

**Financial Results**  
**for the Six Months Ended December 31, 2021**  
**[Japanese GAAP]**  
**(Non-consolidated)**



February 2, 2022

Company name: WELLNET CORPORATION  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 2428  
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 Scheduled date of filing quarterly securities report: February 14, 2022  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Yes

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

**1. Financial Results for the Six Months Ended December 31, 2021 (July 1, 2021 to December 31, 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	%
Six months ended								
December 31, 2021	4,452	(2.1)	385	14.4	386	8.2	282	14.2
December 31, 2020	4,550	(5.6)	336	(29.7)	357	(25.9)	247	(26.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
December 31, 2021	14.98	14.93
December 31, 2020	13.14	13.09

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	26,705	7,149	26.6	376.28
As of June 30, 2021	21,257	7,175	33.4	377.37

(Reference) Equity: As of December 31, 2021: ¥7,093 million  
 As of June 30, 2021: ¥7,102 million

**2. Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2021	Yen -	Yen 0.00	Yen -	Yen 15.47	Yen 15.47
Fiscal year ending June 30, 2022	-	0.00	-	-	-
Fiscal year ending June 30, 2022 (Forecast)	-	-	-	13.29	13.29

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

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit	
Full year	Million yen	%	Million yen	%	Million yen	%
	9,600	-	730	-	730	-

	Profit		Basic earnings per share
Full year	Million yen	%	Yen
	500	-	26.56

(Notes)

1. 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. The Company does not currently anticipate any extraordinary loss related to the handling of the former Sapporo office building or extraordinary loss related to the valuation of investment securities at this point in time. The Company will promptly announce any significant events that should be disclosed.
2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant ASBJ regulations from the beginning of the fiscal year ending June 30, 2022. Therefore, the financial results forecast above represents the amounts calculated by applying the said accounting standard and relevant regulations, and does not include year-on-year changes.

#### \* Notes:

(1) Adoption of special accounting procedures for preparing quarterly financial statements: No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For more details, please refer to “Changes in accounting policies, (4) Notes to Financial Statements, 2. Financial Statements and Significant Notes” on page 9 of the attached materials.

(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, 2021: 19,400,000 shares

As of June 30, 2021: 19,400,000 shares

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

As of December 31, 2021: 547,985 shares

As of June 30, 2021: 577,865 shares

3) Average number of shares during the period:

Six months ended December 31, 2021: 18,830,417 shares

Six months ended December 31, 2020: 18,807,344 shares

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

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

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

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

### (1) Explanation of Business Results

#### 1) Analysis of Business Results

In the Japanese economy in the six months of the fiscal year under review (July 1, 2021 to December 31, 2021), the impact of the novel coronavirus disease (COVID-19) has been prolonged, and the situation remains unpredictable.

In the non-face-to-face payment market, the Company's business domain, there has been a sharp decline in the movement of people such as inbound and domestic travel, and with the impact on transportation-related businesses such as airlines, buses, and railroads, especially during the year-end and New Year holidays, activity has not returned to pre-COVID-19 levels.

At the same time, DX (Digital Transformation) is being actively promoted in a wide variety of industries and business categories, and 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, the Company has been promoting activities such as "Response to the age of electronic money" and "Promotion of Bus IT Promotion Solution Project and the MaaS Business" as priority measures, with "paperless" and "cashless" as the keywords, and aiming to provide a lifestyle-based fin-tech platform in this context. We also promoted payments and more, such as the membership management system *ekaiin.com*, and improved operational efficiency by consolidating administrative departments in our new Sapporo head office. As a result, with respect to business results for the six months ended December 31, 2021, the Company reported net sales of ¥4,452 million (down 2.1% year on year), operating profit of ¥385 million (up 14.4% year on year), ordinary profit of ¥386 million (up 8.2% year on year) and profit of ¥282 million (up 14.2% year on year).

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

The non-face-to-face payment market, the Company's business domain, is expected to continue achieving a certain level of growth in the future, and we are promoting the expansion of payments and more functionality, and collaboration with content cloud service providers for systems promoting going paperless and for payments systems.

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

The *Shiharai-Hisho* service, which carries out payments via bank-account-linked smartphone has already been introduced at eight electric power companies. 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, and in the bus and railway industry, where the Company is promoting DX, the number of routes on which customers can use *Shiharai-Hisho* to pay for smartphone commuter passes and coupon tickets 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. In addition, we have completed the development of a new function, "non-stop payment," which is more advanced than the current one-stop payment function, and commenced marketing activities.

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 is working to resume operations with them after completion of security measures related to identity verification. As of the end of January 2022, the number of available banks has recovered to 15, 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 450 routes, including smartphone tickets, smartphone coupon tickets, smartphone commuter passes, smartphone free passes, and discount passes. Introduction of smartphone commuter passes and coupon tickets has been active amidst declining demand during the COVID-19 pandemic. In addition, the Company is promoting the additional development of functions for *ALTAIR triple star*, a MaaS cloud service, which the Company started the development five years ago.

*ALTAIR triple star* is an all-in-one total cloud service 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.

MaaS service *DohNa!!* was launched for use on Hakodate's trams, buses and railroads from January 2020, with the service subsequently expanded to excursion tickets and for use in the Sendai City MaaS project. *OkhoNavi*, a free pass sales service in the Hokkaido Okhotsk area, was launched in January 2022. The Company will actively develop services to meet the strong demand for 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 we announced successive introduction of the smartphone payment applications PayPay, LINE Pay, au PAY, and "d Payment" in January 2022. The Company aims to provide payment gateway services that meet the needs of both operators and consumers for increased convenience.

#### 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, we received reports that four colleges of technology in Hokkaido achieved a zero dropout rate 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 last year, 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 cases registered. 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

The performance forecast is as presented in "3. Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)" in summary information. In addition, out of consideration for our shareholders, we plan for the dividend payout ratio to be 50% or more.

(2) Explanation of Financial Position

1) Status of assets, liabilities, and net assets

Total assets as of December 31, 2021 stood at ¥26,705 million. Current assets were ¥19,651 million. This mainly comprises cash and deposits of ¥16,045 million. Cash and deposits include ¥13,825 million of receiving agency deposits in money collection business, which is the money kept temporarily by the Company up to the predetermined date of transfer to operators in the following month.

Non-current assets amounted to ¥7,054 million. This mainly comprises property, plant and equipment of ¥4,283 million, intangible assets of ¥673 million, and investments and other assets of ¥2,097 million.

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

	(Thousands of yen)	
	As of June 30, 2021	As of December 31, 2021
(A) Cash and deposits	10,503,958	16,045,568
(B) Receiving agency deposits	8,349,597	13,825,576
(A)-(B) Cash and deposits, net	2,154,360	2,219,991

Meanwhile, total liabilities amounted to ¥19,556 million. This mainly comprises receiving agency deposits of ¥13,825 million.

Total net assets amounted to ¥7,149 million. This mainly comprises shareholders' equity of ¥7,091 million.

2) Status of cash flows

Cash and cash equivalents (the "funds") as of December 31, 2021 stood at ¥15,965 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 ¥6,077 million. The main factor for the increase is a ¥5,475 million increase in receiving agency deposits, which are temporarily held by the Company as they are sent to vendors on a designated date in the following month. Funds from other operating activities were ¥601 million, excluding the increase in receiving agency deposits, mainly due to the recording of ¥403 million in profit before income taxes.

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

	(Thousands of yen)
	For the six months ended December 31, 2021
(A) Cash flows from operating activities	6,077,127
(B) Increase (decrease) in receiving agency deposits	5,475,978
(A)-(B) Cash flows from operating activities after adjustment	601,148

(Cash flows from investing activities)

Funds used in investing activities amounted to ¥220 million. The main factor for the decrease is ¥144 million used due to an increase in property, plant and equipment.

(Cash flows from financing activities)

Funds used in financing activities amounted to ¥315 million. The main factor for the decrease is dividends paid of ¥290 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, 2022 provided in the “Notice Concerning Announcement of Financial Results Forecasts and Dividend Forecasts” announced on August 17, 2021.

## 2. Financial Statements and Significant Notes

### (1) Balance Sheet

(Thousands of yen)

	As of June 30, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	10,503,958	16,045,568
Accounts receivable - trade	480,070	666,320
Merchandise	2,156	3,648
Work in process	9,456	-
Supplies	280	1,294
Deposits paid	2,124,080	2,330,280
Other	914,215	604,329
Total current assets	14,034,219	19,651,442
Non-current assets		
Property, plant and equipment	4,347,788	4,283,160
Intangible assets	733,326	673,697
Investments and other assets	2,142,134	2,097,365
Total non-current assets	7,223,249	7,054,223
Total assets	21,257,468	26,705,665
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	423,282	487,609
Deposits received	2,457,239	2,513,076
Current portion of long-term borrowings	100,000	100,000
Receiving agency deposits	8,349,597	13,825,576
Income taxes payable	70,502	128,941
Provision for bonuses	-	11,390
Provision for point card certificates	38	1,019
Other	559,637	394,691
Total current liabilities	11,960,298	17,462,304
Non-current liabilities		
Long-term borrowings	1,900,000	1,875,000
Provision for share awards	66,758	62,684
Asset retirement obligations	10,851	10,866
Long-term accounts payable - other	119,007	119,007
Other	24,773	26,569
Total non-current liabilities	2,121,390	2,094,127
Total liabilities	14,081,688	19,556,431
<b>Net assets</b>		
Shareholders' equity		
Share capital	667,782	667,782
Capital surplus	3,509,216	3,476,765
Retained earnings	3,685,522	3,676,459
Treasury shares	(764,630)	(729,679)
Total shareholders' equity	7,097,891	7,091,328
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,995	2,312
Total valuation and translation adjustments	4,995	2,312
Share acquisition rights	72,892	55,593
Total net assets	7,175,779	7,149,233
Total liabilities and net assets	21,257,468	26,705,665



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

(Thousands of yen)

	For the six months ended December 31, 2020	For the six months ended December 31, 2021
Net sales	4,550,121	4,452,604
Cost of sales	3,840,743	3,721,377
Gross profit	709,378	731,227
Selling, general and administrative expenses	372,762	346,146
Operating profit	336,615	385,080
Non-operating income		
Interest income	69	522
Gain on investments in investment partnerships	8,964	499
Gain on forfeiture of unclaimed dividends	1,645	1,164
Rental income	1,640	1,568
Subsidy income	4,759	3,705
Other	4,292	1,420
Total non-operating income	21,371	8,881
Non-operating expenses		
Interest expenses	762	2,003
Foreign exchange losses	-	5,274
Total non-operating expenses	762	7,278
Ordinary profit	357,224	386,683
Extraordinary income		
Gain on reversal of share acquisition rights	-	17,299
Total extraordinary income	-	17,299
Profit before income taxes	357,224	403,983
Income taxes - current	99,052	110,674
Income taxes - deferred	11,096	11,193
Total income taxes	110,148	121,867
Profit	247,075	282,115

## (3) Statement of Cash Flows

(Thousands of yen)

	For the six months ended December 31, 2020	For the six months ended December 31, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	357,224	403,983
Gain on reversal of share acquisition rights	-	(17,299)
Depreciation	175,725	223,045
Interest and dividend income	(69)	(522)
Interest expenses	762	2,003
Loss (gain) on investments in investment partnerships	(8,964)	(499)
Decrease (increase) in trade receivables	(100,121)	(186,250)
Decrease (increase) in inventories	(21,834)	6,951
Increase (decrease) in trade payables	59,580	64,327
Decrease (increase) in deposits paid	2,249,600	(206,200)
Increase (decrease) in deposits received	(2,500,773)	55,836
Increase (decrease) in receiving agency deposits	2,868,641	5,475,978
Other, net	175,302	304,594
<b>Subtotal</b>	<b>3,255,074</b>	<b>6,125,949</b>
Interest and dividends received	478	8,017
Interest paid	(628)	(1,038)
Income taxes paid	(186,880)	(55,799)
<b>Net cash provided by (used in) operating activities</b>	<b>3,068,043</b>	<b>6,077,127</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(773,068)	(144,396)
Purchase of intangible assets	(79,954)	(84,732)
Proceeds from share of profits on investments in capital	13,489	9,000
Proceeds from refund of guarantee deposits	35,562	-
<b>Net cash provided by (used in) investing activities</b>	<b>(803,970)</b>	<b>(220,129)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	740,000	-
Repayments of long-term borrowings	-	(25,000)
Dividends paid	(246,049)	(290,388)
<b>Net cash provided by (used in) financing activities</b>	<b>493,950</b>	<b>(315,388)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,758,023</b>	<b>5,541,609</b>
Cash and cash equivalents at beginning of period	8,609,855	10,423,938
<b>Cash and cash equivalents at end of period</b>	<b>11,367,878</b>	<b>15,965,548</b>

#### (4) Notes to Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

There is no relevant information.

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

There is no relevant information.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. Accordingly, for net sales for contracted development, this has been changed to the method where progress towards satisfaction of performance obligations is estimated and revenue is recognized based on the progress over time.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the first quarter of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, there is minimal impact on the opening balance. In addition, there is minimal impact on the profit or loss of the second quarter of the fiscal year under review.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Changes in accounting estimates)

There is no relevant information.

(Significant subsequent events)

There is no relevant information.