Summary of Non-consolidated Financial Results for the Six Months Ended September 30, 2016 [Japanese GAAP]

October 28, 2016

Company name: CONEXIO Corporation
Stock exchange listing: Tokyo Stock Exchange, First Section
Stock code: 9422
URL: http://www.conexio.co.jp/index.html
Representative: (Title) President (Name) Hiroo Inoue
Contact: (Title) General Manager, Corporate Planning (Name) Noriaki Kanno Phone: +81-3-5331-3702
Scheduled date for filing of quarterly report: November 9, 2016
Scheduled date of commencement of dividend payment: December 6, 2016
Supplementary briefing material on quarterly financial results: Available
Briefing session of quarterly financial results: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen.)

1. Financial Results for the Six Months Ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(1) Non-consolidated Operating Results (Cumulative) (% indicates rate of change from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
2Q FY2016	120,235	(6.5)	3,762	(6.7)	3,808	(6.5)	2,483	(1.6)
2Q FY2015	128,636	(0.9)	4,033	0.9	4,075	0.1	2,523	3.8

	Earnings per share	Diluted earnings per share
	yen	yen
2Q FY2016	55.50	—
2Q FY2015	56.41	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
2Q FY2016	83,105	31,164	37.5
FY2015	96,912	29,850	30.8

(Reference) Equity: 2Q FY2016: 31,164million yen FY2015: 29,850 million yen

2. Dividends

	Annual dividends				
	1Q end	2Q end	3Q end	Year end	Total
	yen	yen	yen	yen	yen
FY2015	—	22.50	—	25.50	48.00
FY2016	—	26.00			
FY2016(Forecast)			—	26.00	52.00

(Note) Revision of recently-announced dividend forecast: None

3. Financial Forecast for the Fiscal Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(% indicates rate of change from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	270,000	(4.0)	9,210	0.1	9,300	0.1	5,700	(7.3)	127.41

(Note) Revision of recently-announced financial forecast: None

Notes

(1) Application of special accounting method for preparing quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and restatements

(i) Changes in accounting policies due to revision of accounting standards, etc.: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(3) Number of shares issued (common stock)

(i) Number of shares issued as of the end of period (including treasury stock)

(ii) Number of shares of treasury stock as of the end of period

(iii) Average number of shares during the period (cumulative)

2Q FY2016	55,923,000 shares	FY2015	55,923,000 shares
2Q FY2016	11,185,062 shares	FY2015	11,185,062 shares
2Q FY2016	44,737,938 shares	2Q FY2015	44,738,006 shares

*** Indication of implementation status of quarterly review procedures**

- These quarterly non-consolidated financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosing this report, quarterly review procedures are being conducted with respect to the quarterly non-consolidated financial statements.

*** Explanation of appropriate use of financial forecasts and other special notes**

- Financial forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the time of preparing this report. The Company does not guarantee that any forecasts would be met. Actual results may vary significantly from the forecasts due to a wide range of factors.

1. Quarterly Non-Consolidated Financial Statements

(1) Quarterly Non-Consolidated Balance Sheets

(Million yen)

	As of March 31,2016	As of September 30,2016
Assets		
Current assets		
Cash and deposits	2,958	3,143
Notes and accounts receivable - trade	46,020	36,385
Merchandise and finished goods	7,985	8,289
Accounts receivable - other	14,809	10,843
Deposits paid	130	132
Other	3,128	2,826
Allowance for doubtful accounts	(13)	(4)
Total current assets	75,018	61,616
Non-current assets		
Property, plant and equipment	4,186	4,169
Intangible assets		
Goodwill	1,830	1,807
The right of carrier shop management	11,102	10,766
Other	504	506
Total intangible assets	13,436	13,080
Investments and other assets	4,270	4,237
Total non-current assets	21,894	21,488
Total assets	96,912	83,105
Liabilities		
Current liabilities		
Accounts payable - trade	24,808	21,076
Accrued agency commission	10,579	6,513
Short-term loans payable	2,500	-
Accounts payable - other	13,402	9,246
Income taxes payable	521	1,181
Provision for bonuses	3,637	3,070
Provision for directors' bonuses	34	10
Other	4,507	3,723
Total current liabilities	59,990	44,823
Non-current liabilities		
Provision for retirement benefits	4,109	4,358
Asset retirement obligations	425	423
Other	2,537	2,336
Total non-current liabilities	7,072	7,117
Total liabilities	67,062	51,940

(Million yen)

	As of March 31,2016	As of September 30,2016
Net assets		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus	9,779	9,779
Retained earnings	26,373	27,715
Treasury shares	(9,194)	(9,194)
Total shareholders' equity	29,737	31,079
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	113	84
Total valuation and translation adjustments	113	84
Total net assets	29,850	31,164
Total liabilities and net assets	96,912	83,105

(2) Quarterly Non-Consolidated Statements of Income

Second quarter cumulative period

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	128,636	120,235
Cost of sales	106,770	97,950
Gross profit	21,866	22,285
Selling, general and administrative expenses	17,832	18,522
Operating income	4,033	3,762
Non-operating income		
Interest income	0	0
Dividend income	1	9
Support money of store move etc income	40	30
Reversal of allowance for doubtful accounts	7	10
Other	20	18
Total non-operating income	70	68
Non-operating expenses		
Interest expenses	13	5
Loss on sales and retirement of non-current assets	4	8
Rent expenses on real estates	6	4
Other	4	3
Total non-operating expenses	29	22
Ordinary income	4,075	3,808
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	11	-
Total extraordinary income	11	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	3	15
Impairment loss	102	9
Loss on closing of stores	20	15
Total extraordinary losses	126	40
Profit before income taxes	3,960	3,767
Income taxes - current	1,076	961
Income taxes - deferred	360	323
Total income taxes	1,436	1,284
Profit	2,523	2,483

(3) Quarterly Non-Consolidated Cash Flows

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	3,960	3,767
Depreciation	995	987
Amortization of goodwill	56	62
Impairment loss	102	9
Increase (decrease) in allowance for doubtful accounts	(8)	(10)
Increase (decrease) in provision for bonuses	(1,246)	(566)
Increase (decrease) in provision for directors' bonuses	(41)	(23)
Increase (decrease) in provision for retirement benefits	259	248
Interest and dividend income	(2)	(9)
Interest expenses	13	5
Loss (gain) on sales of investment securities	(11)	-
Decrease (increase) in notes and accounts receivable - trade	11,646	9,576
Decrease (increase) in accounts receivable - other	4,560	3,965
Decrease (increase) in inventories	(1,269)	(281)
Increase (decrease) in notes and accounts payable - trade	(4,427)	(7,796)
Increase (decrease) in accounts payable - other	(4,828)	(4,133)
Increase (decrease) in accrued consumption taxes	(1,258)	(126)
Other, net	(846)	(485)
Subtotal	7,654	5,191
Interest and dividend income received	2	9
Interest expenses paid	(14)	(5)
Income taxes (paid) refund	(2,155)	(384)
Other, net	34	15
Net cash provided by (used in) operating activities	5,519	4,825
Cash flows from investing activities		
Purchase of property, plant and equipment	(560)	(542)
Purchase of intangible assets	(143)	(121)
Proceeds from sales of investment securities	24	-
Proceeds from liquidation of subsidiaries and associates	24	-
Payments for lease and guarantee deposits	(341)	(134)
Proceeds from collection of lease and guarantee deposits	48	85
Purchase of long-term prepaid expenses	(32)	(63)
Payment for transfer of business	-	(90)
Payments for transfer of business	-	(83)
Other, net	(25)	(46)
Net cash provided by (used in) investing activities	(1,006)	(997)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,000)	(2,500)
Repayments of long-term loans payable	(3,000)	-
Cash dividends paid	(983)	(1,140)
Other, net	(0)	-
Net cash provided by (used in) financing activities	(4,984)	(3,640)

(Million yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net increase (decrease) in cash and cash equivalents	(470)	187
Cash and cash equivalents at beginning of period	3,997	3,088
Cash and cash equivalents at end of period	3,527	3,276

2. Supplementary Information

Status of Sales

(Unit: million yen, %)

		Six months ended September 30, 2015	Six months ended September 30, 2016	Rate of change
Consumer Business	Net sales	120,584	112,461	(6.7)
	Operating income	4,685	4,684	(0.0)
Corporate Business	Net sales	8,051	7,773	(3.5)
	Operating income	945	868	(8.1)
Adjustments	Company-wide expenses	1,597	1,790	12.1
Amount recorded in quarterly non-consolidated statement of income	Net sales	128,636	120,235	(6.5)
	Operating income	4,033	3,762	(6.7)