

**Financial Results**  
**for the Fiscal Year Ended June 30, 2021**  
**[Japanese GAAP]**  
**(Non-consolidated)**



August 10, 2021

Company name: WELLNET CORPORATION  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 2428  
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 Scheduled date of annual general meeting of shareholders: September 22, 2021  
 Scheduled date of commencing dividend payments: September 24, 2021  
 Scheduled date of filing securities report: September 24, 2021  
 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, 2021 (July 1, 2020 to June 30, 2021)**

(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, 2021	8,842	(5.7)	567	(30.6)	666	(19.4)	393	(20.3)
June 30, 2020	9,379	(6.5)	817	62.4	826	55.8	494	31.9

	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, 2021	20.94	20.87	5.6	3.2	6.4
June 30, 2020	26.31	26.22	6.9	4.2	8.7

(Reference) Equity in earnings/loss of affiliates: Fiscal year ended June 30, 2021: ¥- million  
 Fiscal year ended June 30, 2020: ¥- million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	21,257	7,175	33.4	377.37
As of June 30, 2020	20,074	7,009	34.6	368.95

(Reference) Equity: As of June 30, 2021: ¥7,102 million  
 As of June 30, 2020: ¥6,936 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
As of June 30, 2021	2,599	(1,799)	1,013	10,423
As of June 30, 2020	(1,846)	(1,181)	(196)	8,609

## 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, 2020	-	0.00	-	13.15	13.15	247	50.0	3.5
Fiscal year ended June 30, 2021	-	0.00	-	15.47	15.47	291	73.9	4.1
Fiscal year ending June 30, 2022 (Forecast)	-	-	-	-	-		-	

Dividends for the fiscal year ended June 30, 2021 are scheduled to be determined by resolution of the Board of Directors on Tuesday, August 17, 2021.

The dividend payout ratio will be set at 50% or more for the fiscal year ending June 30, 2022. As an examination of the financial results forecast is still in progress, the Company will disclose this information in near future. For this reason, “-” has been entered for the year-end and total dividends.

## 3. Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)

As an examination of the financial results forecast for the fiscal year ending June 30, 2022 is still in progress, the Company will disclose this information in near future.

### \* 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, 2021: 19,400,000 shares

As of June 30, 2020: 19,400,000 shares

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

As of June 30, 2021: 577,865 shares

As of June 30, 2020: 598,024 shares

3) Average number of shares during the period:

Fiscal year ended June 30, 2021: 18,814,679 shares

Fiscal year ended June 30, 2020: 18,793,333 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

As an examination of the financial results forecast for the fiscal year ending June 30, 2022 is still in progress, the Company will disclose this information in near future.

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## 1. Overview of Business Results, etc.

### (1) Overview of Business Results

During the fiscal year under review, the Japanese economy showed signs of gradual recovery from the economic downturn caused by the COVID-19 pandemic, which had been continuing since the previous fiscal year. However, the second, third, and fourth waves of infection emerged in succession in the second half of the year. With the issuance of semi-state of emergency coronavirus measures and the re-declaration of a state of emergency, the economy was impacted by the government's request to refrain from going out, temporary closures, and other measures. Although the number of people being vaccinated is rising, a state of emergency has been declared as of the date of submission of this report, and the outlook on when the pandemic will subside and the future of the economy remains uncertain.

In the non-face-to-face settlement market, the Company's business domain, the demand for travel in Japan has plummeted, and the impact on transportation-related businesses such as airlines, buses, and railroads has been devastating. Despite our efforts to reduce expenses and other costs and to develop new services, the Company's business performance remains in a difficult situation.

At the same time, DX (Digital Transformation) is being actively promoted in a wide variety of industries and business categories, and the awareness and consumption behaviors of individual consumers are also changing. In this context, the provision of services and purchase of products through non-face-to-face and non-contact means is increasing, and IT is playing an increasingly important role in society. In the midst of this paradigm shift, we have been supporting the promotion of services for consumers from the operator's side as a product provider, such as the priority measures "Response to the age of electronic money" and "Promotion of Bus IT Promotion Solution Project," with "paperless" and "cashless" as keywords. In this context, we have been working to provide a fintech platform that is closely connected to people's lives.

As a result of these business activities, for the fiscal year ended June 30, 2021, the Company reported net sales of ¥8,842 million (down 5.7% year on year), operating profit of ¥567 million (down 30.6% year on year), ordinary profit of ¥666 million (down 19.4% year on year), and profit of ¥393 million (down 20.3% year on year).

### (2) Overview of Financial Position

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

##### (Assets)

Current assets as of June 30, 2021 stood at ¥14,034 million. This mainly comprises cash and deposits of ¥10,503 million, deposits paid of ¥2,124 million and accounts receivable - trade of ¥480 million. Cash and deposits include ¥8,349 million of receiving agency deposits in money collection business, which is the money kept temporarily and separately by the Company up to the predetermined date of transfer to operators in the following month. Meanwhile, non-current assets amounted to ¥7,223 million. This mainly comprises buildings of ¥2,355 million, land of ¥1,739 million, guarantee deposits of ¥1,449 million, and software of ¥731 million. As a result, total assets amounted to ¥21,257 million.

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

(Thousand yen)

	As of June 30, 2020	As of June 30, 2021
(A) Cash and deposits	8,689,868	10,503,958
(B) Receiving agency deposits	6,339,896	8,349,597
(A)-(B) Cash and deposits, net	2,349,972	2,154,360

(Liabilities)

Current liabilities as of June 30, 2021 stood at ¥11,960 million. This mainly comprises receiving agency deposits of ¥8,349 million and deposits received of ¥2,457 million. Meanwhile, non-current liabilities amounted to ¥2,121 million. This mainly comprises long-term borrowings of ¥1,900 million. As a result, total liabilities amounted to ¥14,081 million.

(Net assets)

Net assets as of June 30, 2021 stood at ¥7,175 million. This mainly comprises shareholders' equity of ¥7,097 million.

2) Status of cash flows

Cash and cash equivalents (the “funds”) as of June 30, 2021 stood at ¥10,423 million.

The status of cash flows as of June 30, 2021 and their contributing factors are as follows.

(Cash flows from operating activities)

Funds provided in operating activities for the fiscal year ended June 30, 2021 amounted to ¥2,599 million. The main factors for the increase are profit before income taxes of ¥666 million, recording of depreciation of ¥366 million and an increase in receiving agency deposits of ¥2,009 million, while the main factor for the decrease is payments of income taxes of ¥312 million.

(Cash flows from investing activities)

Funds used in investing activities for the fiscal year ended June 30, 2021 amounted to ¥1,799 million. The main factor for the decrease is the purchase of property, plant and equipment of ¥1,508 million.

(Cash flows from financing activities)

Funds provided in financing activities for the fiscal year ended June 30, 2021 amounted to ¥1,013 million. The main factor for the increase is proceeds from long-term borrowings of ¥2,000 million, while the main factor for the decrease is repayments of short-term borrowings of ¥740 million.

(3) Basic Policy for Profit Sharing and Dividends for the Fiscal Year under Review

We plan for the dividend payout ratio for the fiscal year ended June 30, 2021 to be 50% or more. In addition, we have decided to pay a commemorative dividend of ¥5 per share, as stated in the timely disclosure “Notice of Commemorative Dividend upon Completion of New Sapporo Office Building and Relocation of Head Office” on June 28, 2021. Accordingly, the Company currently plans to issue ¥15.47 per share.

## 2. Management Policy

Basic policy and strategy for the fiscal year ending June 30, 2022

The non-face-to-face settlement market, the Company's business domain, is expected to become increasingly electronic in the future. In payments, we have developed and released *Shiharai-Hisho*, which connects payment objects and payments via smartphone. At the same time, we are promoting the expansion of content platforms for payments and more, through in-house development and in collaboration with cloud services of other companies.

### A. Current status of "Smartphone payment service," *Shiharai-Hisho*

The *Shiharai-Hisho* service connecting bank accounts and payment objects via smartphone has already been introduced in the electric power companies of Kansai, Kyushu, Hokkaido, Tohoku, Shikoku, Hokuriku, Chubu, and Chugoku. Chubu Electric Power Co., Inc. was the first company in the electric power industry to commence SMS (short message service) based electronic invoicing of electricity bills in April 2020, and we believe that electronic invoicing will continue to accelerate.

In addition, the number of local taxation and public utility charges payments that can be made using the *Shiharai-Hisho* service is increasing, especially in areas where there are many affiliated banks. With the smartphone app *Bus Mori!* that we have promoted, the number of routes on which customers can pay for tickets and passes using the *Shiharai-Hisho* service is also increasing. In February 2021, we released *ekaiin.com*, a membership management system that enables electronic billing and payment of various expenses using the *Shiharai-Hisho* service and credit cards in the area of membership management, which has not been digitized in the past. We are also working on the development of new and enhanced functions for *Shiharai-Hisho*, which will enable safe and secure non-stop payment, a step up from the current one-stop payment system.

In June this year, we announced a business alliance with Sony Payment Services Inc., a Sony Group company, in the settlement agency business, and we have started to expand sales of *Shiharai-Hisho* utilizing the know-how of both companies.

On the other hand, we have completed alliances with 36 banks, including Sumitomo Mitsui Banking Corporation and Japan Post Bank Co., Ltd. However, after a series of large-scale incidents of unauthorized use of fund transfer agent accounts connected with several banks, the Company has frozen the use of some of these banks and is working to resume operations with them after implementing security measures related to identity verification. As of the end of July 2021, the number of available banks has recovered to 12, and we will continue our efforts to increase this number.

### B. Driving forward our Bus IT Promotion Project

Launched in August 2016, *Bus Mori!* has been expanded to handle more than 330 routes, including smartphone tickets, smartphone coupon tickets, smartphone commuter passes, and smartphone free passes. Despite the decline in demand due to the COVID-19 pandemic, we have been able to capture a certain level of demand for smartphone commuter tickets and coupon tickets, which are often used for daily routes. In this environment, the Company is promoting the development and provision of *ALTAIR*, a MaaS cloud service for the public transportation industry. *ALTAIR* is an all-in-one ticket sales system that aims to automate a series of operations, from bus seat inventory management, reservation and purchase acceptance, ticket issuance and lifecycle management, to sales information aggregation and inter-operator settlement processing. *DohNa!!*, a MaaS service that allows enables inter-boarding of Hakodate's trams, buses and railroads launched in January 2020. Since then, the use of the service has been expanded to include excursion tickets, and the service will be introduced in the Sendai City MaaS project in October 2021. *Bus Mori!* and *ALTAIR*, non-contact services that enable passengers to avoid person-to-person contact at sales windows, are showing promise as countermeasures against the spread of COVID-19 infection. We will continue to develop these services going forward as a "total cloud service" to promote DX in the transportation industry.

#### 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 will continue to meet the needs of businesses as we shift to settlement with smartphones at the core.

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

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. Many letters of gratitude were received from these students, which motivated our employees. Although many students across Japan were affected by COVID-19 in the fiscal year 2020, there were no students who dropped out due to financial difficulties at the four colleges of technology in Hokkaido as a result of our support. We will continue these activities moving forward.

In addition, Sapporo City aims to become a sustainable city with a good living environment based on the revised Building Energy Conservation Law, and has established the Comprehensive Assessment System for Building Environmental Efficiency in Sapporo (CASBEE Sapporo) with the aim of spreading and promoting environmentally efficient buildings. Our new Sapporo head office, which was completed in June 2021, has already received the A rank under CASBEE Sapporo.

Furthermore, with the completion of the new Sapporo head office, we are aiming to obtain the platinum rank of WELL certification through office design and operation that consider the health and working environment of our employees. The WELL Certification is an initiative that began in 2014 in the U.S. to evaluate and certify spaces including buildings and offices from the standpoint of human health. It is a cutting edge initiative in Japan, with only a few certifications awarded. This initiative represents an investment in the Company's most important asset, our employees, 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

As an examination of the performance forecast is still in progress, the Company will disclose this information in near future. Meanwhile, out of consideration for our shareholders, we plan for the dividend payout ratio to continue to be 50% or more.

### 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, 2020	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	8,689,868	10,503,958
Accounts receivable - trade	474,856	480,070
Merchandise	2,577	2,156
Work in process	2,884	9,456
Supplies	6,572	280
Prepaid expenses	90,657	68,131
Deposits paid	4,394,838	2,124,080
Other	842,220	846,083
<b>Total current assets</b>	<b>14,504,476</b>	<b>14,034,219</b>
Non-current assets		
Property, plant and equipment		
Buildings	280,578	2,514,130
Accumulated depreciation	(152,207)	(158,293)
Buildings, net	128,371	2,355,836
Structures	12,799	60,315
Accumulated depreciation	(9,785)	(10,463)
Structures, net	3,014	49,851
Vehicles	-	870
Accumulated depreciation	-	(36)
Vehicles, net	-	833
Tools, furniture and fixtures	675,019	633,795
Accumulated depreciation	(563,348)	(447,510)
Tools, furniture and fixtures, net	111,671	186,285
Land	1,739,209	1,739,209
Construction in progress	869,007	15,770
<b>Total property, plant and equipment</b>	<b>2,851,274</b>	<b>4,347,788</b>
Intangible assets		
Trademark right	1,421	1,145
Software	874,769	731,897
Other	-	283
<b>Total intangible assets</b>	<b>876,190</b>	<b>733,326</b>
Investments and other assets		
Investment securities	203,759	274,891
Long-term prepaid expenses	48,006	212,690
Investments in capital	75,990	82,148
Guarantee deposits	1,285,509	1,449,947
Prepaid pension costs	20,218	11,625
Deferred tax assets	207,165	109,354
Other	2,220	1,476
<b>Total investments and other assets</b>	<b>1,842,871</b>	<b>2,142,134</b>
<b>Total non-current assets</b>	<b>5,570,337</b>	<b>7,223,249</b>
<b>Total assets</b>	<b>20,074,813</b>	<b>21,257,468</b>



(Thousands of yen)

	As of June 30, 2020	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	454,549	423,282
Short-term borrowings	740,000	-
Current portion of long-term borrowings	-	100,000
Accounts payable - other	155,437	523,843
Accrued expenses	18,232	17,483
Income taxes payable	210,987	70,502
Advances received	313	283
Deposits received	4,903,373	2,457,239
Receiving agency deposits	6,339,896	8,349,597
Provision for point card certificates	5	38
Other	44,500	18,026
Total current liabilities	12,867,295	11,960,298
Non-current liabilities		
Long-term borrowings	-	1,900,000
Provision for share-based remuneration	54,073	66,758
Asset retirement obligations	-	10,851
Long-term accounts payable - other	119,007	119,007
Other	24,601	24,773
Total non-current liabilities	197,682	2,121,390
Total liabilities	13,064,977	14,081,688
<b>Net assets</b>		
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	369,212	503,512
Total retained earnings	3,551,222	3,685,522
Treasury shares	(788,210)	(764,630)
Total shareholders' equity	6,940,011	7,097,891
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(3,067)	4,995
Total valuation and translation adjustments	(3,067)	4,995
Share acquisition rights	72,892	72,892
Total net assets	7,009,836	7,175,779
Total liabilities and net assets	20,074,813	21,257,468

## (2) Statement of Income

(Thousands of yen)

	Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
Net sales	9,379,528	8,842,004
Cost of sales	7,758,259	7,511,062
Gross profit	1,621,268	1,330,942
Selling, general and administrative expenses	803,864	763,422
Operating profit	817,404	567,519
Non-operating income		
Interest income	471	48
Interest on securities	537	7,543
Dividend income	44	-
Gain on investments in investment partnerships	1,034	28,697
Insurance claim income	305	-
Gain on forfeiture of unclaimed dividends	1,237	1,645
Surrender value of insurance policies	-	57,420
Rental income	3,921	3,471
Other	1,867	7,303
Total non-operating income	9,418	106,129
Non-operating expenses		
Interest expenses	178	2,241
Foreign exchange losses	-	4,953
Total non-operating expenses	178	7,195
Ordinary profit	826,644	666,454
Extraordinary income		
Gain on reversal of share acquisition rights	4,821	-
Total extraordinary income	4,821	-
Extraordinary losses		
Impairment loss	112,659	-
Total extraordinary losses	112,659	-
Profit before income taxes	718,805	666,454
Income taxes - current	279,363	178,248
Income taxes - deferred	(54,966)	94,288
Total income taxes	224,397	272,536
Profit	494,408	393,918

## (Schedule of cost of sales)

## Schedule of cost of sales

Class	Note no.	Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)			Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)		
		Amount (Thousand yen)		Com- position (%)	Amount (Thousand yen)		Com- position (%)
I. Cost of merchandise sold							
1. Beginning merchandise		2,133			2,577		
2. Cost of purchased merchandise		24,431			23,053		
Total		26,564			25,630		
3. Ending merchandise		2,577	23,987	0.3	2,156	23,473	0.3
II. Labor cost			410,962	5.2		513,382	6.7
III. Expenses	*2		7,286,084	91.6		6,918,726	90.5
IV. Subcontract expenses			237,441	3.0		186,287	2.4
Total			7,958,476	100.0		7,641,871	100.0
Transfer to other account	*3		205,907			124,237	
Beginning work-in-process			8,574			2,884	
Ending work-in-process			2,884			9,456	
Cost of sales	*1		7,758,259			7,511,062	

(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, 2020	Fiscal year ended June 30, 2021
Receiving agency fees	6,376,213	5,993,232
Invoice postage fees	217,202	221,598
Depreciation	373,112	339,345
Other	319,557	364,550
Total	7,286,084	6,918,726

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

(Thousand yen)

Item	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Software	205,684	111,483
Research and development expenses	223	12,754
Total	205,907	124,237

### (3) Statement of Changes in Equity

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	667,782	3,509,216	3,509,216	22,010	3,160,000	835,844	4,017,854
Changes of items during period							
Dividends of surplus						(937,847)	(937,847)
Profit						494,408	494,408
Disposal of treasury shares						(23,192)	(23,192)
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	(466,632)	(466,632)
Balance at end of current period	667,782	3,509,216	3,509,216	22,010	3,160,000	369,212	3,551,222

	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 current period	(841,337)	7,353,515	(98)	(98)	90,165	7,443,582
Changes of items during period						
Dividends of surplus		(937,847)				(937,847)
Profit		494,408				494,408
Disposal of treasury shares	53,127	29,934				29,934
Net changes of items other than shareholders' equity			(2,969)	(2,969)	(17,272)	(20,241)
Total changes of items during period	53,127	(413,504)	(2,969)	(2,969)	(17,272)	(433,746)
Balance at end of current period	(788,210)	6,940,011	(3,067)	(3,067)	72,892	7,009,836

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	667,782	3,509,216	3,509,216	22,010	3,160,000	369,212	3,551,222
Changes of items during period							
Dividends of surplus						(247,246)	(247,246)
Profit						393,918	393,918
Disposal of treasury shares						(12,371)	(12,371)
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	134,300	134,300
Balance at end of current period	667,782	3,509,216	3,509,216	22,010	3,160,000	503,512	3,685,522

	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 current period	(788,210)	6,940,011	(3,067)	(3,067)	72,892	7,009,836
Changes of items during period						
Dividends of surplus		(247,246)				(247,246)
Profit		393,918				393,918
Disposal of treasury shares	23,579	11,208				11,208
Net changes of items other than shareholders' equity			8,062	8,062		8,062
Total changes of items during period	23,579	157,880	8,062	8,062	-	165,943
Balance at end of current period	(764,630)	7,097,891	4,995	4,995	72,892	7,175,779

## (4) Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	718,805	666,454
Depreciation	376,956	366,442
Impairment loss	112,659	-
Interest and dividend income	(1,052)	(7,592)
Interest expenses	178	2,241
Loss (gain) on investments in investment partnerships	(1,034)	(28,697)
Surrender value of insurance policies	-	(57,420)
Foreign exchange losses (gains)	-	4,953
Decrease (increase) in trade receivables	85,858	(5,214)
Decrease (increase) in inventories	112	140
Increase (decrease) in trade payables	(22,245)	(31,266)
Decrease (increase) in deposits paid	(3,343,178)	2,270,758
Increase (decrease) in deposits received	3,765,249	(2,446,134)
Increase (decrease) in receiving agency deposits	(3,053,971)	1,996,043
Other, net	(342,982)	183,149
<b>Subtotal</b>	<b>(1,704,644)</b>	<b>2,913,858</b>
Interest and dividends received	3,357	508
Interest paid	(1,484)	(1,943)
Income taxes paid	(144,008)	(312,626)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,846,779)</b>	<b>2,599,796</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	-	(70,620)
Purchase of property, plant and equipment	(893,590)	(1,508,251)
Purchase of intangible assets	(224,316)	(146,417)
Payments into time deposits	(6)	(6)
Proceeds from withdrawal of time deposits	1,000,000	-
Proceeds from share of profits on investments in capital	23,000	33,089
Payments of leasehold and guarantee deposits	(1,086,866)	(200,000)
Proceeds from refund of leasehold deposits	-	35,562
Proceeds from cancellation of insurance funds	-	57,420
<b>Net cash provided by (used in) investing activities</b>	<b>(1,181,780)</b>	<b>(1,799,223)</b>
<b>Cash flows from financing activities</b>		
Proceeds from disposal of treasury shares resulting from exercise of share acquisition rights	1	-
Dividends paid	(936,930)	(246,490)
Repayments of short-term borrowings	-	(740,000)
Proceeds from short-term borrowings	740,000	-
Proceeds from long-term borrowings	-	2,000,000
<b>Net cash provided by (used in) financing activities</b>	<b>(196,928)</b>	<b>1,013,509</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,225,489)</b>	<b>1,814,082</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>11,835,344</b>	<b>8,609,855</b>
<b>Cash and cash equivalents at end of period</b>	<b>8,609,855</b>	<b>10,423,938</b>

(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 rises, 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” (PTIF 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 ¥88,703 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 at the end of the previous fiscal year was 191,600 shares and was 191,600 shares at the end of the current fiscal year. The average number of shares during the fiscal year was 191,835 shares in the previous fiscal year and 191,600 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.

(Accounting estimates related to the impact of COVID-19)

As for the effects of COVID-19, is highly uncertain whether how infections will spread in the future, or when the spread of infections will be brought under control, etc., and the Company’s business activities have been affected.

The Company has made estimates of the recoverability of deferred tax assets and impairment accounting for non-current assets on the assumption that the effects of COVID-19 will continue for a certain period of time in the following fiscal year based on the available information.

(Significant accounting policies)

1. Valuation standards and valuation methods for securities

(1) Held-to-maturity securities

Amortized cost method (interest method)

(2) Available-for-sale securities

Available-for-sale securities with market value

The market value method is applied, based on the market value as of the fiscal-end. The entire valuation difference from the purchase price is recorded directly as net assets, and the cost of securities sold is calculated using the moving-average method.

2. Valuation standards and valuation methods of inventories

(1) Merchandise

Stated at cost using the moving-average method (balance sheet amount is calculated by writing down the book value of assets which decreased in profitability).

(2) Work in process

Stated at cost using the specific identification method (balance sheet amount is calculated by writing down the book value of assets which decreased in profitability).

(3) Supplies

Stated at cost using the last purchase price method (balance sheet amount is calculated by writing down the book value of assets which decreased in profitability).

3. Depreciation methods of non-current assets

(1) Property, plant and equipment

Declining balance method (however, straight-line method for all the buildings (excluding accessories) acquired on or after April 1, 1998, accessories to buildings and structures acquired on or after April 1, 2016, and server equipment providing services on an integrated basis with software, of tools, furniture and fixtures).

The useful lives of the major assets are as follows.

Buildings: 7-50 years

Tools, furniture and fixtures: 3-15 years

(2) Intangible assets

Straight-line method

Software for internal use is amortized based on its internally estimated useful life (3 to 5 years).

4. Basis for recording allowances

(1) Allowance for doubtful accounts

To prepare for bad debt losses, the Company records estimated amount of uncollectable receivables, based on loan loss ratio for general receivables, and case-by-case review of collectability for specific receivables such as doubtful accounts receivable. Since actual loan loss until the end of the fiscal year under review was negligible, loan loss ratio for general receivables is assumed as zero.

(2) Provision for bonuses

To prepare for the payment of bonuses for employees, estimated amount of payment of bonuses is recorded.



(3) Provision for retirement benefits

To prepare for the payment of employees' retirement benefits, an amount based on retirement benefit obligations (amount required by simplified method at year-end to pay for voluntary termination) and pension assets as of the end of the fiscal year under review is recorded. In the event that pension assets exceed retirement benefit obligations, such excess shall be recorded as prepaid pension cost under "other" in investments and other assets.

(4) Provision for granting of shares

To prepare for the granting of shares to employees in accordance with the Share Granting Rules, estimated amount of share granting obligations as of the end of the fiscal year under review is recorded.

(5) Provision for point card certificates

We give points to people who have *Shiharai-Hisho* accounts, and record the amount expected to be used in the future as point reserves to prepare for future obligations in the event that these points are used.

5. The range of cash within the statement of cash flows

Cash within the statement of cash flows include cash at hand, demand deposits and short-term investments that are easily converted into cash, with little risk of fluctuation in value and reach maturity within three months from acquisition.

6. Other significant matters underlying the preparation of financial statements

Accounting of consumption taxes

All transactions are recorded net of consumption taxes and local consumption taxes.

Non-deductible consumption taxes are recorded as periodic expenses for the fiscal year in which they incur. However, non-deductible consumption taxes associated with non-current assets are recorded under "other" in investments and other assets, subject to equal amortization in accordance with the provisions of the Corporation Tax Act.

(Notes to Balance Sheet)

\* 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 10% in the previous fiscal year, and 3% in the fiscal year under review. Approximate ratio of expenses included in general and administrative expenses was 90% in the previous fiscal year, and 97% 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, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
Advertising expenses	54,723	1,095
Directors' compensations	61,937	63,740
Salaries, allowances and bonuses	274,839	217,295
Rent expenses	26,244	44,928
Depreciation	3,844	27,097
Commission fees	41,286	43,509

\*2 Total research and development expenses included in selling, general and administrative expenses

	(Thousand yen)	
	Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
	11,344	14,229

\*3 Impairment loss

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

The Group recorded an impairment loss for the following asset group for the fiscal year ended June 30, 2020.

Location	Use	Category
Sapporo-shi, Hokkaido (The Company)	Business assets	Software

(1) Reason for recognition of impairment loss

Book values of idle assets with no recoverability of the investment outlay among business assets have been written down to the memorandum value and such reduction was recorded as impairment loss.

(2) Breakdown of impairment loss

Software                                  ¥112,659 thousand

(3) Method of grouping

Grouped based on management accounting classification.

(4) Calculation method of recoverable value

Although recoverable values are measured based on their value in use, they are evaluated using the memorandum values, as no future cash flows are expected.

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

There is no relevant information.

(Notes to Statement of Changes in Equity)

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

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)	835,648	-	46,024	789,624
Total	835,648		46,024	789,624

- (Notes)
1. The decrease in treasury shares of common shares by 46,024 shares of common shares is due to the decreases of 22,100 shares associated with the exercise of stock options, the decreases of 22,924 shares due to the granting of stock compensation with restrictions on transfers, and payments of the Employee Stock Ownership Plan (J ESOP) of 1,000 shares.
  2. Following the introduction of the Employee Stock Ownership Plan (J-ESOP), Trust & Custody Services Bank, Ltd. (Trust Account E) purchased 1,000 shares of the Company on October 25, 2010. The number of treasury shares stated herein includes 192,600 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, 2020.

## 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
	2nd series stock acquisition rights in the form of performance-based stock options	-	-	-	-	-	15,419
	1st series stock acquisition rights in the form of qualified stock options	-	-	-	-	-	25,192
	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
Total		-	-	-	-	-	72,892

### 3. Dividends

#### (1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
August 16, 2019 Board of Directors meeting	Common shares	937,847	50.00	June 30, 2019	September 26, 2019

(Note) Total amount of dividend includes dividend paid to Trust & Custody Services Bank, 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 17, 2020 Board of Directors meeting	Common shares	247,245	Retained earnings	13.15	June 30, 2020	September 25, 2020

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

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

#### 1. Class and total number of issued shares and class and total number of treasury 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)	789,624	-	20,159	769,465
Total	789,624		20,159	769,465

(Notes) 1. The decrease in treasury shares of common shares by 20,159 shares of common shares is due to the decrease of 20,159 shares due to the granting of stock compensation with restrictions on transfers.  
2. Following the introduction of the Employee Stock Ownership Plan (J-ESOP), Trust & Custody Services Bank, 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, 2021.

## 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
	2nd series stock acquisition rights in the form of performance-based stock options	-	-	-	-	-	4,410
	1st series stock acquisition rights in the form of qualified stock options	-	-	-	-	-	15,419
	5th series stock acquisition rights in the form of stock options as stock-based compensation	-	-	-	-	-	25,192
	6th series stock acquisition rights in the form of stock options as stock-based compensation	-	-	-	-	-	5,386
Total		-	-	-	-	-	72,892

### 3. Dividends

#### (1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
August 17, 2020 Board of Directors meeting	Common shares	247,245	13.15	June 30, 2020	September 25, 2020

(Note) Total amount of dividend includes dividend paid to Trust & Custody Services Bank, 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 17, 2021 Board of Directors meeting	Common shares	291,178	Retained earnings	15.47	June 30, 2021	September 24, 2021

(Note) Total amount of dividend includes dividend paid to Trust & Custody Services Bank, 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, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
Cash and deposits	8,689,868	10,503,958
Securities	-	-
Time deposits with deposit terms of more than three months	(80,013)	(80,020)
Cash and cash equivalents	8,609,855	10,423,938

(Note) Cash and cash equivalents include ¥6,339,896 thousand and ¥8,349,597 thousand for the fiscal years ended June 30, 2020 and 2021, corresponding to receiving agency deposits.

(Segment information, etc.)  
[Segment information]

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

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

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

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

[Related information]

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

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 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.	3,405,621	Payment and authentication
Yahoo Japan Corporation	1,115,962	Payment and authentication

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

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 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.	2,984,447	Payment and authentication
Yahoo Japan Corporation	887,919	Payment and authentication

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

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

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

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

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

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

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

There is no relevant information.

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

There is no relevant information.

[Information on gain on bargain purchase by reported segment]

Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)

There is no relevant information.

Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)

There is no relevant information.

## (Per share information)

(Yen)

	Fiscal year ended June 30, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
Net assets per share	368.95	377.37
Basic earnings per share	26.31	20.94
Diluted earnings per share	26.22	20.87

(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 Trust & Custody Services Bank, 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, 2020 (from July 1, 2019 to June 30, 2020)	Fiscal year ended June 30, 2021 (from July 1, 2020 to June 30, 2021)
Basic earnings per share		
Profit (Thousand yen)	494,408	393,918
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit available to common shares (Thousand yen)	494,408	393,918
Average number of shares of common shares during the period (Shares)	18,793,333	18,814,679
Diluted earnings per share	26.22	20.87
Adjustment to profit (Thousand yen)	-	-
Increase in number of shares of common shares	64,808	62,984
(Stock acquisition rights included in the above)	(64,808)	(62,984)
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	-	-

## (Significant subsequent events)

There is no relevant information.

## 5. Others

### (1) Changes to Directors

There is no relevant information.

### (2) Others

There is no relevant information.