

**Financial Results**  
**for the Three Months Ended September 30, 2023**  
**[Japanese GAAP]**  
**(Non-consolidated)**



October 30, 2023

Company name: WELLNET CORPORATION  
 Stock exchange listing: Tokyo Stock Exchange, Sapporo Securities Exchange  
 Code number: 2428  
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 Scheduled date of filing quarterly securities report: November 10, 2023  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary briefing material on quarterly financial results: Not available  
 Schedule of quarterly financial results briefing session: No

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

**1. Financial Results for Three Months Ended September 30, 2023 (July 1, 2023 to September 30, 2023)**

(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	%
Three months ended								
September 30, 2023	2,315	1.9	261	11.4	261	15.2	178	(18.1)
September 30, 2022	2,272	8.5	234	79.6	226	68.4	217	100.7

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	9.45	9.39
September 30, 2022	11.56	11.49

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2023	23,312	7,690	32.6	402.88
As of June 30, 2023	24,892	7,826	31.1	410.38

(Reference) Equity: As of September 30, 2023: ¥7,604 million  
 As of June 30, 2023: ¥7,745 million

**2. Dividends**

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

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

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

(% indicates changes from the previous corresponding period.)

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

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

This forecast is based on the expectation that, with respect to the COVID-19 pandemic, 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 will promptly announce any significant events that should be disclosed.

#### \* Notes:

- (1) Adoption of special accounting procedures for preparing quarterly financial statements: No
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: No
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):
    - As of September 30, 2023: 19,400,000 shares
    - As of June 30, 2023: 19,400,000 shares
  - 2) Total number of treasury shares at the end of the period:
    - As of September 30, 2023: 525,475 shares
    - As of June 30, 2023: 525,475 shares
  - 3) Average number of shares during the period:
    - Three months ended September 30, 2023: 18,874,525 shares
    - Three months ended September 30, 2022: 18,852,015 shares

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

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

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

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

### (1) Explanation of Business Results

#### 1) Analysis of Business Results

The Japanese economy in the three months of the fiscal year under review (July 1, 2023 to September 30, 2023) continued to encounter uncertainties ahead caused by unstable international affairs and concern over an economic downturn due to the sharp rise in prices such as resource prices and energy bills. Meanwhile, when it comes to the impact of the COVID-19 pandemic on economic activity, reclassification of COVID-19 to a Class V Infectious Disease effective from May 8, 2023 has prompted normalization of social activity, which in turn has culminated in signs of improvement with respect to the business environment surrounding the Company.

Under these circumstances, in the Company's main business domain markets, the transportation-related businesses such as airlines, buses, and railroads have been on a path of recovery. At the same time, Digital Transformation (DX) is being actively promoted in a variety of industries and business categories, the non-face-to-face services are increasing, and IT is playing an increasingly important role in society.

The Company has also been promoting activities such as "Response to the age of electronic payment" and "IT Promotion Solution Project for the transportation industry and the MaaS Business" as priority measures, with "paperless" and "cashless" as the keywords, and conducting measures considering a lifestyle-based fin-tech platform in this context, and has focused on its "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*.

The Company has been promoting development of next-generation platforms, including "all-in-one cloud-based services for transport operators" and "electronic money," since 2016, and has embarked on a phase that will entail fully engaging in sales activities for these solutions going forward. As such, the Company will promote full-fledged sales activities more strongly rooted in local communities through its three-location business network based in Sapporo, Tokyo, and Osaka.

As a result of these efforts, with respect to business results for the three months ended September 30, 2023, the Company reported net sales of ¥2,315 million (up 1.9% year on year), operating profit of ¥261 million (up 11.4% year on year), ordinary profit of ¥261 million (up 15.2% year on year) and profit of ¥178 million (down 18.1 % year on year).

Furthermore, to increase the social significance of the Company's business activities and boost our corporate value, rather than investing our resources to maintain our listing on the Tokyo Stock Exchanges Prime Market, we decided that concentrating our limited management resources in developing our businesses would better contribute to boosting our corporate value, and transitioned to the Standard Market on October 20, 2023.

#### 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, has already been introduced at eight electric power companies, and the number of payments for local taxation and public utility charges that can be made using *Shiharai-Hisho* is also increasing, especially in areas where there are many partner banks, in addition to expanding a seamless linkage with the Company's cloud services as described in B below, which are *Bus Mori!*, *ALTAIR triple star*, and *ekaiin.com*, as well as developing embedded electronic money, as we expect a trend of the inclusion of electronic money in our own services in the future.

We are engaged in sales activities to link with the cloud services of transportation operations and evolve them into total services.

B. Actively promoting IT (DX) 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 more than 628 routes of bus and rail. In the wake of the COVID-19 pandemic, the Company is expanding smartphone commuter passes and smartphone coupon tickets, which can be purchased non-face-to-face. *ALTAIR triple star*, the cloud service for transport business operators that we have been developing since 2017, is an all-in-one total cloud service that can automate a series of operations, from inventory and timetable management for rides and events, ticket reservation, purchase, issuance, and authentication, to sales information aggregation and settlement processing. We have enjoyed the continuous use of *ALTAIR triple star* as a MaaS platform in regions throughout Japan. In the case of MaaS, which is provided jointly by multiple operators, our extensive knowledge and experience in the labor-intensive settlement operations is a major advantage. As announced in November 2022, this platform has been used effectively, leading the Company to be selected as the system development partner in a large-scale project with the KANSAI THRU PASS, aimed at non-IC digitalization, and we are working diligently toward launch through close coordination.

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

Multi Payment Services and Money Transfer Services are expected to have the potential for continued growth as a non-face-to-face payment platform. Various operators have been adopting the Company's payment services for over 30 years, and the Company aims to continue to enhance payment gateway services that contribute to increase in convenience for both operators and consumers. The Company will continue to promote the development of payments and more services, and we believe that we have a significant advantage in this area because of our payment infrastructure.

In September 2022, the new smartphone barcode payment service *stanp* developed by the Company was adopted by Family Mart stores all around Japan, allowing customers to make payments in real time by just directly scanning a barcode shown on their smartphone at the store cash registers. Going forward, the Company will actively promote sales activities to have the service adopted at convenience stores other than Family Mart as well.

D. Activities contributing to local communities

We recognize that our business of "IT utilization and DX" itself supports the shift to an environmentally friendly business model, and that business expansion itself contributes to global environmental conservation.

As part of our social contribution, we are providing support to many students through our WELLNET Scholarship, established to help financially struggling students at colleges of technology in Hokkaido. Approximately ¥86 million in scholarships was paid to a total of 768 students until the fiscal year 2022, directly contributing to zero students dropping out due to economic difficulties in the past three years. We will continue these activities moving forward.

Furthermore, with the aim of contributing to the promotion of local sports, the Company has participated in the "Scrum Sapporo" concept promoted by Hokkaido All Olympians, and concluded a sponsorship agreement in April 2022 to begin supporting Masaya Yamada, a speed skater who holds the Japanese record in the men's 1,000 meters and is expected to compete in the Olympics. He has been active as an employee of the Company since April 2023. We intend to actively utilize *ekaiin.com* to support athletes and also support the promotion of sports through the Company's IT services.

Our new Sapporo head office, which was completed in 2021 and is already in operation, received the platinum rank of WELL Certification in September 2022 for implementing office design that considers the health and working environment of our employees. The WELL Certification is an advanced initiative that

began in 2014 in the U.S. to evaluate and certify spaces including buildings and offices from the standpoint of human health. As of today, the majority of domestic entities that received the platinum rank are construction-related companies, but the Company is the first one to receive the rank in the fintech industry in Japan, and the first company in Hokkaido to do so as well. Furthermore, in August 2023, our Sapporo head office won the “36th Nikkei New Office Awards,” a system that awards creativity in office design. These initiative represents an investment in our employees as human capital, and we also believe that it will lead to increased corporate value in the form of increased productivity and workstyle reforms.

#### E. Performance forecast and shareholder returns

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

#### (2) Explanation of Financial Position

Total assets as of September 30, 2023 stood at ¥23,312 million. Current assets were ¥17,777 million. This mainly comprises cash and deposits of ¥12,975 million. Cash and deposits include ¥9,137 million of receiving agency deposits in money collection business, which is the money kept temporarily by the Company up to the predetermined date of transfer to operators in the following month. Non-current assets amounted to ¥5,534 million. This mainly comprises property, plant and equipment of ¥3,864 million, intangible assets of ¥401 million, and investments and other assets of ¥1,269 million.

Meanwhile, total liabilities amounted to ¥15,621 million. This mainly comprises receiving agency deposits of ¥9,137 million.

Total net assets amounted to ¥7,690 million. This mainly comprises shareholders’ equity of ¥7,599 million.

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

	(Millions of yen)	
	As of June 30, 2023	As of September 30, 2023
(A) Cash and deposits	14,070	12,975
(B) Receiving agency deposits	10,441	9,137
(A)-(B) Cash and deposits, net	3,629	3,838

#### (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, 2024 provided in the “Financial Results for the Fiscal Year Ended June 30, 2023 [Japanese GAAP] (Non-consolidated)” announced on August 14, 2023.

## 2. Financial Statements and Significant Notes

### (1) Balance Sheet

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	14,070,800	12,975,585
Accounts receivable - trade, and contract assets	604,434	698,219
Merchandise	3,532	3,029
Work in process	1,313	2,417
Supplies	898	788
Prepaid expenses	44,513	45,623
Deposits paid	3,449,042	3,343,652
Other	581,691	708,373
Total current assets	18,756,227	17,777,690
Non-current assets		
Property, plant and equipment	3,888,345	3,864,137
Intangible assets	444,212	401,615
Investments and other assets	1,803,621	1,269,055
Total non-current assets	6,136,180	5,534,808
Total assets	24,892,407	23,312,498
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	440,937	422,911
Deposits received	3,584,744	3,566,115
Current portion of long-term borrowings	75,000	100,000
Receiving agency deposits	10,441,061	9,137,420
Income taxes payable	223,285	94,696
Provision for bonuses	20,697	44,658
Provision for point card certificates	16	792
Other	319,833	315,987
Total current liabilities	15,105,577	13,682,582
Non-current liabilities		
Long-term borrowings	1,725,000	1,700,000
Provision for share awards	77,221	79,073
Asset retirement obligations	13,432	13,457
Long-term accounts payable - other	119,007	119,007
Other	25,222	27,807
Total non-current liabilities	1,959,883	1,939,346
Total liabilities	17,065,461	15,621,928
<b>Net assets</b>		
Shareholders' equity		
Share capital	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	4,264,341	4,124,950
Treasury shares	(703,349)	(702,886)
Total shareholders' equity	7,737,990	7,599,063
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,791	5,033
Total valuation and translation adjustments	7,791	5,033
Share acquisition rights	81,164	86,473
Total net assets	7,826,946	7,690,570
Total liabilities and net assets	24,892,407	23,312,498

(2) Statement of Income  
(Three months ended September 30)

(Thousands of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Net sales	2,272,366	2,315,974
Cost of sales	1,830,237	1,831,672
Gross profit	442,128	484,302
Selling, general and administrative expenses	207,504	222,928
Operating profit	234,624	261,374
Non-operating income		
Interest income	524	24
Rental income	478	150
Other	1,756	1,030
Total non-operating income	2,759	1,205
Non-operating expenses		
Interest expenses	957	907
Foreign exchange losses	5,365	–
Share acquisition rights issuance costs	2,570	–
Loss on investments in investment partnerships	1,560	199
Total non-operating expenses	10,453	1,107
Ordinary profit	226,930	261,471
Extraordinary income		
Gain on reversal of share acquisition rights	752	60
Subsidy income	88,399	–
Total extraordinary income	89,151	60
Profit before income taxes	316,081	261,532
Income taxes - current	107,224	84,291
Income taxes - deferred	(9,036)	(1,215)
Total income taxes	98,187	83,075
Profit	217,893	178,456



(3) Notes to Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

There is no relevant information.

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

There is no relevant information.

(Changes in accounting policies)

There is no relevant information.