

WELLNET CORPORATION (2428 JP)**GROWTH POTENTIAL IS AT TRAJECTORY. SUCCESS OF SAAS AND E-MONEY IS THE KEY****EXECUTIVE SUMMARY**

- **FY25 Results Show Profitability Improvement Continues:** Wellnet produced full-year FY25 (June year-end) OP of ¥1,502 mil (+22.9% YoY), RP of ¥1,664mil (+36.0% YoY) on sales of ¥10,918mil (+7.8% YoY). The performance came in ahead of guidance for sales of ¥10,800mil and that for RP of ¥1,600mil. The gross profit margin [GPM] continues to expand, up from 21.1% in FY24 to 23.1% in FY25 and the OPM rose +1.7ppt YoY to 13.8% – both figures marking the firm's fourth consecutive increase since FY21.
- **While E-billing still remains the main source of revenue, SaaS (Payment+α) has been steadily growing:** While E-Billing rose +5.2% YoY, the firm also reported a strong 27.7% rise in SaaS segment sales. Although Wellnet has not disclosed profitability for each service, the change in sales mix partly by rise in sales of SaaS services appeared to have contributed to improvement in OPM.
- **FY26 Guidance and introduction of new five-year plan Bold ideas, bold challenges!:** For the new fiscal year, Wellnet is guiding for OP of ¥1,680mil (+11.8% YoY), RP of ¥1,700mil (+2.1% YoY) and NP of ¥1,100mil (+2.1% YoY) on sales of ¥11,500mil (+5.3% YoY). Management have also launched a new five-year plan [FY26~FY30], "Think Wild." – Driving Japan's digital transformation [DX] through innovative services from Hokkaido. This will focus on maximising revenues from existing services, developing products in strategic areas such as Altair Triple Star, e-money and ekaiin.com, and expanding the firm's ESG footprint.
- **Capital allocation / shareholder returns:** Personnel costs will rise as the firm invests in new hires and ensuring high-performing employees are retained. The firm is guiding for a minimum DoE of 5% and a dividend payout ratio of at least 50%. For FY26, Wellnet is forecasting a dividend of ¥29.50/share (payout 50.4%), up from the ¥29.00 paid in FY25. Smartphone app users of *Shiharai Hisho* (payment secretary) will be rewarded with ¥1,000 worth of points. Wellnet continues to support technical colleges in Hokkaido and promotes winter sport such as speed skating as corporate social commitments.

Wellnet (2428 JP): Share Information

Market Cap (¥mil)		14,100	Market Cap (\$mil)		95	
22-day Average Trading Volume (¥mil)		122	22-day Average Trading Volume (\$mil)		0.8	
Share performance (%)	2428	TOPIX	Earnings Summary (¥mil, %)	FY24	FY25	FY26 CE
Share price (¥, 17 Sept 2025)	733	3,145.83	Sales	10,132	10,918	11,500
3mo (from 17 June 2025)	-1.6	12.9	OP	1,222	1,502	1,680
6mo (from 17 March 2025)	-3.2	14.5	OPM (%)	12.1	13.8	14.6
YTD (from 6 January 2025)	-10.4	14.1	EBITDA	1,539	1,827	2,001
1yr	-11.3	23.1	EPS (¥)	44.29	57.56	58.55
5yrs	23.6	91.1	Financial Leverage (X)	3.2	3.3	3.3*
Per-share and Valuations	2428	TOPIX	Net D/E Ratio (X)*	-2.0	-2.0	-2.0
EPS (¥, FY26 CE)	58.55	182.48	FCF	2,977	1,575	2,000*
DPS (¥, FY26 CE)	29.50	N/A	Shareholder Return Summary	FY24	FY25	FY26 CE
BPS (¥, FY26 EST)*	496.08	1,875.16	Dividend (¥)	22.15	29.00	29.50
FCFPS (¥, FY26 EST)*	103.10	N/A	Dividend Payout (%)	50.0	50.5	50.4
Forward PER (X)	12.52	17.2	Dividend Yield (%)	N/A	N/A	6.9
PBR (x)	1.48	1.7	DOE (%)	5.1	6.4	6.3*
PCFR (x)	7.11	N/A	Treasury Shares (%)	N/A	3.6	N/A
EV/EBITDA (X)	6.24	N/A	ROE (%)	10.1	12.6	12.1*

Source: Nippon-IBR based on data on Bloomberg and Toyo Keizai / * Nippon-IBR estimates

FY25 (JUNE YEAR-END) RESULTS

The FY25 performance saw Wellnet produce full-year FY25 (June year-end) RP of ¥1,664mil (+36.0% YoY) on sales of ¥10,918mil (+7.8% YoY). The performance came in ahead of guidance for sales of ¥10,800mil and that for RP of ¥1,600mil. Nevertheless, management had flagged sales might fall short, but the firm successfully achieved its goal to boost profitability, coming in with a gross profit margin [GPM] to 23.1% in FY25, up from 21.1% in FY24. The OPM also rose, up +1.7ppt YoY to 13.8%, marking consecutive improvements for the fourth year in a row. The firm paid an annual dividend of ¥29.00/share, generating a pay-out ratio of 50.5% or DOE of 6.4%

Key changes in sales by service categories were:

1. E-Billing service makes up the largest sales in value terms (77.4% of FY25 sales). However, growth in e-Billing was just +5.2% YoY to ¥8,454mil in FY25, despite a +15.1% YoY rise in the number of accounts to 5,145 accounts. Given the world's largest retail platformer, which once was the largest e-billing customer for Wellnet, is now willing to shift its customers' payment methods from cash payments at CVSs to credit cards and payment apps, management had anticipated sluggish growth in e-Billing service revenue.
2. Traditional billing (i.e. paper) is on a downward trend (FY25 sales -7.5% YoY to ¥1,120mil), as expected.
3. The Remittance business continues to perform well, with FY25 sales up +25.6% YoY to ¥570mil and the number of accounts expanded +33.8% to 376.
4. SaaS (Settlement + α) sales increased +27.7% YoY to ¥443mil, although the number of accounts in the SaaS segment rose just +3.2% to 258. Management aimed to establish the next pillar of growth after e-billing services. The firm has been investing in the development of its settlement + α services since 2016 and started offering solutions to support the digital transformation of transport operators such as ALTAIR – a comprehensive ticketing system. One such example – *Surutto QRtto* – provides a comprehensive digital ticketing system using QR codes in collaboration with *Surutto KANSAI*, an IC ticket service organisation made up of 61 railway and bus operators in the Kansai region, Okayama, and Shizuoka prefectures, was launched in June 2024. With this system, users purchase tickets from a dedicated account-based ticketing [ABT] system, and when boarding the train, the QR code is used to display the ticket on their smartphone via Wellnet's server. Wellnet's system allowed for faster authentication.

Key contributors for OP growth were:

1. Sales growth of the aforementioned high value-added SaaS products.
2. Lower depreciation costs (¥233mil in FY23, ¥174mil in FY24 then to ¥164mil in FY25), on large-scale investments, such as *Shiharai Hisho* (e-money) and ALTAIR, which started in 2016, contributed to OP growth.
3. Improved sales mix due to lower sales growth from low-margin e-billing customers.

Recurring profit [RP] also surged [+36.0% YoY to ¥1,664mil], boosted by capital gains on an investment fund (+¥160mil).

Wellnet (2428 JP): Earnings Summary										
(¥mil / Jun year-end)	FY23		FY24		FY25					
	1H	FY	1H	FY	1H	FY	YoY (%)	New FY CE	YoY (%)	FY vs FYCE (%)
Sales	4,920	9,424	4,897	10,132	5,599	10,918	7.8	10,800	6.6	101.1
COGS	3,939	7,572	3,881	7,992	4,324	8,399	5.1	N/A	N/A	N/A
Gross Profit	981	1,851	1,016	2,140	1,274	2,518	17.7	N/A	N/A	N/A
GPM (%)	19.9	19.6	20.7	21.1	22.8	23.1	+1.9ppt	N/A	N/A	N/A
SG&A	418	912	452	917	458	1,016	10.8	N/A	N/A	N/A
SG&A / Sales (%)	8.5	9.7	9.2	9.1	8.2	9.3	+0.3ppt	N/A	N/A	N/A
OP	562	939	563	1,222	816	1,502	22.9	N/A	N/A	N/A
OPM (%)	11.4	10.0	11.5	12.1	14.6	13.8	+1.7ppt	N/A	N/A	N/A
RP	561	935	564	1,223	819	1,664	36.0	1,600	30.7	104.0
NP*	444	635	385	836	563	1,077	28.8	1,050	25.5	102.7

Source: Nippon-IBR based on Wellnet's earning results materials
 * Net profit attributed to the parent's shareholders

Wellnet (2428 JP): Sales by service

(¥mil / accounts)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	YoY (%)
Sales	9,783	10,032	9,379	8,842	8,950	9,424	10,132	10,918	7.8
Gross Profit	1,866	1,609	1,621	1,330	1,466	1,851	2,140	2,518	17.7
OP	677	503	817	567	735	939	1,222	1,502	22.9
Sales by Service									
Billing	921	936	929	941	956	1,178	1,211	1,120	-7.5
E-Billing	8,506	8,759	7,912	7,397	7,446	7,489	8,038	8,454	5.2
Remittance	198	214	426	388	369	426	454	570	25.6
SaaS	32	67	79	91	140	297	347	443	27.7
Others	126	55	34	26	39	35	82	331	303.7
Total	9,783	10,032	9,379	8,842	8,950	9,424	10,132	10,918	7.8

Source: Nippon-IBR based on Wellnet's earning results materials

Wellnet (2428 JP): Sales to Main Clients and Trend in OPM

(¥mil / Jun year-end)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Amazon	3,525	3,278	3,166	3,388	3,406	2,984	2,594	2,397	2,173	1,781
Yahoo Japan	578	1,447	1,593	1,579	1,116	888	751	560	N/A	N/A
DEGICA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,261	2,101
Total Sales	10,529	10,260	9,783	10,032	9,379	8,842	8,950	9,424	10,132	10,918
% AMZNJ	33.5	32.0	32.4	33.8	36.3	33.8	29.0	25.4	21.5	16.3
%YJ	5.5	14.1	16.3	15.7	11.9	10.0	8.4	5.9	N/A	N/A
%DEGICA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12.4	19.2
OPM (%)	19.5	10.7	6.9	5.0	8.7	6.4	8.2	9.9	12.1	13.8

Source: Nippon-IBR based on Wellnet's earning results materials

On the BS, cash and cash equivalent includes deposit for fee collection services. Wellnet identified the real net cash and deposit available for the firm to allocate as net asset + long-term debt – fixed asset. Based on that calculation, net cash that is available for Wellnet to allocate totalled ¥4,308mil (-6.0% YoY) as of the end of FY25.

Wellnet (2428 JP): Real Cash on BS

(¥mil/June-end)	FY24	FY25	YoY (¥mil)	YoY (%)
Current Asset	21,746	23,250	1,503	6.9
Incl. Cash and Equivalent	16,657	17,495	838	5.0
Fixed Asset (a)	5,394	6,052	657	12.2
Total Asset	27,141	29,302	2,161	8.0
Liability	18,762	20,441	1,679	9.0
Incl. Deposit for fee collection services	11,427	12,407	980	8.6
Incl. long-term debt (b)	1,600	1,500	-100	-6.2
Net Asset (c)	8,378	8,860	481	5.7
Real Cash (c)+(b)-(a)	4,584	4,308	-275	-6.0

Source: Nippon-IBR based on Wellnet's earning results materials

FY26 OUTLOOK

Wellnet is guiding for FY26 1H OP of ¥670mil (-18.0% YoY) on sales of ¥5,300mil (-5.3% YoY) and full-year OP of ¥1,680mil (+11.8% YoY) on sales of ¥11,500mil (+5.3% YoY). The weak 1H performance is due to one-off earnings from the Sapporo City regional promotion coupons that were booked in FY25 1H, which contributed ¥300mil in sales and ¥150mil in OP, respectively. From FY26, the firm will start paying an interim dividend of ¥12.00/share and on an annual basis, it plans to pay a cash dividend of ¥29.5/share, generating a pay-out ratio of 50.4%. From this year, Wellnet changed its shareholder returns policy which now states that it will offer a minimum dividend of DOE of 5% and maintaining dividend pay-out ratio of 50% or more.

While the core E-billing service will likely remain as the stable source of revenue, Wellnet aims to promote value-added services such as e-money and SaaS / Settlement + α; for both services, management thinks that having an authentication capability will be a differentiation factor. Wellnet has focused not only on growth in the e-money business which has already become the red ocean market but also on combining authentication. The collaboration with Japan Communications Inc. [JCI] (9424 JP) for safe and convenient e-money authentication is progressing smoothly. It will also be linked to the MyNumber Card, with digital certificate a key factor in security rather than ID passwords that can always be hacked.

With the roll-out of the ABT (Account-Based Ticketing) system, which authenticates user information obtained via QR codes and similar means via a cloud server, rather than the conventional method where transport IC card information is read and authenticated by ticket gate machines, transportation operators will likely reduce investment costs on ticket barrier facilities. In addition, the firm can extend its services to cover lower traffic areas with the ABT system.

Altair Triple Star, Wellnet's ABT ticketing system has already been adopted by JR Hokkaido for lines north of Asahikawa and also by the Shonan Monorail. In the Kansai region, JR West has already introduced QR codes, and it seems JR East is looking to do the same. Transportation companies are also aware that inbound tourists are using their smartphones for their travel needs rather than purchasing an IC-chip travel cards.

Currently, the MyNumber Card records name, address, date of birth and gender. Wellnet is looking to further develop an authentication system using MyNumber Card information in collaboration with JCI, with plans to spend ¥100mil on this area, this year and next. There will also be a marketing push so in addition to the investments, costs for this expansion are set to rise. However, with Rapidus Corporation (Not listed) coming with about ¥5trn investment in its Hokkaido plant, there is a potential risk of hiring engineers in the area becoming more difficult.

Wellnet (2428 JP): Earnings Summary & Guidance

(¥mil / Jun year-end)	FY24		FY25		FY26 CE			
	1H	FY	1H	FY	1H CE	YoY (%)	FY CE	YoY (%)
Sales	4,897	10,132	5,599	10,918	5,300	-5.3	11,500	5.3
COGS	3,881	7,992	4,324	8,399	N/A	N/A	N/A	N/A
Gross Profit	1,016	2,140	1,274	2,518	N/A	N/A	N/A	N/A
GPM (%)	20.7	21.1	22.8	23.1	N/A	N/A	N/A	N/A
SG&A	452	917	458	1,016	N/A	N/A	N/A	N/A
SG&A / Sales (%)	9.2	9.1	8.2	9.3	N/A	N/A	N/A	N/A
OP	563	1,222	816	1,502	670	-18.0	1,680	11.8
OPM (%)	11.5	12.1	14.6	13.8	12.6	-1.9ppt	14.6	+0.8ppt
RP	564	1,223	819	1,664	680	-17.1	1,700	2.1
NP*	385	836	563	1,077	440	-21.9	1,100	2.1

Source: Nippon-IBR based on Wellnet's earning results materials

* Net profit attributed to the parent's shareholders

FIVE-YEAR PLAN – “THINK WILD.” (FY26~FY30) “CHALLENGE WITH WILD THINKINGS”

The new Mid-Term Management Plan – “Think Wild.” – will remain dedicated to delivering safe, secure convenient services across all payment types. MTP targets are RP of ¥3,000mil (CAGR over 5 years of +12.5%) on sales of ¥17,000mil (+9.3% pa). ROE target is 15% in FY30. Wellnet aims to renew its record RP (¥2,007mil) which was realised in FY16. Key points of the new plan are:

- Maximise earnings from existing services by: (1) expanding direct sales channels, (2) promote full adoption of all payment types among existing clients, (3) becoming a digital transformation [DX] partner of major customers.
- Provide social infrastructure of safe, secure, comfortable, and convenient e-money: (1) develop e-money in Altair Triple Star, (2) expand OEM businesses of e-money, i.e. creating white label e-money for other companies, (3) broaden use of Wellnet brand general-purpose e-money.
- Promote value-added payment services: (1) expand BPO services, and (2) increase adoption of packaged solutions.
- Enhance productivity through management accounting and proactive AI utilisation.
- Corporate social giving: (1) support students with school fees in technical colleges in Hokkaido, who otherwise drop out due to financial hardship and (2) promote winter sports such as speed skating.

Wellnet (2428 JP): Results vs MTP Target (FY26~30)					
(¥mil/June-end)	FY24	FY25	FY26	FY30	5-yr CAGR (%)
	Results	Results	Forecast	Target	
Sales	10,132	10,918	11,500	17,000	9.3
Recurring Profit (RP)	1,223	1,664	1,700	3,000	12.5
RPM (%)	12.1	15.2	14.8	17.6	N/A
Net Profit (NP)	836	1,077	1,100	2,000	13.2
EPS (¥)	44.29	57.56	58.55	N/A	N/A
DPS(¥)	22.15	29.00	29.50	53.00	12.8
Dividend payout Ratio (%)	50.0	50.5	50.4	N/A	N/A
Source: Nippon-IBR based on Wellnet's medium-term presentation material					

CAPITAL ALLOCATIONS AND SHAREHOLDER RETURNS.

There are two major areas where Wellnet plans to allocate capital:

1. Human resources: For the time being, investing in staff and hiring remains a priority in order to retain employees with high capabilities and to promote in-house development. The number of employees was 131 as of the end of FY25.
2. Shareholders' equity will be spent on (a) system development, (b) working capital, (3) forming a capital and business alliance (with who) and (4) invest in JGBs to earn better interest rate.

Furthermore, Wellnet revised its shareholder return policy, committing to the minimum of DOE 5% and to continue a dividend payout ratio of more than 50% of EPS, annually.

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