

**Financial Results**  
**for the Nine Months Ended March 31, 2017**  
**[Japanese GAAP]**  
**(Non-consolidated)**



April 28, 2017

Company name: WELLNET CORPORATION  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 2428  
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 Scheduled date of filing quarterly securities report: May 15, 2017  
 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on quarterly financial results: None  
 Schedule of quarterly financial results briefing session: No

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

**1. Financial Results for the Nine Months Ended March 31, 2017 (July 1, 2016 to March 31, 2017)**

(1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
March 31, 2017	7,914	1.2	1,022	(39.8)	1,153	(32.7)	792	(31.3)
March 31, 2016	7,824	18.4	1,699	22.4	1,712	39.4	1,152	43.6

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
March 31, 2017	42.32	41.61
March 31, 2016	61.19	60.73

(Note) The Company conducted a 2-for-1 share split effective July 1, 2016, based on the resolution of the meeting of the Board of Directors of the Company held on May 19, 2016. Net income per share and diluted net income per share are calculated as if the share split had occurred at the beginning of the prior fiscal year.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	24,083	8,682	35.7	456.22
As of June 30, 2016	21,104	8,485	40.0	453.37

(Reference) Equity: As of March 31, 2017: ¥8,604 million  
 As of June 30, 2016: ¥8,446 million

(Note) The Company conducted a 2-for-1 share split effective July 1, 2016, based on the resolution of the meeting of the Board of Directors of the Company held on May 19, 2016. Net assets per share is calculated as if the share split had occurred at the beginning of the prior fiscal year.

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2016	Yen -	Yen 0.00	Yen -	Yen 80.00	Yen 80.00
Fiscal year ending June 30, 2017	-	0.00	-		
Fiscal year ending June 30, 2017 (Forecast)				50.00	50.00

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

(Note) Breakdown of year-end dividend for the fiscal year ended June 30, 2016

Ordinary dividend ¥74.00 Special dividend ¥6.00

(Note) On July 1, 2016, the Company carried out a 2-for-1 share split. For the fiscal year ended June 30, 2016, the actual amount of dividend before such share split is presented.

## 3. Financial Results Forecast for the Fiscal Year Ending June 30, 2017 (July 1, 2016 to June 30, 2017)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income	
Full year	Million yen	%	Million yen	%	Million yen	%
	11,100	5.4	1,000 – 1,500	(51.3) – (27.8)	950 – 1,450	(52.7) – (27.8)

	Net income		Net income per share	
Full year	Million yen	%	Yen	
	650 – 1,000	(51.9) – (25.9)	34.65 – 53.31	

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

(Note) Financial results forecast for the fiscal year ending June 30, 2017 is presented in ranges, since it is possible to fluctuate depending on the progress of new projects.

**\* 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):
    - March 31, 2017: 19,400,000 shares
    - June 30, 2016: 19,400,000 shares
  - 2) Total number of treasury shares at the end of the period:
    - March 31, 2017: 539,358 shares
    - June 30, 2016: 769,958 shares
  - 3) Average number of shares during the period:
    - Nine months ended March 31, 2017: 18,721,853 shares
    - Nine months ended March 31, 2016: 18,838,400 shares

\* These financial results are outside the scope of quarterly review procedures.

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

Financial results forecast presented herein is based on the information available as at the date of the announcement of this material, and involves considerable uncertainties. Actual results may differ from the forecast due to changes in business conditions.

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

### (1) Explanation of Business Results

The Japanese economy during the nine months ended March 31, 2017 was on a moderate recovery track, supported by improvements in corporate earnings and the employment situation, but the outlook continues to be uncertain. Meanwhile, in the non-face-to-face payment market, where the Company's business is centered, the B to C market has continued steady growth partly due to the effect of the spread of smartphones.

Under these circumstances, in the first fiscal year of the "Medium Term Five-Year Management Plan (July 2016 - June 2021)" announced in August 2016, the Company started the growth strategy aimed at achieving the target of ¥5.0 billion in ordinary income for the final fiscal year of the plan.

Under the Medium Term Five-Year Management Plan, we will continue to maintain and develop our existing business schemes with the expectation that the non-face-to-face market will steadily expand. In the meantime, we will actively make investment to turn major changes in the environment surrounding the Company into our new business opportunities as rapid progression and practical application of FinTech is expected.

In the nine months ended March 31, 2017, although net sales increased, operating income posted a year-on-year decrease because gross profit decreased and selling, general and administrative expenses increased. This result was primarily attributable to a rise in the ratio of the cost of sales, reflecting review of terms and conditions for transactions with major customers, the capital investment for the Sapporo Office, which handles development and operation of systems, as well as the expenditure for improvement of the structure aimed at enhancing the quality of human resources and greater sales promotion activities.

With regard to the development of existing business schemes, aside from starting to provide services to AirAsia Japan, of which operations commenced in 2017, as well as to Air China Limited, we have also begun to provide payment methods for donations starting April 2017, to "Furusato Choice," a comprehensive website operated by TRUSTBANK, Inc., for taxpayers to donate to municipalities of their choice. From May 2017, we will start providing services to the online train reservation service run by West Japan Railway Company (JR West Japan) and Kyushu Railway Company (JR Kyushu). This implementation of services is the first for JR railway companies.

With regard to Bus IT Promotion Solution, one of the main pillars of the growth strategy under the Medium Term Five-Year Management Plan, we introduced "Bus Mori! CONCIERGE," a smartphone application, which was considered a significant enhancement from "Bus Mori! NAVI," in August 2016.

The functions of "Bus Mori! CONCIERGE," a convenient application that allows users to complete all processes through a smartphone, are as follows.

- 1) Tickets of inter-city highway buses and airport limousine buses for over 100 bus routes already handled by the Company can be easily purchased using a smartphone.
- 2) If the ticket you regularly use is registered in "Immediate Purchase," the ticket can be purchased with just one click.
- 3) A ticket purchased in the "Immediate Purchase Mode" can be changed to the "next bus" with just one click (assuming usage at airports, etc.).
- 4) A ticket can also be purchased from the history list, etc.
- 5) The cancellation procedure can also be easily carried out with a smartphone.

The Company will position "Bus Mori! CONCIERGE" at the center of Bus IT Promotion Solution and proceed with the expansion of the number of bus routes. As of March 2017, we handle 144 bus routes in Japan, and are even more proactive in expanding them.

Starting from December 2016, the JR Bus Group supports "Smartphone Ticket," which allows passengers to use their smartphone screens as tickets. As of March 2017, the number of bus routes supporting smartphone tickets has been increased to 85.

Furthermore, the “Smartphone Commutation Ticket,” a joint development between the Company and JR BUS KANTO CO., LTD., was released in March 2017. The service is the first of its kind in Japan, and is adopted by JR BUS KANTO CO., LTD., JR Bus Tohoku Co., Ltd., and JR Hokkaido Bus. Through this, regular bus tickets, which could only be bought before at bus office counters or at the ticket counters at JR stations, can now be bought and received online anytime, anywhere, through the user-friendly interface of the application.

For the Bus Mori! Project to be profitable, it is essential to ensure as many consumers as possible recognize, download, and use the application. Therefore, we are aggressively organizing promotional activities, such as hosting “BUSTALGIA,” in 38 FM radio stations in Japan since October 2016.

As for the electronic money service, “*Shiharai-Hisho*,” which is also one of the main pillars of the growth strategy under the Medium Term Five-Year Management Plan, although we had originally planned to release it in the spring of 2017, its release has been rescheduled to the summer of 2017 in view of the need for additional development and in light of coordination with the parties concerned.

With the aim of providing company benefits to employees and contributing to local regions through activities, the Company established the long-prepared in-office childcare center, the “WELLNET Morino Childcare Center,” in April 2017, located in the Sapporo Office (1-chome, Shimonoppo Techno Park, Atsubetsu-ku).

Alongside adjusting the office environment to comfortably accommodate the large number of employees with children working at the Sapporo Office, the Company also has plans to expand the services of the childcare center to include regional residents and employees of neighboring corporations. The childcare center is operated by the Sapporo Seiko Welfare Association (Nishi-ku, Sapporo-shi), a social welfare service corporation with a respectable track record.

On April 27, 2015, the Company received a notification from the Tokyo Regional Taxation Bureau regarding the reassessment of the Company’s income taxes, against which the Company subsequently submitted a claim for investigation with the National Tax Tribunal. As the adjudication notice dated September 8, 2016 proves that the Company is to receive tax refunds, refunded consumption taxes were posted in non-operating income and provision for contingent loss was reversed accordingly.

As a result, for the nine months ended March 31, 2017, the Company recorded net sales of ¥7,914 million (up 1.2% year-on-year), operating income of ¥1,022 million (down 39.8% year-on-year), ordinary income of ¥1,153 million (down 32.7% year-on-year), and net income of ¥792 million (down 31.3% year-on-year).

## (2) Explanation of Financial Position

Total assets as of March 31, 2017 stood at ¥24,083 million. Current assets were ¥22,462 million. This mainly comprises cash and deposits of ¥17,551 million and securities of ¥2,999 million. Cash and deposits include ¥13,117 million of receiving agency deposits in the 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 ¥1,620 million. This mainly comprises property, plant and equipment of ¥406 million, intangible assets of ¥755 million, and investments and other assets of ¥458 million.

Meanwhile, total liabilities amounted to ¥15,401 million. This mainly comprises receiving agency deposits of ¥13,117 million and operating accounts payable of ¥623 million.

Total net assets amounted to ¥8,682 million. This mainly comprises shareholders’ equity of ¥8,604 million.

## (3) Explanation of Financial Results Forecast and Other Forward-looking Information

The financial results forecast for the fiscal year ending June 30, 2017 is unchanged.

## 2. Financial Statements and Principal Notes

### (1) Balance Sheets

(Thousand yen)

	As of June 30, 2016	As of March 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	14,458,084	17,551,517
Accounts receivable - trade	526,603	523,860
Operating accounts receivable	529,068	310,874
Securities	2,999,229	2,999,603
Merchandise	2,649	2,659
Work in process	9,051	5,069
Supplies	1,653	1,547
Other	890,022	1,067,573
Total current assets	19,416,363	22,462,703
Non-current assets		
Property, plant and equipment	411,721	406,821
Intangible assets	531,113	755,322
Investments and other assets	745,701	458,814
Total non-current assets	1,688,536	1,620,958
Total assets	21,104,899	24,083,662
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	555,037	498,449
Operating accounts payable	1,043,952	623,686
Receiving agency deposits	9,566,090	13,117,384
Income taxes payable	433,632	—
Provision for bonuses	—	25,126
Other	799,575	973,157
Total current liabilities	12,398,289	15,237,804
Non-current liabilities		
Provision for granting of shares	31,240	33,918
Asset retirement obligations	6,845	6,921
Long-term accounts payable - other	119,007	119,007
Provision for contingent loss	64,002	—
Other	—	3,968
Total non-current liabilities	221,094	163,815
Total liabilities	12,619,384	15,401,620

(Thousand yen)

	As of June 30, 2016	As of March 31, 2017
Net assets		
Shareholders' equity		
Capital stock	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	5,263,446	5,149,865
Treasury shares	(993,464)	(722,175)
Total shareholders' equity	8,446,981	8,604,688
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(593)	(158)
Total valuation and translation adjustments	(593)	(158)
Subscription rights to shares	39,127	77,511
Total net assets	8,485,515	8,682,041
Total liabilities and net assets	21,104,899	24,083,662

## (2) Statements of Income

(Nine months ended March 31)

(Thousand yen)

	For the nine months ended March 31, 2016	For the nine months ended March 31, 2017
Net sales	7,824,492	7,914,544
Cost of sales	5,562,489	5,857,953
Gross profit	2,262,003	2,056,591
Selling, general and administrative expenses	562,141	1,034,115
Operating income	1,699,861	1,022,476
Non-operating income		
Interest income	8,641	3,223
Dividend income	661	—
Gain on reversal of provision for contingent loss	—	39,958
Refunded consumption taxes	—	88,436
Other	3,275	2,342
Total non-operating income	12,578	133,961
Non-operating expenses		
Interest expenses	26	0
Commission for purchase of treasury shares	71	—
Loss on investments in partnership	—	3,335
Total non-operating expenses	98	3,335
Ordinary income	1,712,341	1,153,101
Income before income taxes	1,712,341	1,153,101
Income taxes - current	537,146	315,701
Income taxes for prior periods	(13,697)	—
Income taxes - deferred	36,255	45,021
Total income taxes	559,704	360,722
Net income	1,152,637	792,379

(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.

(Changes in accounting estimates)

There is no relevant information.