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## Non-consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

July 30, 2020

Company name: CONEXIO Corporation

Stock exchange listing: Tokyo

Code number: 9422

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

Representative: Hiroo Inoue

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President

General Manager, Corporate Planning Department

Scheduled date of filing quarterly securities report: August 11, 2020

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 Three Months Ended June 30, 2020 (April 01, 2020 to June 30, 2020)

#### (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	%
Three months ended June 30, 2020	33,225	(39.6)	1,618	(29.9)	1,643	(29.5)	1,098	(28.5)
June 30, 2019	54,972	(8.9)	2,308	39.4	2,331	39.3	1,535	42.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	24.55	-
June 30, 2019	34.31	-

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

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2020	86,478	46,043	53.2
March 31, 2020	95,757	46,287	48.3

(Reference) Equity: As of June 30, 2020: ¥ 46,043 million

As of March 31, 2020: ¥ 46,287 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, 2020	-	30.00	-	30.00	60.00
Fiscal year ending March 31, 2021	-	-	-	-	-
Fiscal year ending March 31, 2021(Forecast)	-	-	-	-	-

The dividends for the fiscal year ending March 31, 2021 is undecided at the present stage, and the dividends forecast will be immediately disclosed when the financial results forecast can be disclosed.

### 3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021(April 01, 2020 to March 31, 2021)

The impact of the widespread outbreak of coronavirus disease 2019 (COVID-19) on our business results is unclear, and we will disclose the financial results forecast as soon as we can comprehend it to a certain degree, based on an assessment of the changing circumstances in the future.

\* 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 restatement

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 restatement: No

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

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

June 30, 2020: 44,737,938 shares

March 31, 2020: 44,737,938 shares

2) Total number of treasury shares at the end of the period:

June 30, 2020: 153 shares

March 31, 2020: 122 shares

3) Average number of shares during the period:

Three months ended June 30, 2020: 44,737,797 shares

Three months ended June 30, 2019: 44,737,816 shares

**\* This Financial Results is not subject to audit procedures.**

**\* 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. Qualitative Information on Quarterly Non-consolidated Financial Results

### (1) Analysis of Operating Results

During the three months ended June 30, 2020, the Japanese economy faced extremely challenging conditions due to the widespread impact of the COVID-19 pandemic. As for the outlook of the Japanese economy, while socioeconomic activities have gradually resumed in tandem with measures to prevent the further spread of the pandemic and hopes are high that the economy will rally toward a recovery, we will need to continue our close watch on the trends of the pandemic both in Japan and overseas.

In the mobile phone market in which the Company conducts business activities, in response to the declaration of a state of emergency by the Japanese government, the requests by the Ministry of Internal Affairs and Communication, and the policies of the telecom carriers, we continued sales activities by providing an environment where customers could visit and employees could work with a peace of mind while practicing shortened business hours, temporary closings and limited customer requests due to the impact of the COVID-19 pandemic. Despite these efforts, the number of handset units sold decreased significantly. Meanwhile, commercial services of the new telecommunication standard, “5G” (the 5th generation mobile telecommunication system) and the sales of “5G” -compatible handsets commenced. However, these marketing efforts resulted in a soft launch due to rising handset unit prices following the enforcement of the revised “Telecommunications Business Act” of last year and the effects of COVID-19.

Under such a business environment, our handset unit sales totaled 0.29 million units (down 46.7% year-on-year) due to the effects of the voluntary restraints on sales activities in response to the spread of COVID-19. As a company responsible for supporting social infrastructures, we continued our business by paying the utmost care to the safety of our customers and employees. Although the number of store visitors dropped sharply in April and May and revenue linked to the handset unit sales also fell, we managed to curb the margin of decline thanks to the special monetary aid extended by telecom carriers for COVID-19 measures, in addition to efforts to reduce various expenses. In the Corporate Business, profits increased due to an increase in revenue through our initiatives, including revenue reflecting the demand for telework systems and the mobile handset management and operation services. However, this increase was not enough to cover the decrease in profits of the Consumer Business.

As a result, for the three months ended June 30, 2020, net sales were 33,225 million yen (down 39.6%), operating profit was 1,618 million yen (down 29.9%), ordinary profit was 1,643 million yen (down 29.5%), and profit was 1,098 million yen (down 28.5%).

#### ◆ Financial results

Account title	(Million yen)		
	Three months ended June 30, 2019	Three months ended June 30, 2020	Year-on-year change (%)
Net sales	54,972	33,225	(39.6)
Operating profit	2,308	1,618	(29.9)
Ordinary profit	2,331	1,643	(29.5)
Profit	1,535	1,098	(28.5)

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 provides its unique service “nexiplus” to meet the needs of smartphone users and strengthen the relationship with them, and the insurance agency business of “HOKEN NO MADOGUCHI”.

In the Consumer Business, we continued to provide customer services at the carrier-certified shops by practicing thorough infection prevention measures based on an avoidance of the 3Cs, i.e. closed spaces, crowded places and close-contact settings and giving the highest priority to the safety of our customers and employees while shortening business hours and limiting customer requests. Additionally, we updated our concept of the Company’s unique services “nexiplus” to provide support for a more secure and convenient way of life. Although revenue linked to the unit sales fell significantly, as the number of handset units sold was nearly halved, due to the deep impact of voluntary restraints on sales activities, we managed to curb the margin of decline through efforts to reduce various expenses.

As a result, the financial results of the Consumer Business were 28,944 million yen in net sales (down 42.9%) and 2,149 million yen in operating profit (down 28.0%).

#### ◆ Financial results

(Million yen)			
Account title	Three months ended June 30, 2019	Three months ended June 30, 2020	Year-on-year change (%)
Net sales	50,651	28,944	(42.9)
Operating profit	2,985	2,149	(28.0)

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

In the Corporate Business, we continued sales activities by further promoting telework systems that had been introduced prior to the COVID-19 peril and utilizing shift work. In terms of handset unit sales, a sharp increase was seen in the introduction and the number of new contracts for smartphones reflecting the spike in demand for telework systems mainly among the small- to medium-sized enterprises. Mobile handset management and operation services also grew in line with the increase in inquiries for telework-related solution services. As for IoT solutions, we commenced tests related to the “Measurement of river levels in disaster responses” jointly with Hadano City in Kanagawa Prefecture. Starting with this project, the Company intends to contribute to solving issues related to ESG and SDGs by leveraging its IoT technology.

As a result, the financial results of the Corporate Business were 4,281 million yen in net sales (down 0.9%) and 519 million yen in operating profit (up 33.5%).

#### ◆ Financial results

(Million yen)			
Account title	Three months ended June 30, 2019	Three months ended June 30, 2020	Year-on-year change (%)
Net sales	4,320	4,281	(0.9)
Operating profit	389	519	33.5

## (2) Analysis of Financial Position

### Status of Assets, Liabilities and Net Assets

#### (Assets)

Current assets decreased by 9,000 million yen from the end of the previous fiscal year to 66,523 million yen. This was mainly due to the decrease in cash and deposits by 4,366 million yen, the decrease in notes and accounts receivable-trade by 3,221 million yen, the decrease in accounts receivable-other by 1,309 million yen, and the decrease in merchandise and finished goods by 325 million yen.

Non-current assets decreased by 278 million yen from the end of the previous fiscal year to 19,955 million yen. This was mainly due to the decrease in the right of carrier shop management by 166 million yen and the decrease in property, plant and equipment by 83 million yen.

As a result, total assets decreased by 9,279 million yen from the end of the previous fiscal year to 86,478 million yen.

#### (Liabilities)

Current liabilities decreased by 9,151 million yen from the end of the previous fiscal year to 33,947 million yen. This was mainly due to the decrease in accounts payable-trade by 3,679 million yen, the decrease in provision for bonuses by 2,061 million yen, the decrease in income taxes payable by 1,808 million yen, and the decrease in accounts payable-other by 1,584 million yen.

Non-current liabilities increased by 116 million yen from the end of the previous fiscal year to 6,487 million yen. This was mainly due to the increase in provision for retirement benefits by 123 million yen.

As a result, total liabilities decreased by 9,035 million yen from the end of the previous fiscal year to 40,434 million yen.

#### (Net assets)

Net assets decreased by 243 million yen from the end of the previous fiscal year to 46,043 million yen. This was mainly due to the increase as a result of the recognition of profit of 1,098 million yen and the decrease as a result of dividend payment of 1,342 million yen.

As a result, the Company's equity ratio was 53.2%.

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

Following the declaration by the Japanese government of a state of emergency in April and the subsequent request by the Ministry of Internal Affairs and Communications of "Further efforts to prevent the COVID-19 Pandemic," each telecom carrier had shortened business hours and limited customer requests handled at stores until the beginning of June. While business operations have gone back to normal, there has been a recent spike in the number of new COVID-19 cases and there are concerns for further increase in infection. Should the situation further deteriorate, the shops may once again become subject to voluntary restraints on sales activities and it will become difficult to predict future developments. Therefore, we will disclose our financial forecasts for the current fiscal year as soon as the impact amount can be sorted out while keeping an eye on the changing situation.

## 2. Quarterly Non-consolidated Financial Statements

### (1) Quarterly Non-consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of June 30,2020
<b>Assets</b>		
Current assets		
Cash and deposits	20,387	16,021
Notes and accounts receivable - trade	40,380	37,158
Merchandise and finished goods	4,922	4,597
Accounts receivable - other	8,812	7,502
Deposits paid	111	134
Other	914	1,113
Allowance for doubtful accounts	(5)	(4)
Total current assets	75,524	66,523
Non-current assets		
Property, plant and equipment	4,262	4,179
Intangible assets		
Goodwill	1,390	1,392
The right of career shop management	8,319	8,153
Other	436	414
Total intangible assets	10,146	9,960
Investments and other assets	5,824	5,815
Total non-current assets	20,233	19,955
Total assets	95,757	86,478
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	13,394	9,715
Accrued agency commission	10,128	10,055
Accounts payable - other	6,874	5,289
Income taxes payable	2,547	739
Provision for bonuses	4,651	2,589
Provision for bonuses for directors (and other officers)	34	5
Other	5,467	5,551
Total current liabilities	43,099	33,947
Non-current liabilities		
Provision for retirement benefits	5,580	5,703
Asset retirement obligations	668	668
Other	122	114
Total non-current liabilities	6,371	6,487
Total liabilities	49,470	40,434

(Million yen)

	As of March 31,2020	As of June 30,2020
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	42,922	42,678
Treasury shares	(0)	(0)
Total shareholders' equity	46,286	46,042
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	1
Total valuation and translation adjustments	0	1
Total net assets	46,287	46,043
Total liabilities and net assets	95,757	86,478

(2) Quarterly Non-consolidated Statements of Income

(Million yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	54,972	33,225
Cost of sales	42,390	22,543
Gross profit	12,581	10,682
Selling, general and administrative expenses	10,272	9,063
Operating profit	2,308	1,618
Non-operating income		
Interest income	0	0
Dividend income	2	0
Support money of store move etc income	10	5
Reversal of allowance for doubtful accounts	2	-
Penalty income	-	17
Other	11	3
Total non-operating income	26	26
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	1	0
Provision of allowance for doubtful accounts	-	0
Loss on sales and retirement of non-current assets	1	-
Other	0	0
Total non-operating expenses	3	1
Ordinary profit	2,331	1,643
Extraordinary income		
Gain on sales of non-current assets	-	24
Other	-	0
Total extraordinary income	-	25
Extraordinary losses		
Loss on sales and retirement of non-current assets	1	2
Impairment loss	22	-
Loss on store closings	9	2
Total extraordinary losses	32	4
Profit before income taxes	2,298	1,663
Income taxes - current	809	612
Income taxes - deferred	(45)	(47)
Total income taxes	763	565
Profit	1,535	1,098