

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



January 31, 2025

Company name: WELLNET CORPORATION
 Stock exchange listing: Tokyo Stock Exchange, Sapporo Securities Exchange
 Code number: 2428
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 Scheduled date of filing semi-annual securities report: February 14, 2025
 Scheduled date of commencing dividend payments: –
 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 Six Months Ended December 31, 2024 (July 1, 2024 to December 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	%
Six months ended								
December 31, 2024	5,599	14.3	816	44.9	819	45.3	563	46.4
December 31, 2023	4,897	(0.5)	563	0.2	564	0.4	385	(13.4)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2024	30.13	29.36
December 31, 2023	20.39	20.26

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2024	35,839	8,307	22.9	442.95
As of June 30, 2024	27,141	8,378	30.5	437.87

(Reference) Equity: As of December 31, 2024: ¥8,211 million
 As of June 30, 2024: ¥8,276 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2024	Yen –	Yen 0.00	Yen –	Yen 22.15	Yen 22.15
Fiscal year ending June 30, 2025	–	0.00			
Fiscal year ending June 30, 2025 (Forecast)			–	26.46	26.46

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

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

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

* Notes:

(1) Adoption of special accounting procedures for preparing semi-annual 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, 2024: 19,400,000 shares

As of June 30, 2024: 19,400,000 shares

2) Total number of treasury shares at the end of the period:

As of December 31, 2024: 712,057 shares

As of June 30, 2024: 498,316 shares

3) Average number of shares during the period:

Six months ended December 31, 2024: 18,705,956 shares

Six months ended December 31, 2023: 18,881,610 shares

* Semi-annual financial results are outside the scope of 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 interim period under review (July 1, 2024 to December 31, 2024) continued to encounter uncertainties due to factors including unstable international affairs, the political situation, exchange rate, and resource prices.

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 "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. In addition, 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. Also, we began a collaboration with Japan Communications Inc. (Stock code: 9424, "JCI") utilizing JCI's authentication infrastructure to achieve a safe, secure, easy, and convenient to use "e-money with identity authentication" system with maximum efficiency.

We are promoting DX for transport-related companies through functional enhancements for the cloud service ALTAIR triple star, the core system for "Surutto QRtto" which launched in June 2024. Also, regarding our "embedded electronic money service," a deliverable product under large-scale development project, we are continuing to prepare for the expansion of our services in anticipation of the next generation, such as proceeding with functionality enabling each company to use its own money.

Amid the continuation of these activities, we have also seen an expansion in demand for our key products Multi Payment Services and Money Transfer Services. Consequently, for the interim period under review, the Company reported net sales of ¥5,599 million (up 14.3% year on year), operating profit of ¥816 million (up 44.9% year on year), ordinary profit of ¥819 million (up 45.3% year on year), and profit of ¥563 million (up 46.4% 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 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 connected to Mizuho Bank and has completed connections with major banks. In addition to payments for electric power companies, the number of potential payment use cases for local taxation and public utility charges that can be made is also increasing, especially in areas where there are many partner banks. Aside from that, we are deploying seamless linkage with our services 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 650 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 began development from 2017, is an all-in-one total cloud service that can automate a series of operations, from sales information aggregation to settlement processing in addition to inventory and timetable management for rides and events, ticket reservation, purchase, issuance, and authentication. 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 June 2024, “Surutto QRtto,” a server-type QR ticket service that can be used on major private railways in the Kansai region, commenced service. 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. 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.

Also, the number of customers using stamp, the smartphone barcode payment service adopted by Family Mart in September 2022, is steadily increasing. We are actively proposing the adoption of the product at other convenience stores.

D. Activities contributing to local communities

We recognize that the “IT utilization and DX” we promote itself contributes to global environmental conservation.

As part of our social contribution, we are also 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.

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. We are supporting brothers Masaya Yamada and Kazuya Yamada, athletes and employees of the Company, in their activities on the world stage. We also intend to actively utilize our service platform ekaiin.com, and boost the promotion of sports through the Company’s IT services.

Our head office earlier received the platinum rank of WELL Certification, the highest ranking of the WELL Certification that began in the U.S. to evaluate and certify spaces including buildings and offices from the standpoint of human health. More recently, our head office won the “36th Nikkei New Office Awards,” which awards creativity in office design. By providing our employees as human capital, with the best possible work environment, we are working to increase corporate value through measures such as increased productivity and workstyle reforms.

(2) Explanation of Financial Position

1) Status of assets, liabilities, and net assets

Total assets as of December 31, 2024 stood at ¥35,839 million. Current assets were ¥29,404 million. This mainly comprises cash and deposits of ¥23,214 million. Cash and deposits include ¥19,092 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 ¥961 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. Non-current assets amounted to ¥6,435 million. This mainly comprises property, plant and equipment of ¥3,819 million, intangible assets of ¥334 million, and investments and other assets of ¥2,280 million.

Meanwhile, total liabilities amounted to ¥27,532 million. This mainly comprises receiving agency deposits of ¥19,092 million.

Total net assets amounted to ¥8,307 million. This mainly comprises shareholders' equity of ¥8,207 million.

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

	(Million yen)	
	As of June 30, 2024	As of December 31, 2024
(A) Cash and deposits	16,657	23,214
(B) Receiving agency deposits	11,427	19,092
(C) Deposits related to remittance services	552	961
(A)-(B)-(C) Cash and deposits, net	4,677	3,160

2) Status of cash flows

Cash and cash equivalents (the “funds”) as of December 31, 2024 stood at ¥23,214 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 ¥8,390 million. The main factors for the increase are profit before income taxes of ¥820 million, an increase in deposits received of ¥881 million and an increase in receiving agency deposits of ¥7,665 million, while the main factor for the decrease is an increase in trade receivables of ¥252 million.

(Cash flows from investing activities)

Funds provided by investing activities amounted to ¥1,124 million. The main factor for the increase is payments of leasehold and guarantee deposits of ¥1,000 million.

(Cash flows from financing activities)

Funds used in financing activities amounted to ¥709 million. The main factors for the decrease are purchase of treasury shares of ¥299 million and dividends paid of ¥417 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, 2025 provided in the “Financial Results for the Fiscal Year Ended June 30, 2024 [Japanese GAAP] (Non-consolidated)” announced on August 14, 2024.

2. Semi-annual Financial Statements and Significant Notes

(1) Semi-annual Balance Sheet

(Thousands of yen)

	As of June 30, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	16,657,168	23,214,144
Accounts receivable - trade, and contract assets	809,182	1,061,345
Merchandise	2,202	4,073
Work in process	–	2,381
Supplies	600	652
Prepaid expenses	77,875	78,158
Deposits paid	3,641,155	4,111,255
Other	558,398	932,783
Total current assets	21,746,583	29,404,795
Non-current assets		
Property, plant and equipment	3,790,788	3,819,391
Intangible assets	340,829	334,909
Investments and other assets	1,263,173	2,280,853
Total non-current assets	5,394,791	6,435,153
Total assets	27,141,374	35,839,949
Liabilities		
Current liabilities		
Accounts payable - trade	483,478	533,367
Deposits received	4,250,235	5,131,309
Current portion of long-term borrowings	125,000	100,000
Receiving agency deposits	11,427,285	19,092,506
Income taxes payable	241,344	274,223
Provision for bonuses	24,963	16,089
Provision for point card certificates	1	1,031
Other	365,531	557,033
Total current liabilities	16,917,841	25,705,560
Non-current liabilities		
Long-term borrowings	1,600,000	1,575,000
Provision for share awards	83,610	88,286
Asset retirement obligations	15,941	16,003
Long-term accounts payable - other	119,007	119,007
Other	26,042	29,086
Total non-current liabilities	1,844,600	1,827,383
Total liabilities	18,762,442	27,532,944
Net assets		
Shareholders' equity		
Share capital	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	4,766,481	4,847,705
Treasury shares	(671,118)	(816,874)
Total shareholders' equity	8,272,361	8,207,829
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,185	3,260
Total valuation and translation adjustments	4,185	3,260
Share acquisition rights	102,385	95,914
Total net assets	8,378,932	8,307,004
Total liabilities and net assets	27,141,374	35,839,949

(2) Semi-annual Statement of Income
(Six months ended December 31)

(Thousands of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Net sales	4,897,559	5,599,312
Cost of sales	3,881,393	4,324,348
Gross profit	1,016,165	1,274,963
Selling, general and administrative expenses	452,294	458,066
Operating profit	563,871	816,897
Non-operating income		
Interest income	26	441
Gain on investments in investment partnerships	–	3,141
Gain on forfeiture of unclaimed dividends	437	467
Rental income	300	370
Other	1,492	962
Total non-operating income	2,256	5,382
Non-operating expenses		
Interest expenses	1,802	2,334
Loss on investments in investment partnerships	199	–
Total non-operating expenses	2,002	2,334
Ordinary profit	564,125	819,945
Extraordinary income		
Gain on reversal of share acquisition rights	60	93
Total extraordinary income	60	93
Profit before income taxes	564,185	820,039
Income taxes - current	168,262	249,807
Income taxes - deferred	10,892	6,649
Total income taxes	179,154	256,456
Profit	385,030	563,582

(3) Semi-annual Statement of Cash Flows

(Thousands of yen)

	Six months ended December 31, 2023	Six months ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	564,185	820,039
Gain on reversal of share acquisition rights	(60)	(93)
Depreciation	164,523	146,690
Interest and dividend income	(50)	(473)
Interest expenses	1,802	2,334
Loss (gain) on investments in investment partnerships	199	(3,141)
Decrease (increase) in trade receivables	(135,527)	(252,162)
Decrease (increase) in inventories	885	(4,305)
Increase (decrease) in trade payables	79,095	49,888
Decrease (increase) in deposits paid	(22,410)	(470,100)
Increase (decrease) in deposits received	144,737	881,073
Increase (decrease) in receiving agency deposits	2,038,213	7,665,220
Other, net	(83,140)	(224,030)
Subtotal	2,752,454	8,610,940
Interest and dividends received	50	473
Interest paid	(914)	(2,421)
Income taxes paid	(201,101)	(218,372)
Net cash provided by (used in) operating activities	2,550,489	8,390,620
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,183)	(41,404)
Purchase of intangible assets	(25,208)	(84,683)
Purchase of investment securities	(101,388)	–
Proceeds from share of profits on investments in capital	7,000	2,000
Payments of leasehold and guarantee deposits	(3,137)	(1,000,000)
Proceeds from refund of leasehold and guarantee deposits	510,320	–
Net cash provided by (used in) investing activities	375,403	(1,124,088)
Cash flows from financing activities		
Purchase of treasury shares	–	(299,922)
Proceeds from issuance of share acquisition rights	–	57,742
Repayments of long-term borrowings	(25,000)	(50,000)
Dividends paid	(316,879)	(417,376)
Net cash provided by (used in) financing activities	(341,879)	(709,556)
Net increase (decrease) in cash and cash equivalents	2,584,013	6,556,975
Cash and cash equivalents at beginning of period	14,070,800	16,657,168
Cash and cash equivalents at end of period	16,654,813	23,214,144

(4) Notes to Semi-annual Financial Statements

(Changes in accounting policies)

Application of Accounting Standard for Current Income Taxes

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter, “Revised Accounting Standard 2022”), etc. has been applied since the beginning of the first quarter of the fiscal year ending June 30, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, “Revised Guidance 2022”).

The change in accounting policies had no impact on the Semi-annual Financial Statements.

(Changes in accounting estimates)

There is no relevant information.

(Adoption of special accounting procedures for preparing semi-annual financial statements)

There is no relevant information.

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

The Company repurchased 364,400 shares of treasury shares in accordance with a resolution of the Board of Directors meeting held on August 14, 2024. As a result, treasury shares increased by ¥299,922 thousand during the three months ended September 30, 2024. In addition, treasury shares decreased by ¥154,166 thousand due to the exercise of share acquisition rights, and as of December 31, 2024, treasury shares totaled ¥816,874 thousand.

(Notes on going concern assumption)

There is no relevant information.

(Significant subsequent events)

There is no relevant information.