

Financial Results
for the Fiscal Year Ended June 30, 2024
[Japanese GAAP]
(Non-consolidated)



August 14, 2024

Company name: WELLNET CORPORATION
 Stock exchange listing: Tokyo Stock Exchange, Sapporo Securities Exchange
 Code number: 2428
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 Scheduled date of annual general meeting of shareholders: September 25, 2024
 Scheduled date of commencing dividend payments: September 26, 2024
 Scheduled date of filing securities report: September 26, 2024
 Availability of supplementary briefing material on financial results: Available
 Schedule of financial results briefing session: Yes

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

1. Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023 to June 30, 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	%
Fiscal year ended								
June 30, 2024	10,132	7.5	1,222	30.1	1,223	30.8	836	31.7
June 30, 2023	9,424	5.3	939	27.7	935	24.0	635	19.4

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended					
June 30, 2024	44.29	43.95	10.1	4.7	12.1
June 30, 2023	33.68	33.44	8.4	3.9	10.0

(Reference) Equity in earnings/loss of affiliates: Fiscal year ended June 30, 2024: ¥– million
 Fiscal year ended June 30, 2023: ¥– million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2024	27,141	8,378	30.5	437.87
As of June 30, 2023	24,892	7,826	31.1	410.38

(Reference) Equity: As of June 30, 2024: ¥8,276 million
 As of June 30, 2023: ¥7,745 million

(3) Status of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended				
June 30, 2024	2,644	333	(392)	16,657
June 30, 2023	1,114	268	(360)	14,070

2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividend to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended June 30, 2023	–	0.00	–	16.84	16.84	317	50.0	4.1
Fiscal year ended June 30, 2024	–	0.00	–	22.15	22.15	418	50.0	5.1
Fiscal year ending June 30, 2025 (Forecast)	–	0.00	–	26.46	26.46		50.0	

3. Financial Results Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024 to June 30, 2025)

(% 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	12,000	18.4	1,500	22.6	1,000	19.5	52.91

* Notes:

(1) 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

(2) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of June 30, 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 June 30, 2024: 498,316 shares

As of June 30, 2023: 525,475 shares

3) Average number of shares during the period:

Fiscal year ended June 30, 2024: 18,891,592 shares

Fiscal year ended June 30, 2023: 18,866,323 shares

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

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

The forward-looking statements, including earnings forecasts, contained in this document are based on information available to the Company at the time of the announcement of this document and on certain assumptions judged to be reasonable. Actual business performance and other results may differ from the forecasts due to various factors. Please refer to the section of “2. Management Policy, E. Performance forecast and shareholder returns” on page 5 on the attached material of the financial results for the suppositions that form the assumptions for the financial results forecast and cautions concerning the use of the financial results forecast.

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1. Overview of Business Results, etc.

(1) Overview of Business Results

The Japanese economy in the fiscal year under review 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 working on "paperless" and "cashless," promoting activities such as "Response to the electronic payment" and "IT Promotion Solution Project for the transportation industry and the MaaS Business" as priority measures, 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*.

For the "Sapporo Living Support Premium Coupons," we utilize our payment portal site and remittance system to provide a complete service in collaboration with companies that provide a range of different features. As for the "all-in-one cloud service for transportation service providers," we have begun full-scale deployment, with the launch in June of this year of "Surutto QRtto," a server-type digital ticket service that uses QR codes from Surutto Kansai. Meanwhile, regarding results 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 responding to mechanisms that enable each company to use its own money. In addition, we have established a community based sales framework (with three locations in Tokyo, Sapporo, and Osaka) capable of handling large-scale projects.

As a result of these business activities, for the fiscal year ended June 30, 2024, the Company reported net sales of ¥10,132 million (up 7.5% year on year), operating profit of ¥1,222 million (up 30.1% year on year), ordinary profit of ¥1,223 million (up 30.8% year on year), and profit of ¥836 million (up 31.7% year on year).

(2) Overview of Financial Position

1) Status of assets, liabilities, and net assets

(Assets)

Current assets as of June 30, 2024 stood at ¥21,746 million. This mainly comprises cash and deposits of ¥16,657 million, deposits paid of ¥3,641 million and accounts receivable - trade, and contract assets of ¥809 million. Cash and deposits include ¥11,427 million of receiving agency deposits in money collection business, which will be transferred to operators up to the predetermined date of transfer in the following month. In addition, there is a balance of ¥552 million offset by a deposit to a trust account related to remittance services, and this amount corresponds to the amount remitted to business partners on specified dates. Such deposits are temporarily held by the Company. Meanwhile, non-current assets amounted to ¥5,394 million. This mainly comprises buildings of ¥2,015 million, land of ¥1,602 million, guarantee deposits of ¥948 million, and software of ¥340 million. As a result, total assets amounted to ¥27,141 million.

(Liabilities)

Current liabilities as of June 30, 2024 stood at ¥16,917 million. This mainly comprises receiving agency deposits of ¥11,427 million and deposits received of ¥4,250 million. Meanwhile, non-current liabilities amounted to ¥1,844 million. This mainly comprises long-term borrowings of ¥1,600 million. As a result, total liabilities amounted to ¥18,767 million.

(Net assets)

Net assets as of June 30, 2024 stood at ¥8,378 million. This mainly comprises shareholders' equity of ¥8,272 million.

(Reference) Net cash and deposits (net balance of cash and deposits after offsetting deposits related to collection agency business and deposits related to remittance services)

(Million yen)

	As of June 30, 2023	As of June 30, 2024
(A) Cash and deposits	14,070	16,657
(B) Receiving agency deposits	10,441	11,427
(C) Deposits related to remittance services	73	552
(A)-(B)-(C) Cash and deposits, net	3,556	4,677

2) Status of cash flows

Cash and cash equivalents (the “funds”) at the end of the current fiscal year stood at ¥16,657 million.

The status of cash flows at the end of the current fiscal year and their contributing factors are as follows.

(Cash flows from operating activities)

Funds provided in operating activities for the fiscal year ended June 30, 2024 amounted to ¥2,644 million. The main factors for the increase are profit before income taxes of ¥1,224 million, recording of depreciation of ¥314 million and an increase in receiving agency deposits of ¥986 million, while the main factor for the decrease is an increase in trade receivables of ¥204 million.

(Cash flows from investing activities)

Funds provided in investing activities for the fiscal year ended June 30, 2024 amounted to ¥333 million. The main factor for the increase is proceeds from refund of leasehold and guarantee deposits of ¥510 million, while the main factors for the decrease are purchase of investment securities of ¥101 million and purchase of intangible assets of ¥60 million.

(Cash flows from financing activities)

Funds used in financing activities for the fiscal year ended June 30, 2024 amounted to ¥392 million. The main factors for the decrease are dividends paid of ¥317 million and repayments of long-term borrowings of ¥75 million.

(3) Basic Policy for Profit Sharing and Dividends for the Current and Next Fiscal Years

We plan for the dividend payout ratio to be 50% or more and intend to provide a dividend of ¥22.15 per share for the current fiscal year. In addition, for the next fiscal year the Company forecasts a dividend of ¥26.46 per share due to the likelihood of ongoing improvement in financial results.

2. Management Policy

Basic policy and strategy for the fiscal year ended June 30, 2024

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 city banks, and accordingly increased 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 will work on evolving them into services that link with the cloud services of transportation operations.

- 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 646 routes of bus and rail. Taking the COVID-19 pandemic opportunity, the use of smartphone commuter passes and smartphone coupon tickets, which can be purchased non-face-to-face, is continuously 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. June 2024 saw the launch of "Surutto QRtto," a server-type QR ticket service that can be used on major private railways in the Kansai region. In the case of MaaS, which is used jointly by multiple operators and the use of it is expanding, 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 promotes the development of payments and more services, and we have a significant advantage because of our payment infrastructure. In September 2022, the smartphone barcode payment service *stanp* was adopted by Family Mart. 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. We will continue these activities moving forward.

In addition, with the aim of contributing to the promotion of local sports, the Company is participating in the “Scrum Sapporo” initiative promoted by the Hokkaido All Olympians, and speed skater Masaya Yamada, who is expected to compete in the Olympics, has been active as an employee of the Company since April 2023. In November 2023, he won gold medals in the men’s 1000m and 1500m races at the “ISU World Cup Speed Skating 2023/2024 #1” held at Meiji Tokachi Oval in Obihiro City, Hokkaido, achieving the feat of being the first Japanese to do so. 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

With regard to the financial results forecast for the fiscal year ending June 30, 2025, the Company has made the following forecasts enlisting expectations that forecast of financial results will increase compared to results of the fiscal year ended June 30, 2024, primarily given that performance of high value-added provision of services has been favorable due to the recovery trend from the downturn caused by the COVID-19 pandemic.

* Only sales figures have been revised from the medium-term management plan, and the reasons for this are as stated above.

(Million yen)

Net sales	Ordinary profit	Profit
12,000	1,500	1,000

The year-end dividend for the fiscal year ended June 30, 2024 has been determined to be ¥22.15 based on the basic policy for sharing profits with shareholders (dividend payout ratio of 50% or more). In addition, the Company forecasts a year-end dividend of ¥26.46 for the fiscal year ending June 30, 2025.

* 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. This forecast is based on the expectation that the movement of people, especially in Japan, will recover to a certain degree, and will be greatly affected by the degree of recovery.

3. Basic Principle on the Selection of Accounting Standards

The Company's policy, for the time being, is to prepare the financial statements in accordance with J-GAAP, in consideration of the comparability of financial statements over time as well as between companies.

With respect to the adoption of IFRS, the Company will make decision as appropriate, in view of the circumstances both in Japan and abroad.

4. Financial Statements and Significant Notes

(1) Balance Sheet

(Thousands of yen)

	As of June 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	14,070,800	16,657,168
Accounts receivable - trade, and contract assets	604,434	809,182
Merchandise	3,532	2,202
Work in process	1,313	-
Supplies	898	600
Prepaid expenses	44,513	77,875
Deposits paid	3,449,042	3,641,155
Other	581,691	558,398
Total current assets	18,756,227	21,746,583
Non-current assets		
Property, plant and equipment		
Buildings	2,267,266	2,272,497
Accumulated depreciation	(171,257)	(256,611)
Buildings, net	2,096,009	2,015,886
Structures	47,515	47,515
Accumulated depreciation	(8,313)	(16,229)
Structures, net	39,201	31,285
Vehicles	870	870
Accumulated depreciation	(661)	(869)
Vehicles, net	208	0
Tools, furniture and fixtures	592,007	604,371
Accumulated depreciation	(457,827)	(463,697)
Tools, furniture and fixtures, net	134,180	140,673
Land	1,602,943	1,602,943
Construction in progress	15,803	-
Total property, plant and equipment	3,888,345	3,790,788
Intangible assets		
Trademark right	671	474
Software	443,296	340,128
Other	245	226
Total intangible assets	444,212	340,829
Investments and other assets		
Investment securities	52,307	152,819
Long-term prepaid expenses	131,850	23,553
Investments in capital	68,691	56,050
Guarantee deposits	1,455,915	948,732
Prepaid pension costs	4,354	1,067
Deferred tax assets	89,088	79,535
Other	1,413	1,414
Total investments and other assets	1,803,621	1,263,173
Total non-current assets	6,136,180	5,394,791
Total assets	24,892,407	27,141,374

(Thousands of yen)

	As of June 30, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	440,937	483,478
Current portion of long-term borrowings	75,000	125,000
Accounts payable - other	191,215	249,700
Accrued expenses	34,540	44,158
Income taxes payable	223,285	241,344
Contract liabilities	935	715
Deposits received	3,584,744	4,250,235
Receiving agency deposits	10,441,061	11,427,285
Provision for bonuses	20,697	24,963
Provision for point card certificates	16	1
Other	93,143	70,957
Total current liabilities	15,105,577	16,917,841
Non-current liabilities		
Long-term borrowings	1,725,000	1,600,000
Provision for share awards	77,221	83,610
Asset retirement obligations	13,432	15,941
Long-term accounts payable - other	119,007	119,007
Other	25,222	26,042
Total non-current liabilities	1,959,883	1,844,600
Total liabilities	17,065,461	18,762,442
Net assets		
Shareholders' equity		
Share capital	667,782	667,782
Capital surplus		
Legal capital surplus	3,509,216	3,509,216
Total capital surplus	3,509,216	3,509,216
Retained earnings		
Legal retained earnings	22,010	22,010
Other retained earnings		
General reserve	3,160,000	3,160,000
Retained earnings brought forward	1,082,331	1,584,471
Total retained earnings	4,264,341	4,766,481
Treasury shares	(703,349)	(671,118)
Total shareholders' equity	7,737,990	8,272,361
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,791	4,185
Total valuation and translation adjustments	7,791	4,185
Share acquisition rights	81,164	102,385
Total net assets	7,826,946	8,378,932
Total liabilities and net assets	24,892,407	27,141,374

(2) Statement of Income

(Thousands of yen)

	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)	Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)
Net sales	9,424,198	10,132,265
Cost of sales	7,572,518	7,992,238
Gross profit	1,851,679	2,140,026
Selling, general and administrative expenses	912,346	917,659
Operating profit	939,332	1,222,366
Non-operating income		
Interest income	43	56
Interest on securities	504	–
Dividend income	20	105
Gain on forfeiture of unclaimed dividends	1,164	437
Rental income	925	600
Subsidy income	2,467	2,351
Business cooperation fee	1,800	1,800
Other	995	968
Total non-operating income	7,920	6,318
Non-operating expenses		
Interest expenses	4,902	3,535
Foreign exchange losses	2,712	–
Share acquisition rights issuance costs	2,570	–
Loss on investments in investment partnerships	900	1,197
Other	328	–
Total non-operating expenses	11,414	4,733
Ordinary profit	935,838	1,223,951
Extraordinary income		
Gain on reversal of share acquisition rights	1,281	208
Subsidy income	88,399	–
Total extraordinary income	89,680	208
Extraordinary losses		
Loss on valuation of investment securities	63,891	–
Total extraordinary losses	63,891	–
Profit before income taxes	961,627	1,224,160
Income taxes - current	316,718	376,241
Income taxes - deferred	9,405	11,128
Total income taxes	326,123	387,369
Profit	635,504	836,790

(Schedule of cost of sales)

Schedule of cost of sales

Type	Note no.	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)			Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)		
		Amount (Thousand yen)		Compo- sition (%)	Amount (Thousand yen)		Compo- sition (%)
I. Cost of merchandise sold							
1. Beginning merchandise		2,925			3,532		
2. Cost of purchased merchandise		28,736			28,043		
Total		31,661			31,576		
3. Ending merchandise		3,532	28,129	0.4	2,202	29,373	0.4
II. Labor cost			497,129	6.5		549,796	6.8
III. Expenses			6,960,968	91.1		7,266,653	90.1
IV. Subcontract expenses			155,737	2.0		223,357	2.8
Total			7,641,965	100.0		8,069,180	100
Transfer to other account			68,598			78,254	
Beginning work-in-process			465			1,313	
Ending work-in-process			1,313			–	
Cost of sales			7,572,518			7,992,238	

(Notes) *1. Cost of sales is calculated based on the job-order cost system.

*2. Details of the expenses are as follows.

(Thousand yen)

Item	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Receiving agency fees	6,081,345	6,387,325
Invoice postage fees	202,053	225,000
Depreciation	336,086	270,453
Other	341,484	383,873
Total	6,960,968	7,266,653

*3. Details of the transfer to other account are as follows.

(Thousand yen)

Item	Fiscal year ended June 30, 2023	Fiscal year ended June 30, 2024
Software	50,590	55,861
Research and development expenses	18,007	22,393
Total	68,598	78,254

(3) Statement of Changes in Equity

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	667,782	3,509,216	3,509,216	22,010	3,160,000	724,611	3,906,621
Changes during period							
Dividends of surplus						(266,378)	(266,378)
Profit						635,504	635,504
Disposal of treasury shares						(11,405)	(11,405)
Net changes in items other than shareholders' equity							
Total changes during period	-	-	-	-	-	357,719	357,719
Balance at end of period	667,782	3,509,216	3,509,216	22,010	3,160,000	1,082,331	4,264,341

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(729,679)	7,353,940	1,307	1,307	55,555	7,410,803
Changes during period						
Dividends of surplus		(266,378)				(266,378)
Profit		635,504				635,504
Disposal of treasury shares	26,329	14,924				14,924
Net changes in items other than shareholders' equity			6,484	6,484	25,608	32,092
Total changes during period	26,329	384,049	6,484	6,484	25,608	416,142
Balance at end of period	(703,349)	7,737,990	7,791	7,791	81,164	7,826,946

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	667,782	3,509,216	3,509,216	22,010	3,160,000	1,082,331	4,264,341
Changes during period							
Dividends of surplus						(317,847)	(317,847)
Profit						836,790	836,790
Disposal of treasury shares						(16,803)	(16,803)
Net changes in items other than shareholders' equity							
Total changes during period	-	-	-	-	-	502,140	502,140
Balance at end of period	667,782	3,509,216	3,509,216	22,010	3,160,000	1,584,471	4,766,481

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(703,349)	7,737,990	7,791	7,791	81,164	7,826,946
Changes during period						
Dividends of surplus		(317,847)				(317,847)
Profit		836,790				836,790
Disposal of treasury shares	32,230	15,427				15,427
Net changes in items other than shareholders' equity			(3,605)	(3,605)	21,221	17,615
Total changes during period	32,230	534,371	(3,605)	(3,605)	21,221	551,986
Balance at end of period	(671,118)	8,272,361	4,185	4,185	102,385	8,378,932

(4) Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)	Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)
Cash flows from operating activities		
Profit before income taxes	961,627	1,224,160
Depreciation	404,680	314,549
Gain on reversal of share acquisition rights	(1,281)	(27)
Interest and dividend income	(567)	(161)
Interest expenses	4,902	3,535
Loss (gain) on valuation of investment securities	63,891	1,197
Loss (gain) on investments in investment partnerships	900	–
Decrease (increase) in trade receivables	(66,569)	(204,747)
Decrease (increase) in inventories	(1,961)	2,941
Increase (decrease) in trade payables	8,817	42,541
Decrease (increase) in deposits paid	(811,312)	(192,113)
Increase (decrease) in deposits received	727,310	665,491
Increase (decrease) in receiving agency deposits	270,489	986,223
Other, net	(196,203)	182,805
Subtotal	1,364,723	3,026,397
Interest and dividends received	8,063	161
Interest paid	(4,871)	(2,618)
Income taxes paid	(253,790)	(379,238)
Net cash provided by (used in) operating activities	1,114,125	2,644,701
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	80,021	–
Proceeds from sale of property, plant and equipment	251,561	–
Purchase of property, plant and equipment	(103,895)	(17,948)
Purchase of intangible assets	(119,327)	(60,958)
Proceeds from redemption of investment securities	200,000	–
Purchase of investment securities	(40,000)	(101,388)
Proceeds from share of profits on investments in capital	6,000	7,000
Proceeds from refund of leasehold deposits	36,947	510,320
Payments of leasehold and guarantee deposits	(42,915)	(3,137)
Net cash provided by (used in) investing activities	268,392	333,887
Cash flows from financing activities		
Dividends paid	(266,387)	(317,221)
Proceeds from issuance of share acquisition rights	5,400	–
Repayments of long-term borrowings	(100,000)	(75,000)
Net cash provided by (used in) financing activities	(360,987)	(392,221)
Net increase (decrease) in cash and cash equivalents	1,021,530	2,586,368
Cash and cash equivalents at beginning of period	13,049,269	14,070,800
Cash and cash equivalents at end of period	14,070,800	16,657,168

(5) Notes to Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Additional information)

(Employee Stock Ownership Plan)

In July 2010, we introduced the Employee Stock Ownership Plan (J-ESOP; hereafter, “the program”) with the aim of providing employees with benefits, raising their motivation to boost the share price with higher earnings, and sharing profits with shareholders and employees.

(1) Overview of the program

The program grants retiring employees shares in the Company based on the Share Granting Rules established in advance by the Company.

The Company gives employees points based on their contributions to earnings and their years of service and grants them shares in the Company equivalent to their cumulative points when they retire. These shares are acquired, including the future portion, based on an amount entrusted in advance, and managed separately as assets in trust.

With the introduction of the program, employees’ motivation to work and their interest in share prices [rise](#), and it is also expected to help attract talented employees.

(2) We have applied the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (PITF No. 30, March 26, 2015), but accounting treatment is based on the method previously adopted.

(3) Matters related to Company shares held by the trust

- i) The book value in the trust was ¥88,703 thousand at the end of the previous fiscal year and ¥88,240 thousand at the end of the current fiscal year. The Company shares held by the trust are posted as treasury shares under shareholders’ equity.
- ii) The number of outstanding shares was 191,600 shares at the end of the previous fiscal year and 190,600 shares at the end of the current fiscal year. The average number of shares during the fiscal year was 191,600 shares in the previous fiscal year and 190,750 shares in the current fiscal year. The number of shares at the end of the fiscal year and the average number of shares during the fiscal year are not included in the treasury shares excluded when calculating per share information.

(Notes to balance sheet)

*1 Amounts of receivables and contract assets arising from contracts with customers from among accounts receivable - trade, and contract assets are as follows.

(Thousand yen)

	As of June 30, 2023	As of June 30, 2024
Accounts receivable - trade	561,663	635,823
Contract assets, net	42,771	173,359

*2 Receiving agency deposits

Receiving agency deposits are deposits related to money collection business, and an equivalent amount is included in the deposits.

(Notes to statement of income)

*1 Approximate ratio of expenses included in selling expenses was 7% in the previous fiscal year, and 6% in the fiscal year under review. Approximate ratio of expenses included in general and administrative expenses was 93% in the previous fiscal year, and 94% in the fiscal year under review. The major components and amounts of selling, general and administrative expenses are as follows.

	(Thousand yen)	
	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)	Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)
Advertising expenses	12,008	12,539
Directors' compensations	59,236	62,365
Salaries, allowances and bonuses	256,573	273,073
Rent expenses	58,990	49,123
Depreciation	68,593	44,096
Commission fees	94,679	106,401

*2 Total research and development expenses included in [general and administrative expenses](#)

	(Thousand yen)	
	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)	Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)
	19,892	22,393

*3 Impairment losses

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

There is no relevant information.

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

There is no relevant information.

(Notes to statement of changes in equity)

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

1. Class and total number of issued shares and class and total number of treasury shares

	(Shares)			
	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common shares	19,400,000	–	–	19,400,000
Total	19,400,000	–	–	19,400,000
Treasury shares				
Common shares (Notes 1, 2)	739,585	–	22,510	717,075
Total	739,585	–	22,510	717,075

(Notes) 1. The decrease in treasury shares of common shares by 22,510 shares of common shares is due to the decrease of 22,510 shares due to the granting of stock compensation with restrictions on transfers.

2. Following the introduction of the Employee Stock Ownership Plan (J-ESOP), Custody Bank of Japan, Ltd. (Trust Account E) purchased 1,000 shares of the Company on October 25, 2010. The number of treasury shares stated herein includes 191,600 shares at beginning of period and 191,600 shares at end of period in the Company held by the Trust Account E as of June 30, 2023.

2. Matters related to stock acquisition rights

Type	Schedule of stock acquisition rights	Class of shares for the purpose of stock acquisition rights	Number of shares for the purpose of stock acquisition rights				Balance at the end of period (Thousand yen)
			Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period	
Submitting company	1st series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	6,946
	2nd series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	6,075
	3rd series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	5,795
	4th series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	3,666
	1st series stock acquisition rights in the form of qualified stock options	—	—	—	—	—	22,447
	5th series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	4,410
	6th series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	5,386
	3rd series stock acquisition rights in the form of performance-based stock options	—	—	—	—	—	26,435
Total		—	—	—	—	—	81,164

3. Dividends

(1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
August 12, 2022 Board of Directors meeting	Common shares	266,378	14.13	June 30, 2022	September 22, 2022

(Note) Total amount of dividend includes dividend paid to Custody Bank of Japan, Ltd. (Trust Account E) based on the Employee Stock Ownership Plan (J-ESOP) scheme.

(2) Dividends for which the record date falls in the fiscal year under review, but the effective date falls in the following fiscal year

(Resolution)	Class of shares	Total cash dividends (Thousand yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
August 14, 2023 Board of Directors meeting	Common shares	317,847	Retained earnings	16.84	June 30, 2023	September 22, 2023

(Note) Total amount of dividend includes dividend paid to Custody Bank of Japan, Ltd. (Trust Account E) based on the Employee Stock Ownership Plan (J-ESOP) scheme.

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

1. Class and total number of issued shares and class and total number of treasury shares

(Shares)

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common shares	19,400,000	–	–	19,400,000
Total	19,400,000	–	–	19,400,000
Treasury shares				
Common shares (Notes 1, 2)	717,075	–	28,159	688,916
Total	717,075	–	28,159	688,916

(Notes) 1. The decrease in treasury shares of common shares by 28,159 shares of common shares is due to the decrease of 27,159 shares owing to the granting of stock compensation with restrictions on transfers and the decrease of 1,000 shares owing to the granting of shares under the Japan Stock Ownership Plan (J-ESOP).
2. Following the introduction of the Employee Stock Ownership Plan (J-ESOP), Custody Bank of Japan, Ltd. (Trust Account E) purchased 1,000 shares of the Company on October 25, 2010. The number of treasury shares stated herein includes 191,600 shares at beginning of period and 190,600 shares at end of period in the Company held by the Trust Account E as of June 30, 2024.

2. Matters related to stock acquisition rights

Type	Schedule of stock acquisition rights	Class of shares for the purpose of stock acquisition rights	Number of shares for the purpose of stock acquisition rights				Balance at the end of period (Thousand yen)
			Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period	
Submitting company	1st series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	6,946
	2nd series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	6,075
	3rd series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	5,795
	4th series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	3,666
	1st series stock acquisition rights in the form of qualified stock options	—	—	—	—	—	22,447
	5th series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	4,410
	6th series stock acquisition rights in the form of stock options as stock-based compensation	—	—	—	—	—	5,386
	3rd series stock acquisition rights in the form of performance-based stock options	—	—	—	—	—	47,657
Total		—	—	—	—	—	102,385

3. Dividends

(1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
August 14, 2023 Board of Directors meeting	Common shares	317,847	16.84	June 30, 2023	September 22, 2023

(Note) Total amount of dividend includes dividend paid to Custody Bank of Japan, Ltd. (Trust Account E) based on the Employee Stock Ownership Plan (J-ESOP) scheme.

(2) Dividends for which the record date falls in the fiscal year under review, but the effective date falls in the following fiscal year

(Resolution)	Class of shares	Total cash dividends (Thousand yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
August 14, 2024 Board of Directors meeting	Common shares	418,672	Retained earnings	22.15	June 30, 2024	September 26, 2024

(Note) Total amount of dividend includes dividend paid to Custody Bank of Japan, Ltd. (Trust Account E) based on the Employee Stock Ownership Plan (J-ESOP) scheme.

(Notes to statement of cash flows)

*Relationship between “Cash and cash equivalents at end of period” and account items listed in the Balance Sheet
(Thousand yen)

	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)	Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)
Cash and deposits	14,070,800	16,657,168
Cash and cash equivalents	14,070,800	16,657,168

(Note) Cash and cash equivalents include ¥10,441,061 thousand and ¥11,427,285 thousand for the fiscal years ended June 30, 2023 and 2024, corresponding to receiving agency deposits.

(Notes on segment information, etc.)

[Segment information]

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

Description is omitted because the Company operates in a single segment of payment and authentication business.

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

Description is omitted because the Company operates in a single segment of payment and authentication business.

[Related information]

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

1. Information by product and service

Description is omitted because the Company operates in a single segment of payment and authentication business.

2. Information by region

(1) Net sales

Description is omitted because net sales to external customers in Japan account for more than 90% of total net sales stated in the Statement of Income.

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the Balance Sheet.

3. Information by major customer

(Thousand yen)

Customer name	Net sales	Related segment
Amazon Japan G.K.	2,397,340	Payment and authentication

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

1. Information by product and service

Description is omitted because the Company operates in a single segment of payment and authentication business.

2. Information by region

(1) Net sales

Description is omitted because net sales to external customers in Japan account for more than 90% of total net sales stated in the Statement of Income.

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment on the Balance Sheet.

3. Information by major customer

(Thousand yen)

Customer name	Net sales	Related segment
Amazon Japan G.K.	2,173,489	Payment and authentication
DEGICA Co., Ltd.	1,261,106	Payment and authentication

[Information on impairment of non-current assets by reported segment]

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

Segment information is omitted because the Company operates in the single segment of payment and authentication business, and it is immaterial in terms of disclosure information.

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

Segment information is omitted because the Company operates in the single segment of payment and authentication business, and it is immaterial in terms of disclosure information.

[Information on amortization and unamortized balance of goodwill by reported segment]

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

There is no relevant information.

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

There is no relevant information.

[Information on gain on bargain purchase by reported segment]

Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

There is no relevant information.

Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)

There is no relevant information.

(Per share information)

(Yen)

	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)	Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)
Net assets per share	410.38	437.87
Basic earnings per share	33.68	44.29
Diluted earnings per share	33.44	43.95

(Notes) 1. With respect to the number of treasury shares of common shares for the purpose of calculating net assets per share, as well as the average number of treasury shares of common shares during the period for the purpose of calculating basic earnings per share, the number of treasury shares does not include the number of shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E).

2. The basis of calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)	Fiscal year ended June 30, 2024 (from July 1, 2023 to June 30, 2024)
Basic earnings per share		
Profit (Thousand yen)	635,504	836,790
Amount not attributable to common shareholders (Thousand yen)	–	–
Profit available to common shares (Thousand yen)	635,504	836,790
Average number of shares of common shares during the period (Shares)	18,866,323	18,891,592
Diluted earnings per share		
Adjustment to profit (Thousand yen)	–	–
Increase in number of shares of common shares	139,031	149,981
(Stock acquisition rights included in the above)	(139,031)	(149,981)
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	One class of stock acquisition rights (59,700 shares of common shares)	One class of stock acquisition rights (59,700 shares of common shares)

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved at the meeting of the Board of Directors held on August 14, 2024 on matters relating to the purchase of its treasury shares in accordance with the provisions of Article 156, Paragraph 3 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the said Act, as follows.

- | | |
|--|--|
| 1. Reason for the purchase of treasury shares | The Company shall purchase treasury shares to provide further return of profits to shareholders. Furthermore, the conditions for the exercising of rights for the 3rd series stock acquisition rights in the form of performance-based stock options are expected to be achieved and the shortfall in the treasury shares held will be replenished not by a new share issuance but rather by this purchase of treasury shares. |
| 2. Details of matters concerning the purchase | |
| (1) Type of shares to be purchased | Common shares of the Company |
| (2) Total number of shares that can be purchased | Up to 500,000 shares |
| (3) Total amount of the purchase price of the shares | Up to ¥300 million |
| (4) Purchase period | From August 15, 2024 to September 30, 2024 |
| (5) Method of purchase | Market purchase at the Tokyo Stock Exchange |

5. Others

(1) Changes to Directors

- Resigning Director (Audit and Supervisory Committee Member)

Sachio Higashihara	Director (Audit and Supervisory Committee Member) (current position)
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- Candidates for new election as Director

Name	New position	Current position
Sachio Higashihara	Director	Director (Audit and Supervisory Committee Member)
Yoji Chujo	Director	Advisor
Yumi Tyrrel Yamamoto	Director (Audit and Supervisory Committee Member)	—

- Scheduled date of resignation or assuming office

September 25, 2024

(2) Others

There is no relevant information.