Summary of Non-consolidated Financial Results for the Nine Months Ended December 31, 2017 [Japanese GAAP]

January 30, 2018

Company name: CONEXIO Corporation
Stock exchange listing: Tokyo Stock Exchange, First Section
Stock code: 9422
URL: https://www.conexio.co.jp
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Scheduled date for filing of quarterly report: February 13, 2018
Scheduled date of commencement of dividend payment: —
Supplementary briefing material on quarterly financial results: Available
Briefing session of quarterly financial results: Not scheduled

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

1. Financial Results for the Nine Months Ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
3Q FY2017	191,715	0.3	7,589	11.2	7,659	11.2	5,059	11.9
3Q FY2016	191,215	(5.8)	6,823	9.4	6,886	9.1	4,520	15.1

	Earnings per share	Diluted earnings per share
	yen	yen
3Q FY2017	113.10	—
3Q FY2016	101.05	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
3Q FY2017	102,790	36,488	35.5
FY2016	95,254	34,016	35.7

(Reference) Equity: 3Q FY2017: 36,488 million yen FY2016: 34,016 million yen

2. Dividends

	Annual dividends				
	1Q end	2Q end	3Q end	Year end	Total
	yen	yen	yen	yen	yen
FY2016	—	26.00	—	30.00	56.00
FY2017	—	30.00	—		
FY2017(Forecast)				35.00	65.00

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

Breakdown of annual dividend for FY2017:

Ordinary dividend of 60 yen + Commemorative dividend of 5 yen (celebrating 20th company anniversary)

3. Financial Forecast for the Fiscal Year Ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	252,500	(2.9)	10,000	0.2	10,100	0.5	6,500	0.5	145.29

(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)

3Q FY2017	44,737,938 shares	FY2016	55,923,000 shares
3Q FY2017	49 shares	FY2016	11,185,062 shares
3Q FY2017	44,737,926 shares	3Q FY2016	44,737,938 shares

*** This Quarterly Financial Results is not subject to quarterly review.**

*** 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. For information on assumptions of the financial forecasts and matters to be heeded upon using the financial forecasts, please refer to “Financial Forecasts and Other Forward-Looking Information” on page 3 of the Appendix

1. Qualitative Information on Quarterly Non-consolidated Financial Results

(1) Analysis of Operating Results

During the nine months ended December 31, 2017, the Japanese economy was on a moderate recovery trend with improvements in corporate earnings as well as the employment and income environments. On the other hand, its outlook remained unclear due to the uncertainty of the overseas economies.

In the mobile phone market in which the Company conducts business activities, major telecom carriers, aiming to capture customers, implemented measures to compete against budget smartphones including the introduction of new charge plans that incorporate with handset prices and charge plans that match the usage condition of the customers. They have also been promoting efforts to improve the working environment for the sales staff, such as shortening the business hours, designating a monthly regular holiday and recommending closing the shops through the year-end and New Year holidays, at carrier-certified shops.

In such a business climate, as a result of efforts to promote the sales of tablet devices as well as to encourage customers to switch from feature phones to smartphones, unit sales of handsets increased steadily to 1,950,000 (up 0.9% year-on-year). In addition to improvements in gross profit due to the price revision of certain handsets, revenue increased thanks to the strong sales of solution services to corporate customers. The Company also renovated carrier-certified shops, bolstered personnel involved in solution services to corporate customers, and continued to make capital investments.

As a result, all profit accounts performed strongly and the Company's financial results for the nine months ended December 31, 2017 were 191,715 million yen in net sales (up 0.3%), 7,589 million yen in operating profit (up 11.2%), 7,659 million yen in ordinary profit (up 11.2%) and 5,059 million yen in profit(up 11.9%).

◆Financial results

(Million yen)

Account title	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Year-on-year change (%)
Net sales	191,215	191,715	0.3
Operating profit	6,823	7,589	11.2
Ordinary profit	6,886	7,659	11.2
Profit	4,520	5,059	11.9

The financial results of each business segment were as follows.

Consumer Business

In the Consumer Business, the Company acts as an intermediary for concluding contracts for mobile phones and other communications services, provides after-sales services and sells handsets, etc., targeting at consumer customers. In addition, the Company operates a portal site “nexi” to meet the needs of smartphone users and strengthen the relationship with them.

Sales of handsets in the Consumer Business increased steadily as sales of tablet devices as well as customers switching to smartphones increased. As part of initiatives to make the carrier-certified shops more attractive and make the customers want to visit again, the Company made efforts to improve customer satisfaction by hosting smartphone lessons at all the shops. The Company also focused on acquiring new customers and encouraging continued use its new unique service, “nexiplus,” which has expanded contents and additional new functions. Furthermore, the Company strengthened sales staff recruiting and proactively promoted shop renovations.
As a result, the financial results of Consumer Business were 177,586 million yen in net sales (down 0.9% year-on-year) and 9,259 million yen in operating profit (up 13.9%).

◆Financial results

(Million yen)

Account title	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Year-on-year change (%)
Net sales	179,248	177,586	(0.9)
Operating profit	8,131	9,259	13.9

Corporate Business

In the Corporate Business, the Company acts as an intermediary for concluding contracts for mobile phones and other communication services, provides after-sales services and sells mobile phone handsets, etc., targeting at corporate customers. The Company also offers solution services using smartphones to corporate customers and prepaid cards to convenience stores, and provides IoT solutions.

In the Corporate Business, the Company continued to reinforce its business structure, in conjunction with the increasing number of companies adopting smartphones and the ensuing growth in mobile help desk and handset kitting services. Meanwhile revenue from the sales of prepaid cards decreased due to a revision in transaction terms. As for IoT solutions, the Company steadily cultivated potential customers by securing mass production orders by cooperating with its business partners, in addition to supporting implementation through testing.
As a result, the financial results of Corporate Business were 14,129 million yen in net sales (up 18.1%) and 1,282 million yen in operating profit (down 11.4%).

◆Financial results

(Million yen)

Account title	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Year-on-year change (%)
Net sales	11,967	14,129	18.1
Operating profit	1,448	1,282	(11.4)

(2) Analysis of Financial Position

(i) Status of Assets, Liabilities and Net Assets

(Assets)

Current assets increased by 7,762 million yen from the end of the previous fiscal year to 82,037 million yen. This was mainly due to the increase in notes and accounts receivable-trade by 5,856 million yen, the increase in merchandise and finished goods by 4,074 million yen and the decrease in cash and deposits by 1,864 million yen.

Non-current assets decreased by 226 million yen from the end of the previous fiscal year to 20,752 million yen. This was mainly due to the decrease in the right of career shop management by 499 million yen and the increase in investments and other assets by 228 million yen.

As a result, total assets increased 7,535 million yen from the end of the previous fiscal year to 102,790 million yen.

(Liabilities)

Current liabilities increased by 4,926 million yen from the end of the previous fiscal year to 59,249 million yen. This was mainly due to the increase in accrued agency commission by 3,328 million yen, the increase in short-term loans payable by 2,800 million yen and the decrease in provision for bonuses by 1,526 million yen.

Non-current liabilities increased by 137 million yen from the end of the previous fiscal year to 7,052 million yen. This was mainly due to the increase in provisions for retirement benefits by 284 million yen and the decrease in other by 214 million yen.

As a result, total liabilities increased by 5,063 million yen from the end of the previous fiscal year to 66,301 million yen.

(Net assets)

Total net assets increased by 2,472 million yen from the end of the previous fiscal year to 36,488 million yen. This was mainly due to the increase as a result of the recognition of profit of 5,059 million yen and the decrease as a result of dividend payment of 2,684 million yen.

As a result, the Company’s equity ratio was 35.5%.

(3) Financial Forecasts and Other Forward-Looking Information

During the nine months ended December 31, 2017, under review, the following percentages of forecasts were met: 75.9％ of net sales; 75.9％ of operating profit; 75.8％ of ordinary profit; and 77.8％ of profit. At this stage, no changes have been made to the full-year financial forecasts announced on April 28, 2017. The Company will properly disclose any changes made to the forecasts in the future.

2. Quarterly Non-Consolidated Financial Statements

(1) Quarterly Non-Consolidated Balance Sheets

(Million yen)

	As of March 31,2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	4,879	3,015
Notes and accounts receivable - trade	45,343	51,199
Merchandise and finished goods	8,301	12,375
Accounts receivable - other	13,325	12,735
Deposits paid	134	262
Other	2,302	2,460
Allowance for doubtful accounts	(11)	(11)
Total current assets	74,275	82,037
Non-current assets		
Property, plant and equipment	4,170	4,339
Intangible assets		
Goodwill	1,745	1,652
The right of carrier shop management	10,326	9,826
Other	400	369
Total intangible assets	12,472	11,849
Investments and other assets	4,335	4,563
Total non-current assets	20,978	20,752
Total assets	95,254	102,790
Liabilities		
Current liabilities		
Accounts payable - trade	24,280	24,504
Accrued agency commission	8,395	11,723
Short-term loans payable	—	2,800
Accounts payable - other	11,558	11,813
Income taxes payable	2,122	1,398
Provision for bonuses	3,324	1,797
Provision for directors' bonuses	30	13
Other	4,611	5,198
Total current liabilities	54,322	59,249
Non-current liabilities		
Provision for retirement benefits	4,554	4,838
Asset retirement obligations	416	484
Other	1,943	1,729
Total non-current liabilities	6,914	7,052
Total liabilities	61,237	66,301

(Million yen)

	As of March 31,2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus	9,779	585
Retained earnings	30,538	32,913
Treasury shares	(9,194)	(0)
Total shareholders' equity	33,902	36,277
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	114	211
Total valuation and translation adjustments	114	211
Total net assets	34,016	36,488
Total liabilities and net assets	95,254	102,790

(2) Quarterly Non-Consolidated Statements of Income

Third quarter cumulative period

(Million yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	191,215	191,715
Cost of sales	156,593	154,754
Gross profit	34,621	36,961
Selling, general and administrative expenses	27,797	29,371
Operating profit	6,823	7,589
Non-operating income		
Interest income	0	0
Dividend income	10	2
Support money of store move etc income	47	76
Reversal of allowance for doubtful accounts	7	―
Other	36	38
Total non-operating income	102	117
Non-operating expenses		
Interest expenses	7	4
Loss on sales and retirement of non-current assets	18	31
Rent expenses on real estates	6	4
Other	7	5
Total non-operating expenses	40	47
Ordinary profit	6,886	7,659
Extraordinary income		
Gain on sales of non-current assets	0	1
Other	―	0
Total extraordinary income	0	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	17	17
Impairment loss	13	34
Loss on closing of stores	47	38
Total extraordinary losses	78	90
Profit before income taxes	6,807	7,570
Income taxes - current	1,798	2,661
Income taxes - deferred	489	(150)
Total income taxes	2,287	2,510
Profit	4,520	5,059