

Financial Results
for the Three Months Ended September 30, 2016
[Japanese GAAP]
(Non-consolidated)



October 31, 2016

Company name: WELLNET CORPORATION
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2428
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 Scheduled date of filing quarterly securities report: November 14, 2016
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: None
 Schedule of quarterly financial results briefing session: None

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

1. Financial Results for the Three Months Ended September 30, 2016 (July 1, 2016 to September 30, 2016)

(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	%
Three months ended								
September 30, 2016	2,731	11.7	481	(10.0)	612	13.6	408	13.3
September 30, 2015	2,446	19.5	535	20.7	539	20.3	360	25.5

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
September 30, 2016	21.92	21.60
September 30, 2015	37.78	37.48

(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 September 30, 2016	22,754	8,190	35.8	435.53
As of June 30, 2016	21,104	8,485	40.0	453.37

(Reference) Equity: As of September 30, 2016: ¥8,151 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	-				
Fiscal year ending June 30, 2017 (Forecast)		0.00	-	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	
	Million yen	%	Million yen	%	Million yen	%
First half	5,450	8.1	600 – 800	(45.5) – (27.3)	580 – 780	(47.7) – (29.7)
Full year	11,100	5.4	1,000 – 1,500	(51.3) – (27.0)	950 – 1,450	(52.7) – (27.8)

	Net income		Net income per share	
	Million yen	%	Yen	
First half	400 – 530	(46.2) – (28.7)	21.29 – 28.21	
Full year	650 – 1,000	(51.9) – (25.9)	34.60 – 53.23	

(Note) Revision of dividends 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. For details, please refer to the “(1) Explanation of Business Results” on page 2 of the attached document.

*** 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):

September 30, 2016: 19,400,000 shares

June 30, 2016: 19,400,000 shares

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

September 30, 2016: 683,758 shares

June 30, 2016: 769,958 shares

3) Average number of shares during the period:

Three months ended September 30, 2016: 18,657,238 shares

Three months ended September 30, 2015: 19,105,048 shares

(Note) The Company conducted a 2-for-1 share split effective July 1, 2016. Total number of issued shares (common shares) is calculated as if the share split had occurred at the beginning of the prior fiscal year.

*** Presentation regarding the implementation status of the quarterly review procedures**

These financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, quarterly review procedures for the financial statements under the Financial Instruments and Exchange Act have not been completed.

*** 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 three months ended September 30, 2016 saw the employment situation improve and personal consumption remain steady overall, although improvement of corporate performance was at a standstill and companies were cautious in judging their performance. Meanwhile, in the non-face-to-face payment market, where the Company's business is built on, 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 three months ended September 30, 2016, operating income posted a year-on-year decrease, since the increase in gross profit was small relative to the increase in net sales, and selling, general and administrative expenses grew. This decrease is primarily attributable to rises in cost rates and 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.

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 be also easily carried out with a smartphone.

The Company will place "Bus Mori! CONCIERGE" in the center of Bus IT Promotion Solution and proceed with expansion of the number of bus routes in the current fiscal year. Ultimately, it is essential to make as many consumers as possible recognize, download, and use the application in order to make it profitable. We plan to aggressively promote "Bus Mori! CONCIERGE," which will allow consumers to "buy a highway bus ticket with your smartphone," and started "BUSTALGIA," an FM radio program presented by the Company.

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, we will push forward with preparations for its release in the spring of 2017.

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 three months ended September 30, 2016, the Company recorded net sales of ¥2,731 million (up 11.7% year-on-year), operating income of ¥481 million (down 10.0% year-on-year), ordinary

income of ¥612 million (up 13.6% year-on-year), and net income of ¥408 million (up 13.3% year-on-year).

(2) Explanation of Financial Position

Total assets as of September 30, 2016 stood at ¥22,754 million. Current assets were ¥20,974 million. This mainly comprises cash and deposits of ¥15,988 million and securities of ¥2,999 million. Cash and deposits include ¥12,022 million of receiving agency deposit 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. As of September 30, 2016, receiving agency deposit in money collection business increased because the clearance by operators using 20th of the month as the closing date was carried over to the following month, due to the consecutive holidays called Silver Week in September. Non-current assets amounted to ¥1,779 million. This mainly comprises property, plant and equipment of ¥455 million, intangible assets of ¥577 million, and investments and other assets of ¥746 million.

Meanwhile, total liabilities amounted to ¥14,564 million. This mainly comprises receiving agency deposits of ¥12,022 million and operating accounts payable of ¥873 million.

Total net assets amounted to ¥8,190 million. This mainly comprises shareholders' equity of ¥8,152 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. Issues Related to Summary Information (Notes)

(1) Adoption of Special Accounting Procedures for Preparing Quarterly Financial Statements

There is no relevant information.

(2) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

(Changes in accounting policies)

There is no relevant information.

3. Financial Statements

(1) Balance Sheet

(Thousand yen)

	As of June 30, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	14,458,084	15,988,602
Accounts receivable - trade	526,603	489,289
Operating accounts receivable	529,068	446,260
Securities	2,999,229	2,999,427
Merchandise	2,649	2,904
Work in process	9,051	4,518
Supplies	1,653	1,771
Other	890,022	1,041,465
Total current assets	19,416,363	20,974,239
Non-current assets		
Property, plant and equipment	411,721	455,335
Intangible assets	531,113	577,873
Investments and other assets	745,701	746,673
Total non-current assets	1,688,536	1,779,882
Total assets	21,104,899	22,754,121
Liabilities		
Current liabilities		
Accounts payable - trade	555,037	481,323
Operating accounts payable	1,043,952	873,308
Receiving agency deposits	9,566,090	12,022,917
Income taxes payable	433,632	137,094
Provision for bonuses	-	28,056
Other	799,575	855,833
Total current liabilities	12,398,289	14,398,534
Non-current liabilities		
Provision for granting of shares	31,240	32,392
Asset retirement obligations	6,845	6,870
Long-term accounts payable - other	119,007	119,007
Provision for contingent loss	64,002	-
Other	-	7,203
Total non-current liabilities	221,094	165,473
Total liabilities	12,619,384	14,564,007

(Thousand yen)

	As of June 30, 2016	As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	5,263,446	4,867,085
Treasury shares	(993,464)	(891,648)
Total shareholders' equity	8,446,981	8,152,435
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(593)	(888)
Total valuation and translation adjustments	(593)	(888)
Subscription rights to shares	39,127	38,567
Total net assets	8,485,515	8,190,114
Total liabilities and net assets	21,104,899	22,754,121

(2) Statements of Income

(Three months ended September 30, 2016)

(Thousand yen)

	For the three months ended September 30, 2015	For the three months ended September 30, 2016
Net sales	2,446,028	2,731,433
Cost of sales	1,703,983	1,954,098
Gross profit	742,045	777,334
Selling, general and administrative expenses	206,956	295,803
Operating income	535,089	481,531
Non-operating income		
Interest income	3,465	2,271
Dividend income	36	-
Gain on reversal of provision for contingent loss	-	39,958
Refunded consumption taxes	-	88,436
Other	655	408
Total non-operating income	4,157	131,075
Non-operating expenses		
Interest expenses	11	0
Total non-operating expenses	11	0
Ordinary income	539,235	612,606
Income before income taxes	539,235	612,606
Income taxes - current	174,159	125,719
Income taxes - deferred	4,152	77,954
Total income taxes	178,311	203,673
Net income	360,923	408,933

(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.