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## Non-consolidated Financial Results for the Nine Months Ended December 31, 2020 [Japanese GAAP]

January 28, 2021

Company name: CONEXIO Corporation

Stock exchange listing: Tokyo

Code number: 9422

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

Representative: Hiroo Inoue

President

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Scheduled date of filing quarterly securities report: February 10, 2021

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, 2020 (April 01, 2020 to December 31, 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	%
Nine months ended December 31, 2020	130,946	(16.4)	8,019	7.8	8,398	10.2	5,630	9.3
December 31, 2019	156,653	(18.7)	7,441	1.1	7,618	0.4	5,151	3.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	125.84	-
December 31, 2019	115.15	-

### (2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2020	102,330	49,234	48.1
March 31, 2020	95,757	46,287	48.3

(Reference) Equity: As of December 31, 2020: ¥ 49,234 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	-	30.00	-	-	-
Fiscal year ending March 31, 2021 (Forecast)	-	-	-	30.00	60.00

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

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

(% 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	170,000	(18.7)	9,600	(7.1)	9,900	(5.9)	6,500	(7.2)	145.29

(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 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):

December 31, 2020: 44,737,938 shares

March 31, 2020: 44,737,938 shares

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

December 31, 2020: 153 shares

March 31, 2020: 122 shares

3) Average number of shares during the period:

Nine months ended December 31, 2020: 44,737,789 shares

Nine months ended December 31, 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. 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 4 of the Appendix.

## 1. Qualitative Information on Quarterly Non-consolidated Financial Results

### (1) Analysis of Operating Results

During the nine months ended December 31, 2020, Japan's economy remained largely sluggish due to growing impact of the COVID-19 pandemic, with both consumer spending and employment having slowed. In addition, socioeconomic activities, which had temporarily showed a sign of recovery, have been severely challenged by several factors, including the resurgence of the COVID-19 cases since November.

In the mobile phone market where the Company operates business, it shortened business hours of, temporarily closed and responded only to limited customer requests at its carrier-certified shops, in response to the state-of-emergency declaration by the Japanese government in April, requests from the Ministry of Internal Affairs and Communications, and policies of telecom carriers, issued amid the COVID-19 pandemic. After the state-of-emergency declaration was lifted, however, its customer footfall and handset unit sales recovered, as the operation of its carrier-certified shops were back to normal. Also, commercial services of the new telecommunication standard 5G (the 5th generation telecommunication system) were launched, and 5G-compliant handsets have become widespread, helped by the roll-out of its popular new models. In addition, telecom carriers announced revamped pricing plans at the request to lower mobile phone charges from the government, pushing the market into a new phase of competition.

Under such a business environment, although our handset unit sales had plunged during the three months ended June 30, 2020 (down 46.7% year-on-year) due in part to the voluntary restraint on business activities amid the COVID-19 pandemic, the sales then recovered to 1,250,000 units (down 16.3% year-on-year) during the nine months ended December 31, 2020 as the operating activities of carrier-certified shops returned to normal. With regard to profitability, although the Company recorded decreased profits during the six months ended September 30, 2020 under the influence of the COVID-19, it recorded increased profits during the three months ended December 31, 2020, backed by revenue from our initiatives which was attributable specifically to growing demand for teleworking, and increased sales of prepaid cards driven by strong stay-at-home demand in the Corporate Business segment, besides the launch of popular models.

As a result, for the nine months ended December 31, 2020, net sales were 130,946 million yen (down 16.4% year-on-year), operating profit was 8,019 million yen (up 7.8% year-on-year), ordinary profit was 8,398 million yen (up 10.2% year-on-year) and profit was 5,630 million yen (up 9.3% year-on-year).

#### ◆ Financial results

Account title	(Million yen)		
	Nine months ended December 30, 2019	Nine months ended December 30, 2020	Year-on-year change (%)
Net sales	156,653	130,946	(16.4)
Operating profit	7,441	8,019	7.8
Ordinary profit	7,618	8,398	10.2
Profit	5,151	5,630	9.3

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 this business segment, the Company continued to serve its customers at its carrier-certified shops, while implementing thoroughgoing measures to avoid 3Cs – closed spaces, crowded places, and close-contact settings – to protect against infection with COVID-19. The Company also expanded the lineup of its unique "nexi" service package, and the membership of the service increased steadily. Further, as a new initiative, the Company sought to tap new customers by opening a pop-up shops in retail outlets, such as shopping malls. Although revenues linked to unit sales declined sharply due to the impact of voluntary restraint on sales activities, the pace of decline in profits slowed, backed by COVID-19 support grants from telecom carriers as well as reduction of various costs and expenses.

As a result, the Consumer Business segment recorded net sales of 117,534 million yen (down 18.5% year-on-year) and operating profit of 9,197 million yen (down 4.0% year-on-year).

#### ◆ Financial results

Account title	(Million yen)		
	Nine months ended December 30, 2019	Nine months ended December 30, 2020	Year-on-year change (%)
Net sales	144,133	117,534	(18.5)
Operating profit	9,578	9,197	(4.0)

## 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 this business segment, we continued sales activities by further promoting the telework system put in place since before the COVID-19 outbreak and making use of work shift. Sales of smartphones remained strong, backed by growing demand for telework, and subsequently, both the number of solutions newly introduced and the number of new contracts for such solutions increased. As for our mobile help desk service, the number of subscriptions to the service increased, driven by the promotion of telework by existing customers; and the average sales per customer also rose, helped by an expansion in the scope of service due to a shift to smartphones. As for IoT solutions, the Company, along with its partner companies, participated in Nokia Local 5G Technology Partnership, an industry-wide alliance to accelerate the development of local 5G and private LTE systems. We will continue to promote the development and provision of edge computing gateways compatible with local 5G/private LTE. We will also focus on integration of IoT systems, centered on gateways, to bring integrated solutions to customers in a wide range of sectors, including manufacturing, transportation, construction, service and public work sectors.

As a result of the above, the Corporate Business segment recorded net sales of 13,412 million yen (up 7.1% year-on-year) and operating profit of 1,982 million yen (up 74.3% year-on-year).

### ◆ Financial results

(Million yen)			
Account title	Nine months ended December 30, 2019	Nine months ended December 30, 2020	Year-on-year change (%)
Net sales	12,519	13,412	7.1
Operating profit	1,136	1,982	74.3

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

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

#### **(Assets)**

Current assets increased by 7,507 million yen from the end of the previous fiscal year to 83,031 million yen. This is attributable mainly to an increase in accounts receivable-other of 23,469 million yen, an increase in merchandise and finished goods of 2,545 million yen, a decrease in notes and accounts receivable-trade of 13,429 million yen, and a decrease in cash and deposits of 5,245 million yen.

Non-current assets decreased by 934 million yen from the end of the previous fiscal year to 19,299 million yen. This is attributable mainly to a decrease in the right of career shop management of 499 million yen and a decrease in property, plant and equipment of 326 million yen.

As a result, total assets increased by 6,572 million yen from the end of the previous fiscal year to 102,330 million yen.

#### **(Liabilities)**

Current liabilities increased by 3,547 million yen from the end of the previous fiscal year to 46,646 million yen. This is attributable mainly to an increase in accounts payable-other of 10,784 million yen, an increase in accounts payable-trade of 2,143 million yen, a decrease in accrued agency commission of 4,610 million yen, a decrease in provision for bonuses of 2,880 million yen, and a decrease in income taxes payable of 1,465 million yen.

Non-current liabilities increased by 78 million yen from the end of the previous fiscal year to 6,449 million yen. This is attributable mainly to an increase in provision for retirement benefits of 171 million yen, and a decrease in asset retirement obligations of 73 million yen.

As a result, total liabilities increased by 3,625 million yen from the end of the previous fiscal year to 53,096 million yen.

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

Net assets increased by 2,946 million yen from the end of the previous fiscal year to 49,234 million yen. This is attributable mainly to profit recognized in the amount of 5,630 million yen and dividends paid in the amount of 2,684 million yen.

As a result, the Company's equity ratio reached 48.1%.

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

Amid the spread of the COVID-19 cases, the Japanese government again declared the state of emergency. At present, it is difficult to accurately predict when the virus will be contained. We therefore need to carefully watch future developments as to whether the Company will be required to shorten business hours of, temporarily close and respond only to limited customer requests at its carrier-certified shops, as well as the implications of the revamped pricing plans released by telecom carriers on the competitive landscape of the market.

During the nine months ended December 31, 2020, the progress of actual earnings against their forecast figures were 77.0% in net sales, 83.5% in operating profit, 84.8% in ordinary profit and 86.6% in profit. However, the Company has not revised its full-year earnings forecasts announced on October 29, 2020, given that it considers paying special service bonus to employees to reward their continued service amid the COVID-19 pandemic, and uncertain factors remain as mentioned above. However, we will disclose any changes to our earnings forecasts as necessary.

## 2. Quarterly Non-consolidated Financial Statements

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

(Million yen)

	As of March 31,2020	As of December 31,2020
<b>Assets</b>		
Current assets		
Cash and deposits	20,387	15,142
Notes and accounts receivable - trade	40,380	26,951
Merchandise and finished goods	4,922	7,467
Accounts receivable - other	8,812	32,281
Deposits paid	111	126
Other	914	1,067
Allowance for doubtful accounts	(5)	(5)
Total current assets	75,524	83,031
Non-current assets		
Property, plant and equipment	4,262	3,936
Intangible assets		
Goodwill	1,390	1,326
The right of career shop management	8,319	7,820
Other	436	451
Total intangible assets	10,146	9,598
Investments and other assets	5,824	5,764
Total non-current assets	20,233	19,299
Total assets	95,757	102,330
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	13,394	15,538
Accrued agency commission	10,128	5,517
Accounts payable - other	6,874	17,659
Income taxes payable	2,547	1,082
Provision for bonuses	4,651	1,770
Provision for bonuses for directors (and other officers)	34	17
Other	5,467	5,060
Total current liabilities	43,099	46,646
Non-current liabilities		
Provision for retirement benefits	5,580	5,752
Asset retirement obligations	668	594
Other	122	102
Total non-current liabilities	6,371	6,449
Total liabilities	49,470	53,096

(Million yen)

	As of March 31,2020	As of December 31,2020
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	42,922	45,868
Treasury shares	(0)	(0)
Total shareholders' equity	46,286	49,232
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	49,234
Total liabilities and net assets	95,757	102,330



## (2) Quarterly Non-consolidated Statements of Income

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Net sales	156,653	130,946
Cost of sales	118,483	93,667
Gross profit	38,169	37,278
Selling, general and administrative expenses	30,728	29,259
Operating profit	7,441	8,019
Non-operating income		
Interest income	0	0
Dividend income	4	0
Support money of store move etc income	110	90
Reversal of allowance for doubtful accounts	3	0
Subsidies for employment adjustment	-	259
Other	68	41
Total non-operating income	187	392
Non-operating expenses		
Interest expenses	0	0
Loss on sales and retirement of non-current assets	4	-
Rental expenses on real estate	1	-
Loss on cancellation of contracts	3	5
Loss on investments in investment partnerships	-	3
Other	1	3
Total non-operating expenses	10	12
Ordinary profit	7,618	8,398
Extraordinary income		
Gain on sales of non-current assets	-	24
Gain on sales of investment securities	174	-
Other	-	0
Total extraordinary income	174	25
Extraordinary losses		
Loss on sales and retirement of non-current assets	14	27
Impairment loss	69	24
Loss on store closings	40	19
Other	0	1
Total extraordinary losses	124	73
Profit before income taxes	7,668	8,350
Income taxes - current	2,657	2,864
Income taxes - deferred	(140)	(143)
Total income taxes	2,517	2,720
Profit	5,151	5,630