

Financial Results
for the Nine Months Ended March 31, 2016
[Japanese GAAP]
(Non-consolidated)



April 28, 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: May 13, 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 Nine Months Ended March 31, 2016 (July 1, 2015 to March 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	%
Nine months ended								
March 31, 2016	7,824	18.4	1,699	22.4	1,712	39.4	1,152	43.6
March 31, 2015	6,609	15.5	1,388	12.8	1,228	0.3	802	5.4

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
March 31, 2016	122.37	121.47
March 31, 2015	82.52	82.18

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2016	20,503	8,287	40.2	885.50
As of June 30, 2015	19,667	8,218	41.6	856.21

(Reference) Equity: As of March 31, 2016: ¥8,248 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	-	0.00	-		
Fiscal year ending June 30, 2016 (Forecast)				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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	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):
March 31 2016: 9,700,000 shares
June 30, 2015: 9,800,000 shares
 - 2) Total number of treasury shares at the end of the period:
March 31, 2016: 385,079 shares
June 30, 2015: 247,654 shares
 - 3) Average number of shares during the period:
Nine months ended March 31, 2016: 9,419,200 shares
Nine months ended March 31, 2015: 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.

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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, 2016 has been on a moderate recovery trend. However, cautiousness in future outlook increased and consumer confidence showed signs of weakening and has remained lacking in strength. Meanwhile, in the EC market, such as product sales and service, where the Company's business is built on, the B to C market has continued sustainable growth and the C to C market has also showed expansion partly 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 2014, we launched an innovative direct sales model for buses, "Bus Mori! NAVI" (a smartphone route search application for consumers), a bus IT-enabled solution, and "Bus Mori! MONTA" (a real-time management service of express bus reservation status for bus companies), and we are entering the phase to validate the effect of these solutions. We are proceeding with research and development of applications for consumers as an essential part of WELLNET's future, and we plan to complete development this year. With the transition to paperless invoices, the shift towards electronic payment is expected to gain momentum. We will strive to expand business by introducing solutions that can accurately respond to the growing market for paperless processes.

As for "*kaizen*," we are aiming to improve cost performance through automating operations and promoting standardization. We are also promoting other *kaizen* measures for stable operation. For the nine months ended March 31, 2016, the B to C market has continued sustainable growth along with the expansion of the C to C market. In addition to the increased handling of existing contracted business operators, as also evidenced by the increased handling of examination fees in line with the growth of online applications for college entrance examinations, we have also actively promoted the cultivation of new business operators.

As a result, for the nine months ended March 31, 2016, the Company recorded net sales of ¥7,824 million (up 18.4% year-on-year), operating income of ¥1,699 million (up 22.4% year-on-year), ordinary income of ¥1,712 million (up 39.4% year-on-year), and net income of ¥1,152 million (up 43.6% year-on-year).

From this fiscal year, we will change our conventional disclosure grouped by type of service to "Payment and Accompanying Services." The reasons are 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, it may be positioned as "Payment and Accompanying Services."

(2) Explanation of Financial Position

Total assets as of March 31, 2016 stood at ¥20,503 million. Current assets were ¥18,908 million. This mainly comprises cash and deposits of ¥11,926 million and securities of ¥4,999 million. Cash and deposits include ¥9,444 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. Non-current assets amounted to ¥1,595 million. This mainly comprises property, plant and equipment of ¥404 million, intangible assets of ¥463 million, and investments and other assets of ¥726 million.

Meanwhile, total liabilities amounted to ¥12,215 million. This mainly comprises receiving agency deposits of ¥9,444 million and operating accounts payable of ¥1,181 million. Total net assets amounted to ¥8,287 million. This mainly comprises shareholders' equity of ¥8,248 million.

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

Financial results for the nine months ended March 31, 2016 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

There is no relevant information.

3. Financial Statements

(1) Balance Sheet

(Thousand yen)

	As of June 30, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	13,293,918	11,926,052
Accounts receivable - trade	464,908	552,309
Operating accounts receivable	725,439	574,437
Securities	2,999,733	4,999,624
Merchandise	2,741	2,626
Work in process	5,509	13,022
Supplies	1,816	1,961
Other	496,836	837,990
Total current assets	17,990,905	18,908,024
Non-current assets		
Property, plant and equipment	437,979	404,815
Intangible assets	433,431	463,979
Investments and other assets	805,070	726,698
Total non-current assets	1,676,481	1,595,493
Total assets	19,667,387	20,503,517
Liabilities		
Current liabilities		
Accounts payable - trade	434,101	553,308
Operating accounts payable	1,356,850	1,181,325
Receiving agency deposits	8,732,688	9,444,144
Income taxes payable	351,350	269,577
Provision for bonuses	-	21,343
Other	410,007	572,466
Total current liabilities	11,285,000	12,042,166
Non-current liabilities		
Provision for granting of shares	25,314	30,158
Asset retirement obligations	6,745	6,820
Long-term accounts payable - other	119,007	119,007
Other	13,055	17,836
Total non-current liabilities	164,123	173,823
Total liabilities	11,449,123	12,215,989
Net assets		
Shareholders' equity		
Capital stock	667,782	667,782
Capital surplus	3,509,216	3,509,216
Retained earnings	4,651,664	5,065,346
Treasury shares	(650,078)	(993,976)
Total shareholders' equity	8,178,584	8,248,368
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	202	30
Total valuation and translation adjustments	202	30
Subscription rights to shares	39,475	39,128
Total net assets	8,218,263	8,287,527
Total liabilities and net assets	19,667,387	20,503,517

(2) Statements of Income

(Nine months ended March 31)

(Thousand yen)

	For the nine months ended March 31, 2015	For the nine months ended March 31, 2016
Net sales	6,609,921	7,824,492
Cost of sales	4,596,769	5,562,489
Gross profit	2,013,151	2,262,003
Selling, general and administrative expenses	624,277	562,141
Operating income	1,388,873	1,699,861
Non-operating income		
Interest income	9,463	8,641
Dividend income	—	661
Other	2,979	3,275
Total non-operating income	12,443	12,578
Non-operating expenses		
Interest expenses	94	26
Listing-related expenses	6,000	—
Provision for loss on litigation	56,759	—
Consumption taxes for prior periods	109,100	—
Commission for purchase of treasury shares	197	71
Other	445	—
Total non-operating expenses	172,596	98
Ordinary income	1,228,720	1,712,341
Income before income taxes	1,228,720	1,172,341
Income taxes - current	484,891	537,146
Income taxes for prior periods	(36,280)	(13,697)
Income taxes - deferred	(22,334)	36,255
Total income taxes	426,276	559,704
Net income	802,443	1,152,637

(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.