

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



April 30, 2021

Company name: WELLNET CORPORATION  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 2428  
 URL: <https://www.wellnet.co.jp>  
 Representative: Kazuhiro Miyazawa, President and Representative Director  
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 Scheduled date of filing quarterly securities report: May 14, 2021  
 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, 2021 (July 1, 2020 to March 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	%
Nine months ended								
March 31, 2021	6,724	(5.5)	510	(27.0)	542	(23.2)	375	(23.4)
March 31, 2020	7,113	(6.7)	699	55.7	706	51.4	489	50.7

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2021	19.94	19.87
March 31, 2020	26.06	25.97

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	20,193	7,156	35.1	376.37
As of June 30, 2020	20,074	7,009	34.6	368.95

(Reference) Equity: As of March 31, 2021: ¥7,084 million  
 As of June 30, 2020: ¥6,936 million

**2. Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2020	Yen	Yen	Yen	Yen	Yen
Fiscal year ending June 30, 2021	-	0.00	-	13.15	13.15
Fiscal year ending June 30, 2021 (Forecast)	-	0.00	-	-	-

(Note) Revision of dividends forecast from recently announced figures: No  
 Although the dividend payout ratio will be set at 50% or more for the fiscal year ending June 30, 2021, the dividend amounts are yet to be determined at this moment since it is impossible to make a reasonable forecast for the financial results. For this reason, “-” has been entered for the year-end and total dividends.

### **3. Financial Results Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)**

In the current situation in which there is concern about a fourth wave of the novel coronavirus disease (COVID-19), it is now more difficult to predict the impact on economic activities, and therefore, the earnings forecast will be disclosed as soon as it becomes possible to make a reasonable estimate.

#### **\* 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 March 31, 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 March 31, 2021: 577,865 shares
    - As of June 30, 2020: 598,024 shares
  - 3) Average number of shares during the period:
    - Nine months ended March 31, 2021: 18,812,203 shares
    - Nine months ended March 31, 2020: 18,790,472 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

In the current situation in which there is concern about a fourth wave of COVID-19, it is now more difficult to predict the impact on economic activities, and therefore, the earnings forecast will be disclosed as soon as it becomes possible to make a reasonable estimate.

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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

During the nine months in the fiscal year under review (July 1, 2020 to March 31, 2021), social and economic activities in Japan were severely restricted as a state of emergency was declared for the second time in January 2021 due to concerns over the reemergence of the novel coronavirus disease (COVID-19). Although there are expectations for full-scale vaccination by the government, with still no prospect of when COVID-19 will subside, the economic outlook remains extremely uncertain, as progress toward recovery of economic activities is very slow due to the continuing severe conditions such as worsening business earnings and declining personal consumption.

In the non-face-to-face payment market, the Company's business domain, the impact on transportation-related businesses such as airlines, buses, and railroads, especially in March, which is the graduation season and the end of the fiscal year for many companies, was devastating as demand for inbound and domestic travel in Japan plummeted. Despite our efforts to reduce expenses and other costs and to develop new services, the Company's business performance remains in a difficult situation.

Meanwhile, there has been an increase in the number of new initiatives to create completely new lifestyles in a wide variety of business categories, which, along with changes in the awareness of individual consumers, are transforming their lifestyles and consumption behavior. In this environment, the provision of non-face-to-face services and the process of purchasing products are increasing dramatically compared to the past, and as part of this trend, the social role of IT-centered business companies is becoming increasingly important. Amid this significant paradigm shift, the Company has continued to engage in activities that promote the priority measures of "Response to the age of electronic money," "Promotion of Bus IT Promotion Solution Project" and "Service support for consumers from the business operator side" under the keywords of "paperless," "digitization."

With respect to business results for the nine months ended March 31, 2021, the Company reported net sales of ¥6,724 million (down 5.5% year on year), operating profit of ¥510 million (down 27.0% year on year), ordinary profit of ¥542 million (down 23.2% year on year) and profit of ¥375 million (down 23.4% year on year).

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

The non-face-to-face settlement market, the Company's business domain, is expected to continue achieving a certain level of growth in the future, and the Company is strengthening cooperation with content platforms for the shift to paperless and for payments, and is promoting cooperation with self-developed platforms and cloud services such as content providers. In addition, as part of our strategy to promote lifestyle-based fintech, we are working in various regions as a partner company to meet the need to convert fixed costs into variable costs.

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

In March 2021, *Shiharai-Hisho*, a smartphone payment service adapted to the cashless society that is expected to expand going forward, was introduced to Amazon.co.jp, Japan's largest e-commerce site, and we are working on joint development to realize even more convenient "non-stop payment." In the infrastructure related industry, starting with The Kansai Electric Power Co., Inc., the service has now been introduced to Kyushu Electric Power Co., Inc., Hokkaido Electric Power Co., Inc., Tohoku Electric Power Co., Inc., Shikoku Electric Power Co., Inc., Hokuriku Electric Power Company, Chubu Electric Power Co., Inc. and The Chugoku Electric Power Co., Inc. Chubu Electric Power Co., Inc. introduced electronic invoicing of electricity bills via SMS (Short Message Service) in April 2020, a first in the electric power industry in Japan, and we believe that the shift to paperless payments will continue to accelerate going forward. In addition, the introduction of *Shiharai-Hisho* is underway nationwide for the payment of taxes and public utility charges, and FinTech services that are closely connected to people's lives, which the Company aims to provide, have begun.

The Company has become affiliated with 37 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 suspended connections with some banks. In addition, the Company took measures to implement eKYC, which is the most advanced personal identification system as of October 2020 and is now working to resume operations. We believe that continuous investment in security is necessary going forward.

Note that of the 37 affiliated banks, currently there are 6 banks with which account linkage continues to be possible and 31 banks for which temporary suspensions apply (as of April 30, 2021).

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

Launched in August 2016, the *Bus Mori!* smartphone app has been expanded to include smartphone tickets, coupon tickets, commuter tickets and free passes, bringing the total number of routes supported by the app to over 330. Although the COVID-19 crisis has caused a sharp drop in demand, the Company has 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 developing and providing the cloud service *ALTAIR* for the bus industry, which is being used in the MaaS business *Kusatsu WEB Pass*, which started in November 2020 and combines a reserved-seat expressway bus ticket with admission to the hot spring resort Kusatsu Onsen, as well as in the MaaS *DohNa!!*, which enables inter-boarding of Hakodate's trams, buses and railways from January 2020.

*Bus Mori!* and *ALTAIR*, non-contact services that enable passengers to avoid person-to-person contact at sales windows are showing promise as a countermeasure against the spread of COVID-19 infection. Through those services and others, like smartphone free passes for Nishi-Nippon Railroad and Nishitetsu Bus Kitakyushu, smartphone coupon tickets for Meitetsu Bus and smartphone commuter tickets for WEST JAPAN JR BUS COMPANY, we continue to expand our services. We will continue to develop this service going forward as a "total cloud service" to promote DX (Digital Transformation) in the transportation industry.

#### C. Current status of WELLNET's key product, Multi Payment Services

According to the FY2019 Global Economic Survey Concerning Internal and External Integrated Economic Growth Strategy Building (E-Commerce Market Survey) released by the Ministry of Economy, Trade and Industry, the scale of the e-commerce market (B to C) for Japanese consumers increased 7.65% year on year in 2019 to ¥19.4 trillion, and 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 going forward, the Company will continue to meet the needs of businesses as a company that can provide total solutions for payment.

#### 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 during this period. As a way of returning the favor to Hokkaido, the land of the Company's founding, 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 office, which is scheduled to be completed in June 2021, has already received the A rank under CASBEE Sapporo.

Furthermore, with the completion of the new Sapporo office, we are aiming to obtain the platinum rank of

WELL certification through office design that considers 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 7 certifications awarded (of which only 2 companies obtained the platinum rank) as of October 2020. 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

Although the dividend payout ratio will be set at 50% or more for the fiscal year ending June 30, 2021, the dividend amounts are yet to be determined at this moment since it is impossible to make a reasonable forecast for the financial results.

### (2) Explanation of Financial Position

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

Total assets as of March 31, 2021 stood at ¥20,193 million. Current assets were ¥13,859 million. This mainly comprises cash and deposits of ¥10,441 million. Cash and deposits include ¥7,702 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 ¥6,334 million. This mainly comprises property, plant and equipment of ¥3,588 million, intangible assets of ¥773 million, and investments and other assets of ¥1,972 million.

Meanwhile, total liabilities amounted to ¥13,036 million. This mainly comprises receiving agency deposits of ¥7,702 million and short-term borrowings of ¥1,480 million.

Total net assets amounted to ¥7,156 million. This mainly comprises shareholders' equity of ¥7,079 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, 2020	As of March 31, 2021
(A) Cash and deposits	8,689	10,441
(B) Receiving agency deposits	6,339	7,702
(A)-(B) Cash and deposits, net	2,349	2,739

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

As for the financial results for the fiscal year ending June 30, 2021, in the current situation in which there is concern about a fourth wave of COVID-19, it is now more difficult to predict the impact on economic activities, and therefore, the earnings forecast will be disclosed as soon as it becomes possible to make a reasonable estimate.

## 2. Financial Statements and Significant Notes

### (1) Balance Sheet

(Thousands of yen)

	As of June 30, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	8,689,868	10,441,807
Accounts receivable - trade	474,856	497,534
Merchandise	2,577	2,252
Work in process	2,884	31,317
Supplies	6,572	769
Deposits paid	4,394,838	2,147,866
Other	932,878	737,467
Total current assets	14,504,476	13,859,015
Non-current assets		
Property, plant and equipment	2,851,274	3,588,128
Intangible assets	876,190	773,403
Investments and other assets	1,842,871	1,972,619
Total non-current assets	5,570,337	6,334,151
Total assets	20,074,813	20,193,167
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	454,549	444,206
Short-term borrowings	740,000	1,480,000
Deposits received	4,903,373	2,625,000
Receiving agency deposits	6,339,896	7,702,769
Income taxes payable	210,987	42,760
Provision for bonuses	-	54,284
Provision for point card certificates	5	22
Other	218,483	468,688
Total current liabilities	12,867,295	12,817,731
Non-current liabilities		
Provision for share-based remuneration	54,073	63,269
Asset retirement obligations	-	10,843
Long-term accounts payable - other	119,007	119,007
Other	24,601	25,358
Total non-current liabilities	197,682	218,477
Total liabilities	13,064,977	13,036,209
<b>Net assets</b>		
Shareholders' equity		
Share capital	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	3,551,222	3,666,687
Treasury shares	(788,210)	(764,630)
Total shareholders' equity	6,940,011	7,079,056
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(3,067)	5,008
Total valuation and translation adjustments	(3,067)	5,008
Share acquisition rights	72,892	72,892
Total net assets	7,009,836	7,156,958
Total liabilities and net assets	20,074,813	20,193,167

(2) Statement of Income  
(Nine months ended March 31)

(Thousands of yen)

	For the nine months ended March 31, 2020	For the nine months ended March 31, 2021
Net sales	7,113,282	6,724,031
Cost of sales	5,805,490	5,676,554
Gross profit	1,307,791	1,047,477
Selling, general and administrative expenses	608,408	537,228
Operating profit	699,382	510,249
Non-operating income		
Interest income	592	92
Dividend income	44	-
Gain on investments in investment partnerships	1,034	28,697
Rental income	3,148	2,698
Other	2,471	7,402
Total non-operating income	7,290	38,891
Non-operating expenses		
Interest expenses	-	1,492
Foreign exchange losses	-	5,108
Total non-operating expenses	-	6,600
Ordinary profit	706,673	542,540
Extraordinary income		
Gain on reversal of share acquisition rights	3,549	-
Total extraordinary income	3,549	-
Profit before income taxes	710,222	542,540
Income taxes - current	221,542	158,463
Income taxes - deferred	(925)	8,993
Total income taxes	220,617	167,456
Profit	489,604	375,083

### (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.

(Significant subsequent events)

(Acquisition of investment securities)

The Company has entered into a capital and business alliance with SOCCER.COM, Inc., a company engaged in soccer and futsal related business, for the purpose of IT development of soccer related business.

#### 1. Purpose of the investment

By providing a package including our smartphone payment solution *Shiharai-Hisho* and membership management cloud service *ekaiin.com* to the users of SOCCER.COM, Inc.'s services, we aim to digitalize and save labor in the traditional cumbersome tasks of membership management, communication, membership fee collection, and donations. The two companies also plan to work together to actively develop and provide new services going forward.

#### 2. Overview of SOCCER.COM, Inc.

(1) Company name	SOCCER.COM, Inc.
(2) Addresses	1-11-12, Nakacho, Urawaku, Sakitama City, Saitama Prefecture, Japan
(3) Representative	President and Representative Director Ryo Furube
(4) Business description	IT solutions business, artificial turf business, soccer and futsal business, apparel business
(5) Established	December 2015
(6) Capital	¥85 million
(7) Amount of capital contribution	¥70.62 million
(8) Number of shares	165
(9) Capital contribution ratio	10.54%
(10) Capital contribution date	April 30, 2021