Summary of Non-consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]

October 29, 2018

Company name: CONEXIO Corporation
Stock exchange listing: Tokyo Stock Exchange, First Section
Stock code: 9422
URL: https://www.conexio.co.jp
Representative: (Title) President (Name) Hiroo Inoue
Contact: (Title) Executive Officer and Chief Operating Officer, Corporate Planning Division (Name) Noriaki Kanno
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Scheduled date for filing of quarterly report: November 12, 2018
Scheduled date of commencement of dividend payment: December 6, 2018
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, 2018 (from April 1, 2018 to September 30, 2018)

(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	%
2Q FY2018	124,083	6.7	4,226	(4.7)	4,388	(2.1)	2,866	(2.7)
2Q FY2017	116,302	(3.3)	4,434	17.9	4,480	17.7	2,945	18.6

	Earnings per share	Diluted earnings per share
	yen	yen
2Q FY2018	64.08	—
2Q FY2017	65.85	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
2Q FY2018	91,218	39,460	43.3
FY2017	99,407	38,174	38.4

(Reference) Equity: 2Q FY2018: 39,460 million yen FY2017: 38,174 million yen

2. Dividends

	Annual dividends				
	1Q end	2Q end	3Q end	Year end	Total
	yen	yen	yen	yen	yen
FY2017	—	30.00	—	35.00	65.00
FY2018	—	30.00			
FY2018(Forecast)			—	30.00	60.00

(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, 2019 (from April 1, 2018 to March 31, 2019)

(% 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	270,000	1.9	10,210	0.0	10,295	0.0	6,740	0.0	150.66

(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)	2Q FY2018	44,737,938 shares	FY2017	44,737,938 shares
(ii) Number of shares of treasury stock as of the end of period	2Q FY2018	122 shares	FY2017	86 shares
(iii) Average number of shares during the period (cumulative)	2Q FY2018	44,737,819 shares	2Q FY2017	44,737,938 shares

*** This Financial Summary is not subject to audits by certified public accountants or audit corporations.**

*** 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, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	7,606	8,534
Notes and accounts receivable - trade	48,934	42,860
Merchandise and finished goods	8,900	7,465
Accounts receivable - other	12,188	10,318
Deposits paid	215	307
Other	856	956
Allowance for doubtful accounts	(6)	(6)
Total current assets	78,694	70,437
Non-current assets		
Property, plant and equipment	4,368	4,681
Intangible assets		
Goodwill	1,621	1,559
The right of carrier shop management	9,650	9,317
Other	354	292
Total intangible assets	11,626	11,170
Investments and other assets	4,717	4,929
Total non-current assets	20,713	20,780
Total assets	99,407	91,218
Liabilities		
Current liabilities		
Accounts payable - trade	22,441	16,740
Accrued agency commission	9,673	9,608
Accounts payable - other	12,100	9,856
Income taxes payable	2,599	1,788
Provision for bonuses	3,412	3,025
Provision for directors' bonuses	21	9
Other	5,391	4,702
Total current liabilities	55,640	45,731
Non-current liabilities		
Provision for retirement benefits	4,888	5,127
Asset retirement obligations	485	686
Other	219	213
Total non-current liabilities	5,592	6,026
Total liabilities	61,233	51,758

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus	585	585
Retained earnings	34,592	35,893
Treasury shares	(0)	(0)
Total shareholders' equity	37,956	39,257
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	218	202
Total valuation and translation adjustments	218	202
Total net assets	38,174	39,460
Total liabilities and net assets	99,407	91,218

(2) Quarterly Non-Consolidated Statements of Income

Second quarter cumulative period

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	116,302	124,083
Cost of sales	92,335	99,450
Gross profit	23,966	24,633
Selling, general and administrative expenses	19,532	20,407
Operating profit	4,434	4,226
Non-operating income		
Interest income	0	0
Dividend income	1	1
Support money of store move etc income	51	65
Reversal of allowance for doubtful accounts	2	0
Gain on sales of goods	—	116
Other	20	17
Total non-operating income	75	200
Non-operating expenses		
Interest expenses	3	0
Loss on sales and retirement of non-current assets	20	27
Rent expenses on real estates	3	2
Other	1	7
Total non-operating expenses	29	38
Ordinary profit	4,480	4,388
Extraordinary income		
Gain on sales of non-current assets	1	0
Other	—	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	14	24
Impairment loss	20	24
Loss on closing of stores	21	45
Other	—	2
Total extraordinary losses	56	96
Profit before income taxes	4,425	4,291
Income taxes - current	1,580	1,562
Income taxes - deferred	(100)	(137)
Total income taxes	1,479	1,424
Profit	2,945	2,866

(3) Quarterly Non-Consolidated Cash Flows

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	4,425	4,291
Depreciation	1,002	1,041
Amortization of goodwill	62	62
Impairment loss	20	24
Increase (decrease) in allowance for doubtful accounts	(2)	0
Increase (decrease) in provision for bonuses	(306)	(386)
Increase (decrease) in provision for directors' bonuses	(20)	(12)
Increase (decrease) in provision for retirement benefits	222	239
Interest and dividend income	(1)	(1)
Interest expenses	3	0
Foreign exchange losses (gains)	—	(0)
Loss (gain) on sales of investment securities	—	(0)
Decrease (increase) in notes and accounts receivable - trade	6,689	6,075
Decrease (increase) in accounts receivable - other	2,597	1,869
Decrease (increase) in inventories	1,680	1,471
Increase (decrease) in notes and accounts payable - trade	(8,723)	(5,766)
Increase (decrease) in accounts payable - other	(2,261)	(2,373)
Increase (decrease) in accrued consumption taxes	125	66
Other, net	(151)	(904)
Subtotal	5,360	5,696
Interest and dividend income received	1	1
Interest expenses paid	(3)	(0)
Income taxes (paid) refund	(1,777)	(2,365)
Other, net	18	23
Net cash provided by (used in) operating activities	3,598	3,355
Cash flows from investing activities		
Purchase of property, plant and equipment	(667)	(600)
Purchase of intangible assets	(92)	(30)
Proceeds from sales of investment securities	—	0
Payments for lease and guarantee deposits	(163)	(238)
Proceeds from collection of lease and guarantee deposits	73	114
Purchase of long-term prepaid expenses	(113)	(90)
Payments for transfer of business	(7)	—
Other, net	(58)	74
Net cash provided by (used in) investing activities	(1,028)	(770)

(Million yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Purchase of treasury shares	—	(0)
Cash dividends paid	(1,342)	(1,565)
Other, net	—	(0)
Net cash provided by (used in) financing activities	(1,342)	(1,566)
Effect of exchange rate change on cash and cash equivalents	—	0
Net increase (decrease) in cash and cash equivalents	1,227	1,020
Cash and cash equivalents at beginning of period	5,013	7,821
Cash and cash equivalents at end of period	6,241	8,841