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## Non-consolidated Financial Results for the Nine Months Ended December 31, 2018 [Japanese GAAP]



January 29, 2019

Company name: CONEXIO Corporation

Stock exchange listing: Tokyo

Code number: 9422

URL: <https://www.conexio.co.jp>

Representative: Hiroo Inoue

President

Contact: Noriaki Kanno

Executive Officer and Chief Operating Officer,  
Corporate Planning Division

Phone: +81-3-5331-3702

Scheduled date of filing quarterly securities report: February 12, 2019

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

### 1. Non-consolidated Financial Results for the Nine Months Ended December 31, 2018 (April 01, 2018 to December 31, 2018)

#### (1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2018	192,801	0.6	7,358	(3.0)	7,584	(1.0)	4,978	(1.6)
December 31, 2017	191,715	0.3	7,589	11.2	7,659	11.2	5,059	11.9

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2018	111.29	-
December 31, 2017	113.10	-

#### (2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2018	97,303	40,199	41.3
March 31, 2018	99,407	38,174	38.4

(Reference) Equity: As of December 31, 2018: ¥ 40,199 million

As of March 31, 2018: ¥ 38,174 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 March 31, 2018	-	30.00	-	35.00	65.00
Fiscal year ending March 31, 2019	-	30.00	-	-	-
Fiscal year ending March 31, 2019 (Forecast)	-	-	-	30.00	60.00

(Note) Revision to the forecast for dividends announced most recently: No

Breakdown of annual dividend for Fiscal year ended March 31, 2018:

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

### 3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 01, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic 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 to the financial results forecast announced most recently: No

\* Notes:

(1) Accounting policies adopted specially for the preparation of quarterly Non-consolidated financial statements: No

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

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 restatements: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2018:	44,737,938 shares	March 31, 2018:	44,737,938 shares
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2) Total number of treasury shares at the end of the period:

December 31, 2018:	122 shares	March 31, 2018:	86 shares
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3) Average number of shares during the period:

Nine months ended December 31, 2018:	44,737,818 shares	Nine months ended December 31, 2017:	44,737,926 shares
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\* **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. For information on assumptions of the financial forecasts and matters to be heeded upon using the financial forecasts, please refer to “(3) 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, 2018, the Japanese economy continued on a moderate recovery trend with improvements in corporate earnings as well as the employment environment. On the other hand, given the concerns about the rising uncertainty in the overseas economies due to the effects of trade frictions, the outlook of the Japanese economy needs to be closely watched.

In the mobile phone market in which the Company conducts business activities, major telecom carriers, aiming to build long-term relationships with customers, have been expanding services that are in line with customer needs. They are also strengthening their customer bases centering on service members. Meanwhile, changes are expected in the future as a result of the market revitalization due to the (scheduled) entry of a new telecommunication carrier and the urgent recommendation by the Ministry of Internal Affairs and Communications to ensure proper mobile services, etc.

In such a business climate, despite our efforts to encourage customers to replace their smartphones, unit sales of handsets decreased to 1,830,000 (down 6.1% year-on-year) due to the change in some of the product distribution flows. Amid the slowdown in the sales of handsets, the Company made efforts to increase revenue by promoting the continued use of various services, revising the price of handsets, as well as the functional expansion of the Company's unique services for smartphones. While the decrease in revenue resulting from the revision in transaction terms for the sales of prepaid cards, which had been ongoing since the previous year, ran its course by October, profits decreased slightly year-on-year due to the added burden of new initiatives to increase revenues such as securing personnel to teach smartphone lessons and strengthening the structure of mobile BPO services to corporate customers.

As a result, for the nine months ended December 31, 2018, net sales were 192,801 million yen (up 0.6%), operating profit was 7,358 million yen (down 3.0%), ordinary profit was 7,584 million yen (down 1.0%), and profit was 4,978 million yen (down 1.6%).

◆ Financial results

Account title	(Million yen)		
	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Year-on-year change (%)
Net sales	191,715	192,801	0.6
Operating profit	7,589	7,358	(3.0)
Ordinary profit	7,659	7,584	(1.0)
Profit	5,059	4,978	(1.6)

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.

In the Consumer Business, unit sales of handsets decreased as a result of the change in some of the product distribution flows and the slow sales of popular models. At the carrier-certified shops, efforts were made to improve customer satisfaction and encourage continued use of various services by improving the quality of the smartphone lessons for customers and increasing the frequency of the lessons. Additionally, the Company commenced initiatives to enhance productivity by reducing clerical work and the back office operations of the shops through the use of IT systems.

As a result, the financial results of the Consumer Business were 180,052 million yen in net sales (up 1.4%) and 10,177 million yen in operating profit (up 9.9%).

◆ Financial results

Account title	(Million yen)		
	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Year-on-year change (%)
Net sales	177,586	180,052	1.4
Operating profit	9,259	10,177	9.9

### 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 mobile BPO services to corporate customers (outsourcing services covering mobile help desk, handset set-up (kitting), etc.), prepaid cards to convenience stores, and IoT solutions.

In the Corporate Business, amid the slow sales of handsets to corporate customers, the Company steadily increased orders in the mobile BPO services, which continue to be reinforced, while cultivating new customers by expanding the handling of security-related products and SNS for corporate customers. As for IoT solutions, the Company added security functions to “Smart Ready IoT Solution Template,” which is able to quickly and easily build IoT systems.

As a result, the financial results of Corporate Business were 12,748 million yen (down 9.8%) and 300 million yen (down 76.6%) in operating profit.

◆ Financial results

Account title	(Million yen)		
	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Year-on-year change (%)
Net sales	14,129	12,748	(9.8)
Operating profit	1,282	300	(76.6)

## **(2) Analysis of Financial Position**

### **(i) Status of Assets, Liabilities and Net Assets**

#### **(Assets)**

Current assets decreased by 2,033 million yen from the end of the previous fiscal year to 76,661 million yen. This was mainly due to the decrease in cash and deposits by 4,661 million yen, the decrease in accounts receivable-other by 1,803 million yen, the increase in merchandise and finished goods by 2,912 million yen, and the increase in notes and accounts receivable-trade by 1,305 million yen.

Non-current assets decreased by 70 million yen from the end of the previous fiscal year to 20,642 million yen. This was mainly due to the decrease in right of carrier shop management by 499 million yen, the decrease in goodwill by 91 million yen, the increase in investments and other assets by 313 million yen, and the increase in property, plant and equipment by 288 million yen. As a result, total assets decreased by 2,104 million yen from the end of the previous fiscal year to 97,303 million yen.

#### **(Liabilities)**

Current liabilities decreased by 4,594 million yen from the end of the previous fiscal year to 51,045 million yen. This was mainly due to decrease in accounts payable-trade by 3,888 million yen, the decrease in accounts payable-other by 2,083 million yen, the decrease in income taxes payable by 1,754 million yen, the decrease in provision for bonuses by 1,572 million yen, the increase in accrued agency commission by 4,140 million yen, and the increase in short-loans payable by 1,000 million yen.

Non-current liabilities increased by 465 million yen from the end of the previous fiscal year to 6,058 million yen. This was mainly due to the increase in provisions for retirement benefits by 284 million yen and the increase in asset retirement obligations by 188 million yen.

As a result, total liabilities decreased by 4,128 million yen from the end of end of the previous fiscal year to 57,104 million yen.

#### **(Net assets)**

Total net assets increased by 2,024 million yen from the end of the previous fiscal year to 40,199 million yen. This was mainly due to the increase as a result of the recognition of profit of 4,978 million yen and the decrease as a result of dividend payment of 2,907 million yen.

As a result, the Company's equity ratio was 41.3%.

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, the comparative analysis with the previous fiscal year is made on the basis of figures after applying the new accounting standards retrospectively.

## **(3) Financial Forecasts and Other Forward-Looking Information**

During the nine months Ended December 31, 2018 under review, the following percentages of forecasts were met: 71.4% of net sales; 72.1% of operating profit; 73.7% of ordinary profit; and 73.9% of profit. At this stage, no changes have been made to the full-year financial forecasts announced on May 1, 2018. The Company will properly disclose any changes made to the forecasts in the future.

**Quarterly Non-Consolidated Financial Statements**

**(1) Quarterly Non-Consolidated Balance Sheets**

(Million yen)

	As of March 31,2018	As of December 31,2018
<b>Assets</b>		
Current assets		
Cash and deposits	7,606	2,944
Notes and accounts receivable - trade	48,934	50,239
Merchandise and finished goods	8,900	11,813
Accounts receivable - other	12,188	10,385
Deposits paid	215	329
Other	856	954
Allowance for doubtful accounts	(6)	(6)
Total current assets	78,694	76,661
Non-current assets		
Property, plant and equipment	4,368	4,657
Intangible assets		
Goodwill	1,621	1,530
The right of carrier shop management	9,650	9,151
Other	354	272
Total intangible assets	11,626	10,954
Investments and other assets	4,717	5,031
Total non-current assets	20,713	20,642
Total assets	99,407	97,303
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	22,441	18,553
Accrued agency commission	9,673	13,814
Short-term loans payable	-	1,000
Accounts payable - other	12,100	10,017
Income taxes payable	2,599	844
Provision for bonuses	3,412	1,840
Provision for directors' bonuses	21	13
Other	5,391	4,961
Total current liabilities	55,640	51,045
Non-current liabilities		
Provision for retirement benefits	4,888	5,172
Asset retirement obligations	485	673
Other	219	212
Total non-current liabilities	5,592	6,058
Total liabilities	61,233	57,104

(Million yen)

	As of March 31,2018	As of December 31,2018
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus	585	585
Retained earnings	34,592	36,663
Treasury shares	(0)	(0)
<b>Total shareholders' equity</b>	<b>37,956</b>	<b>40,027</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	218	172
<b>Total valuation and translation adjustments</b>	<b>218</b>	<b>172</b>
<b>Total net assets</b>	<b>38,174</b>	<b>40,199</b>
<b>Total liabilities and net assets</b>	<b>99,407</b>	<b>97,303</b>

**(2) Quarterly Non-Consolidated Statements of Income**

**Third quarter cumulative period**

(Million yen)

	For the nine months ended December 31,2017	For the nine months ended December 31,2018
Net sales	191,715	192,801
Cost of sales	154,754	154,983
Gross profit	36,961	37,817
Selling, general and administrative expenses	29,371	30,459
Operating profit	7,589	7,358
Non-operating income		
Interest income	0	0
Dividend income	2	4
Support money of store move etc income	76	116
Reversal of allowance for doubtful accounts	-	0
Gain on sales of goods	-	116
Other	38	38
Total non-operating income	117	276
Non-operating expenses		
Interest expenses	4	0
Loss on sales and retirement of non-current assets	31	37
Rent expenses on real estates	4	3
Other	5	9
Total non-operating expenses	47	50
Ordinary profit	7,659	7,584
Extraordinary income		
Gain on sales of non-current assets	1	6
Other	0	0
Total extraordinary income	1	6
Extraordinary losses		
Loss on sales and retirement of non-current assets	17	59
Impairment loss	34	54
Loss on closing of stores	38	52
Other	-	4
Total extraordinary losses	90	170
Profit before income taxes	7,570	7,420
Income taxes - current	2,661	2,628
Income taxes - deferred	(150)	(187)
Total income taxes	2,510	2,441
Profit	5,059	4,978