

**Financial Results**  
**for the Six Months Ended December 31, 2016**  
**[Japanese GAAP]**  
**(Non-consolidated)**



February 2, 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: February 14, 2017  
 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on quarterly financial results: None  
 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, 2016 (July 1, 2016 to December 31, 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	%
Six months ended								
December 31, 2016	5,300	5.1	798	(27.5)	930	(16.3)	634	(14.7)
December 31, 2015	5,041	18.7	1,101	20.7	1,110	21.3	743	26.6

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
December 31, 2016	33.91	33.24
December 31, 2015	39.26	38.96

(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 December 31, 2016	23,134	8,462	36.3	447.62
As of June 30, 2016	21,104	8,485	40.0	453.37

(Reference) Equity: As of December 31, 2016: ¥8,388 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 11,100	% 5.4	Million yen 1,000 – 1,500	% (51.3) – (27.8)	Million yen 950 – 1,450	% (52.7) – (27.8)

	Net income		Net income per share	
Full year	Million yen 650 – 1,000	% (51.9) – (25.9)	Yen 34.31 – 52.80	

(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):

December 31, 2016: 19,400,000 shares

June 30, 2016: 19,400,000 shares

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

December 31, 2016: 660,158 shares

June 30, 2016: 769,958 shares

3) Average number of shares during the period:

Six months ended December 31, 2016: 18,695,076 shares

Six months ended December 31, 2015: 18,944,328 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 six months ended December 31, 2016 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 six months ended December 31, 2016, 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 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 expansion of the number of bus routes in the current fiscal year. Ultimately, it is essential to ensure as many consumers as possible recognize, download, and use the application in order to make it profitable. We are aggressively promoting "Bus Mori! CONCIERGE," which allows 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, 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.

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 six months ended December 31, 2016, the Company recorded net sales of ¥5,300

million (up 5.1% year-on-year), operating income of ¥798 million (down 27.5% year-on-year), ordinary income of ¥930 million (down 16.3% year-on-year), and net income of ¥634 million (down 14.7% year-on-year).

## (2) Explanation of Financial Position

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

Total assets as of December 31, 2016 stood at ¥23,134 million. Current assets were ¥21,558 million. This mainly comprises cash and deposits of ¥16,641 million and securities of ¥2,999 million. Cash and deposits include ¥11,944 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 ¥1,575 million. This mainly comprises property, plant and equipment of ¥427 million, intangible assets of ¥705 million, and investments and other assets of ¥442 million.

Meanwhile, total liabilities amounted to ¥14,672 million. This mainly comprises receiving agency deposits of ¥11,944 million and operating accounts payable of ¥913 million.

Total net assets amounted to ¥8,462 million. This mainly comprises shareholders' equity of ¥8,388 million.

### 2) Status of cash flows

Cash and cash equivalents (the "funds") as of December 31, 2016 stood at ¥17,141 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 ¥2,888 million. Main factors for the increase are a ¥2,378 million increase in receiving agency deposits and income before income taxes of ¥930 million.

#### (Cash flows from investing activities)

Funds used in investing activities amounted to ¥36 million. Main factors for the decrease are purchase of securities of ¥2,999 million and payments into time deposits of ¥1,000 million, while the main factor for the increase is proceeds from redemption of securities of ¥4,000 million.

#### (Cash flows from financing activities)

Funds used in financing activities amounted to ¥668 million. The main factor for the decrease is cash dividends paid of ¥742 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

There is no relevant information.

### 3. Financial Statements

#### (1) Balance Sheets

(Thousand yen)

	As of June 30, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	14,458,084	16,641,351
Accounts receivable - trade	526,603	547,082
Operating accounts receivable	529,068	493,719
Securities	2,999,229	2,999,462
Merchandise	2,649	2,987
Work in process	9,051	6,129
Supplies	1,653	1,562
Other	890,022	866,426
Total current assets	19,416,363	21,558,721
Non-current assets		
Property, plant and equipment	411,721	427,723
Intangible assets	531,113	705,760
Investments and other assets	745,701	442,171
Total non-current assets	1,688,536	1,575,654
Total assets	21,104,899	23,134,376
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	555,037	573,518
Operating accounts payable	1,043,952	913,271
Receiving agency deposits	9,566,090	11,944,970
Income taxes payable	433,632	248,315
Other	799,575	828,693
Total current liabilities	12,398,289	14,508,768
Non-current liabilities		
Provision for granting of shares	31,240	32,951
Asset retirement obligations	6,845	6,896
Long-term accounts payable - other	119,007	119,007
Provision for contingent loss	64,002	—
Other	—	4,530
Total non-current liabilities	221,094	163,385
Total liabilities	12,619,384	14,672,154

(Thousand yen)

	As of June 30, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	5,263,446	5,075,728
Treasury shares	(993,464)	(863,951)
Total shareholders' equity	8,446,981	8,388,776
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(593)	(377)
Total valuation and translation adjustments	(593)	(377)
Subscription rights to shares	39,127	73,821
Total net assets	8,485,515	8,462,221
Total liabilities and net assets	21,104,899	23,134,376

(2) Statements of Income

(Six months ended December 31)

(Thousand yen)

	For the six months ended December 31, 2015	For the six months ended December 31, 2016
Net sales	5,041,516	5,300,496
Cost of sales	3,560,032	3,872,667
Gross profit	1,481,483	1,427,829
Selling, general and administrative expenses	379,838	629,559
Operating income	1,101,645	798,269
Non-operating income		
Interest income	5,819	1,759
Dividend income	565	—
Gain on reversal of provision for contingent loss	—	39,958
Refunded consumption taxes	—	88,436
Other	2,610	1,623
Total non-operating income	8,995	131,778
Non-operating expenses		
Interest expenses	43	0
Commission for purchase of treasury shares	71	—
Total non-operating expenses	114	0
Ordinary income	1,110,526	930,047
Income before income taxes	1,110,526	930,047
Income taxes - current	367,575	257,228
Income taxes - deferred	(768)	38,789
Total income taxes	366,807	296,018
Net income	743,718	634,029

## (3) Statements of Cash Flows

(Thousand yen)

	For the six months ended December 31, 2015	For the six months ended December 31, 2016
<b>Cash flows from operating activities</b>		
Income before income taxes	1,110,526	930,047
Depreciation	102,233	122,606
Interest and dividend income	(6,385)	(1,759)
Interest expenses	43	0
Decrease (increase) in operating accounts receivable	(206,086)	35,348
Decrease (increase) in notes and accounts receivable - trade	(93,556)	(20,479)
Decrease (increase) in inventories	(6,042)	2,676
Increase (decrease) in operating accounts payable	366,716	(130,680)
Increase (decrease) in notes and accounts payable - trade	113,434	18,480
Increase (decrease) in receiving agency deposits	(18,295)	2,378,879
Other, net	(29,479)	(16,741)
<b>Subtotal</b>	<b>1,333,108</b>	<b>3,318,378</b>
Interest and dividend income received	13,941	4,182
Interest expenses paid	(43)	0
Income taxes paid	(347,101)	(434,486)
<b>Net cash provided by (used in) operating activities</b>	<b>999,904</b>	<b>2,888,074</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,100,000)	(1,000,000)
Proceeds from withdrawal of time deposits	1,100,000	—
Purchase of securities	(1,898,456)	(2,999,160)
Proceeds from redemption of securities	1,900,000	4,000,000
Purchase of property, plant and equipment	(21,006)	(66,747)
Purchase of intangible assets	(66,040)	(245,451)
Proceeds from redemption of investment securities	—	300,000
Payments for investments in capital	—	(25,000)
<b>Net cash provided by (used in) investing activities</b>	<b>(85,504)</b>	<b>(36,359)</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(629,885)	—
Cash dividends paid	(475,346)	(742,663)
Proceeds from disposal of treasury shares resulting from exercise of subscription rights to shares	—	51,606
Proceeds from issuance of subscription rights to shares	—	22,426
Repayments of lease obligations	(654)	(115)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,105,885)</b>	<b>(668,747)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(191,485)</b>	<b>2,182,967</b>
Cash and cash equivalents at beginning of period	13,293,652	14,958,039
<b>Cash and cash equivalents at end of period</b>	<b>13,102,167</b>	<b>17,141,007</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.