

Financial Results
for the Three Months Ended September 30, 2015
[Japanese GAAP]
(Non-consolidated)



October 30, 2015

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 11, 2015
 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, 2015 (July 1, 2015 to September 30, 2015)

(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, 2015	2,446	19.5	535	20.7	539	20.3	360	25.5
September 30, 2014	2,046	12.9	443	7.2	448	7.0	287	9.0

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2015	37.78	37.48
September 30, 2014	29.57	29.45

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2015	25,166	8,106	32.1	844.09
As of June 30, 2015	19,667	8,218	41.6	856.21

(Reference) Equity: As of September 30, 2015: ¥8,066 million
 As of June 30, 2015: ¥8,178 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2015	-	0.00	-	50.00	50.00
Fiscal year ending June 30, 2016	-				
Fiscal year ending June 30, 2016 (Forecast)		0.00	-	66.00	66.00

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

3. Financial Results Forecast for the Fiscal Year Ending June 30, 2016 (July 1, 2015 to June 30, 2016)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	4,600	8.3	950	4.0	930	1.5	610	3.8	64.19
Full year	9,600	8.0	2,000	22.1	1,920	26.3	1,260	34.3	133.30

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

* 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, 2015: 9,700,000 shares
 - June 30, 2015: 9,800,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 30, 2015: 143,199 shares
 - June 30, 2015: 247,654 shares
 - 3) Average number of shares during the period:
 - Three months ended September 30, 2015: 9,552,524 shares
 - Three months ended September 30, 2014: 9,697,449 shares

* 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.

Table of Contents

1. Qualitative Information on Financial Results for the Period under Review.....	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Financial Results Forecast and Other Forward-looking Information	3
2. Issues Related to Summary Information (Notes)	4
(1) Adoption of Special Accounting Procedures for Preparing Quarterly Financial Statements.....	4
(2) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement	4
3. Financial Statements.....	5
(1) Balance Sheet	5
(2) Statements of Income	6
Three months ended September 30	6
(3) Notes to Financial Statements	7
(Notes on going concern assumption)	7
(Notes to substantial change in the amount of shareholders' equity)	7

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, 2015 has been on a moderate recovery trend backed by strong corporate performance. However, in the consumer market, the overall personal consumption has remained in a lack of strength except for inbound effects and others. Meanwhile, in the EC market, such as product sales and service, where the Company's business is built on, the B to C market continued sustainable growth and the C to C market has also showed expansion mainly due to the effect of the spread of smartphones.

Under these circumstances, in order to achieve the goals of operating income of ¥2.0 billion and ROE of 15%, which were stated at the launch of the "Medium Term Three-Year Management Plan (July 2013 - June 2016)" announced in August 2013, the Company has promoted and executed various policies in the final year of the Plan.

The core of our Medium Term Three-Year Management Plan is formed by two wheels: the establishment of a business scheme responsible for the next generation, and "*kaizen*" (expanding functions, stable system operation and cost performance improvement). In terms of establishing business schemes, in last year, we launched an innovative direct sales model for buses, "Bus Mori! NAVI" (a smartphone route search application for consumers), a bus promotion solution, and "Bus Mori! MONTA" (a real-time management service of express bus reservation status for bus companies), and continue to expand them this year. We are proceeding with research and development of applications for consumers as an essential part of Wellnet's future, and we plan to release them next year. As specific movement toward liberalization of electric power sales becomes more tangible, with the transition to paperless invoices, the shift towards electronic payment is expected to gain momentum. We will strive to increase performance by introducing solutions that can accurately respond to the expansion of the paperless transition market.

As for "*kaizen*," we completed the transfer of our data center in July this year. In the future, with the aim of improving cost performance and the introduction speed of new services through automating operations, promoting standardization, and raising the ratio of in-house system development, we are making preparations by aggressively hiring new engineers. In addition, in order to continue stable operation, we are promoting automation of internal system configuration management and proactive response in detection of a sign of system failure.

For the three months ended September 30, 2015, transportation sector including buses and airplanes has progressed steadily, backed by the more stable weather condition in summer compared to the previous year, and the growing trend of domestic travel market. The B to C market has continued sustainable growth along with the expansion of the C to C market. In addition to increased handling of existing contracted business operators, we have also actively promoted the cultivation of new business operators. Meanwhile, the decreasing trend continued in handling of conventional PIN Online Sales Services.

As a result, for the three months ended September 30, 2015, the Company recorded net sales of ¥2,446 million (up 19.5% year-on-year), operating income of ¥535 million (up 20.7% year-on-year), ordinary income of ¥539 million (up 20.3% year-on-year), and net income of ¥360 million (up 25.5% year-on-year).

From this fiscal year, we will change our conventional disclosure grouped by type of service to "Payment and Accompanying Services." The reason is as follows.

- 1) With payment as our core business, we are striving to expand its peripheral services. However, compensations are collected almost entirely as "payment commissions," making the distinction between "payment" and "peripheral" difficult, and as the distinction may vary depending on interpretation, it was determined that making disclosure by service is not appropriate.
- 2) After termination of our large-scale authentication service, the amount of our pure electronic authentication services decreased substantially, and as payments are always involved, we are virtually earning compensations as payment commissions.

- 3) As our Online Services Business originally makes use of our payment infrastructure with convenience stores, making distinction of assets difficult, and we can position these as “Payment and Accompanying Services.”

(2) Explanation of Financial Position

Total assets as of September 30, 2015 stood at ¥25,166 million. Current assets were ¥23,551 million. This mainly comprises cash and deposits of ¥16,461 million and securities of ¥4,999 million. Cash and deposits include ¥14,215 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, 2015, 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 ¥1,614 million. This mainly comprises property, plant and equipment of ¥420 million, intangible assets of ¥435 million, and investments and other assets of ¥758 million.

Meanwhile, total liabilities amounted to ¥17,060 million. This mainly comprises receiving agency deposits of ¥14,215 million and operating accounts payable of ¥1,293 million.

Total net assets amounted to ¥8,106 million. This mainly comprises shareholders' equity of ¥8,066 million.

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

Financial results for the three months ended September 30, 2015 mostly remained within the range of our forecast, and the financial results forecast for the fiscal year ending June 30, 2016 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, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	13,293,918	16,461,607
Accounts receivable - trade	464,908	600,531
Operating accounts receivable	725,439	657,568
Securities	2,999,733	4,999,940
Merchandise	2,741	2,800
Work in process	5,509	9,318
Supplies	1,816	1,758
Other	496,836	818,409
Total current assets	17,990,905	23,551,935
Non-current assets		
Property, plant and equipment	437,979	420,928
Intangible assets	433,431	435,366
Investments and other assets	805,070	758,260
Total non-current assets	1,676,481	1,614,555
Total assets	19,667,387	25,166,490
Liabilities		
Current liabilities		
Accounts payable - trade	434,101	457,201
Operating accounts payable	1,356,850	1,293,831
Receiving agency deposits	8,732,688	14,215,286
Income taxes payable	351,350	179,431
Provision for bonuses	–	21,394
Other	410,007	722,983
Total current liabilities	11,285,000	16,890,129
Non-current liabilities		
Provision for granting of shares	25,314	26,558
Asset retirement obligations	6,745	6,770
Long-term accounts payable - other	119,007	119,007
Other	13,055	17,835
Total non-current liabilities	164,123	170,172
Total liabilities	11,449,123	17,060,301
Net assets		
Shareholders' equity		
Capital stock	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	4,651,664	4,303,187
Treasury shares	(650,078)	(413,587)
Total shareholders' equity	8,178,584	8,066,598
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	202	186
Total valuation and translation adjustments	202	186
Subscription rights to shares	39,475	39,404
Total net assets	8,218,263	8,106,189
Total liabilities and net assets	19,667,387	25,166,490

(2) Statements of Income

(Three months ended September 30)

(Thousand yen)

	For the three months ended September 30, 2014	For the three months ended September 30, 2015
Net sales	2,046,911	2,446,028
Cost of sales	1,396,668	1,703,983
Gross profit	650,243	742,045
Selling, general and administrative expenses	206,978	206,956
Operating income	443,264	535,089
Non-operating income		
Interest income	3,794	3,465
Dividend income	–	36
Other	1,400	655
Total non-operating income	5,194	4,157
Non-operating expenses		
Interest expenses	46	11
Total non-operating expenses	46	11
Ordinary income	448,412	539,235
Income before income taxes	448,412	539,235
Income taxes - current	149,665	174,159
Income taxes - deferred	11,053	4,152
Total income taxes	160,718	178,311
Net income	287,694	360,923

(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.