Meanwhile, for the other large-scale development project "electronic money," we are continuing to prepare for the expansion of our services in anticipation of the next generation, such as by making system upgrades that enable each company to use its own money. In line with the expectation that future projects will become large in scale and other factors, the Company has established a three-location network with operations in Sapporo, Tokyo, and Osaka, and prepare for full-fledged sales activities more strongly rooted in local communities.

As a result of these efforts, with respect to business results for the nine months ended March 31, 2024, the Company reported net sales of ¥7,560 million (up 5.4% year on year), operating profit of ¥922 million (up 17.5% year on year), ordinary profit of ¥923 million (up 17.6% year on year) and profit of ¥643 million (up 20.6 % year on year). Net sales, operating profit, ordinary profit, and profit all increased year on year due to steady sales activities in the third quarter and an increase in sales of high value-added products.

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* and our response to electronic money during the shift to paperless and cashless

Shiharai-Hisho, which carries out payments via bank-account-linked smartphones, is newly connected to Mizuho Bank in February 2024 and has completed connections with major banks, increasing convenience. In addition to payments for electric power companies, 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. Aside from that, we are deploying seamless linkage of *Shiharai-Hisho* with our cloud services as described in B below, which are *Bus Mori!*, *ALTAIR triple star*, and *ekaiin.com*, as well as preparing to offer embedded electronic money, as we expect a trend of the inclusion of electronic money in our own services in the future. We are engaged in sales activities to link with the cloud services of transportation operations and evolve them into services.

B. Actively promoting IT projects for transportation operators

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 645 routes of bus and rail. In the wake of the COVID-19 pandemic, the use of smartphone commuter passes and smartphone coupon tickets, which can be purchased non-face-to-face, is expanding. *ALTAIR triple star*, the cloud service for transport business operators, which 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. The use of *ALTAIR triple star* has been expanding as a MaaS platform in regions throughout Japan and as an effective tool for promoting DX in transport-related companies. In March 2024, JAL MaaS started to collaborate with 13 transportation service providers in Hokkaido, expanding its use from route search to electronic ticketing from all 8 airports in Hokkaido (excluding remote islands) served by JAL Group flights to major urban areas. In the case of MaaS, which is used jointly by multiple operators, our extensive knowledge and experience in the labor-intensive settlement operations is a major advantage.

C. Current status of WELLNET's key products, Multi Payment Services and Money Transfer Services

Multi Payment Services and Money Transfer Services for non-face-to-face payment are expected to have the potential for continued growth. Various operators have been adopting the Company's payment services for over 30 years, and the Company aims to continue to enhance payment functions 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. The number of customers using *stanp* is steadily increasing as it improves convenience by allowing customers to make payments in real time 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

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 ¥98 million in scholarships was paid to a total of 902 students until the fiscal year 2023, directly contributing to zero students dropping out due to economic difficulties in the past four years. We will continue these activities moving forward.

Furthermore, with the aim of contributing to the promotion of local sports, the Company has participated in the "Scrum Sapporo" concept promoted by Hokkaido All Olympians. Masaya Yamada, a speed skater and is expected to compete in the Olympics, has been active as an employee of the Company since April 2023. In November 2023, Masaya Yamada became the first Japanese skater to win the gold medals in the men's 1000m and 1500m races at the "ISU World Cup Speed Skating 2023/2024 #1" event held at the Meiji Hokkaido Tokachi Oval in Obihiro City, Hokkaido. Also, his younger brother, Kazuya Yamada, who won bronze medals in the men's 1000m and 1500m races at the "ISU World Cup Speed Skating 2023/2024 #3" held in Stavanger, Norway in December 2023, became an employee of the Company in April 2024. We are supporting both brothers' endeavors to participate in the Olympics and win medals. We intend to actively utilize *ekaiin.com* to support athletes and also boost the promotion of sports through the Company's IT services.

Our new Sapporo head office, which was completed in 2021, received the platinum rank of WELL Certification in September 2022 for the 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. Furthermore, in August 2023, our Sapporo head office won the “36th Nikkei New Office Awards,” a system that awards creativity in office design. These 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 and workstyle reforms.

E. Performance forecast and shareholder returns

Regarding our performance forecast, no changes have been made to the “Financial Results Forecast for the Fiscal Year Ending June 30, 2024” provided in the “Financial Results for the Fiscal Year Ended June 30, 2023 [Japanese GAAP] (Non-consolidated)” announced on August 14, 2023. In addition, we plan for the dividend payout ratio to be 50% or more.

(2) Explanation of Financial Position

Status of assets, liabilities, and net assets

Total assets as of March 31, 2024 stood at ¥24,930 million. Current assets were ¥19,467 million. This mainly comprises cash and deposits of ¥14,408 million. Cash and deposits include ¥9,842 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 ¥5,462 million. This mainly comprises property, plant and equipment of ¥3,802 million, intangible assets of ¥350 million, and investments and other assets of ¥1,309 million.

Meanwhile, total liabilities amounted to ¥16,749 million. This mainly comprises receiving agency deposits of ¥9,842 million.

Total net assets amounted to ¥8,180 million. This mainly comprises shareholders’ equity of ¥8,079 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, 2023	As of March 31, 2024
(A) Cash and deposits	14,070	14,408
(B) Receiving agency deposits	10,441	9,842
(A)-(B) Cash and deposits, net	3,629	4,565

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

The explanation is as presented above in “E. Performance forecast and shareholder returns” under “(2) Changes in Environment Surrounding the Company and Response Strategy” in “(1) Explanation of Business Results.”

2. Financial Statements and Significant Notes

(1) Balance Sheet

(Thousands of yen)

	As of June 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	14,070,800	14,408,327
Accounts receivable - trade, and contract assets	604,434	755,192
Merchandise	3,532	3,130
Work in process	1,313	-
Supplies	898	693
Prepaid expenses	44,513	77,937
Deposits paid	3,449,042	3,484,462
Other	581,691	737,594
Total current assets	18,756,227	19,467,338
Non-current assets		
Property, plant and equipment	3,888,345	3,802,539
Intangible assets	444,212	350,596
Investments and other assets	1,803,621	1,309,560
Total non-current assets	6,136,180	5,462,697
Total assets	24,892,407	24,930,035
Liabilities		
Current liabilities		
Accounts payable - trade	440,937	529,882
Deposits received	3,584,744	3,864,520
Current portion of long-term borrowings	75,000	125,000
Receiving agency deposits	10,441,061	9,842,946
Income taxes payable	223,285	141,068
Provision for bonuses	20,697	63,085
Provision for point card certificates	16	135
Other	319,833	314,047
Total current liabilities	15,105,577	14,880,687
Non-current liabilities		
Long-term borrowings	1,725,000	1,625,000
Provision for share awards	77,221	81,804
Asset retirement obligations	13,432	15,910
Long-term accounts payable - other	119,007	119,007
Other	25,222	26,630
Total non-current liabilities	1,959,883	1,868,352
Total liabilities	17,065,461	16,749,040
Net assets		
Shareholders' equity		
Share capital	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	4,264,341	4,573,524
Treasury shares	(703,349)	(671,118)
Total shareholders' equity	7,737,990	8,079,404
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,791	4,547
Total valuation and translation adjustments	7,791	4,547
Share acquisition rights	81,164	97,043
Total net assets	7,826,946	8,180,994
Total liabilities and net assets	24,892,407	24,930,035

(2) Statement of Income
(Nine months ended March 31)

(Thousands of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Net sales	7,169,480	7,560,101
Cost of sales	5,745,307	5,992,894
Gross profit	1,424,172	1,567,207
Selling, general and administrative expenses	639,447	645,007
Operating profit	784,725	922,200
Non-operating income		
Interest income	546	51
Foreign exchange gains	1,234	–
Rental income	775	450
Subsidy income	2,467	2,351
Business cooperation fee	1,350	1,350
Other	1,844	922
Total non-operating income	8,218	5,125
Non-operating expenses		
Interest expenses	3,992	2,675
Share acquisition rights issuance costs	2,570	–
Loss on investments in investment partnerships	900	1,197
Other	328	–
Total non-operating expenses	7,791	3,873
Ordinary profit	785,152	923,451
Extraordinary income		
Gain on reversal of share acquisition rights	831	208
Subsidy income	88,399	–
Total extraordinary income	89,230	208
Extraordinary losses		
Loss on valuation of investment securities	63,891	–
Total extraordinary losses	63,891	–
Profit before income taxes	810,491	923,660
Income taxes - current	286,447	286,436
Income taxes - deferred	(9,676)	(6,608)
Total income taxes	276,770	279,827
Profit	533,721	643,833

(3) 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)

There is no relevant information.

(Changes in presentation)

(Statement of Income)

“Business cooperation fee,” which was included in “other” under “non-operating income” for the nine months ended March 31, 2023, is separately presented from the nine months ended March 31, 2024 since it exceeds 20% of the total non-operating income. To reflect this change in presentation, the Company reclassified its financial statements for the nine months ended March 31, 2023. As a result, ¥3,194 thousand that had been presented in “other” under “non-operating income” in the statement of income for the nine months ended March 31, 2023 was reclassified into ¥1,350 thousand in “business cooperation fee” and ¥1,844 thousand in “other.”

(Changes in accounting estimates)

There is no relevant information.

(Significant subsequent events)

There is no relevant information.