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Non-consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]

October 28, 2021

Company name: CONEXIO Corporation Stock exchange listing: Tokyo
Code number: 9422 URL: <https://www.conexio.co.jp>
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Scheduled date of filing quarterly securities report: November 11, 2021

Scheduled date of commencing dividend payments: December 06, 2021

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts)

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

1. Non-consolidated Financial Results for the Six Months Ended September 30, 2021 (April 01, 2021 to September 30, 2021)

(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	%
Six months ended September 30, 2021	89,224	14.3	3,410	(27.2)	3,472	(30.6)	2,526	(25.0)
September 30, 2020	78,072	(26.3)	4,686	(12.0)	5,004	(8.5)	3,366	(10.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	56.47	-
September 30, 2020	75.25	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2021	93,874	52,100	55.5
March 31, 2021	105,315	51,140	48.6

(Reference) Equity: As of September 30, 2021: ¥ 52,100 million

As of March 31, 2021: ¥ 51,140 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, 2021	-	30.00	-	35.00	65.00
Fiscal year ending March 31, 2022	-	35.00			
Fiscal year ending March 31, 2022 (Forecast)			-	35.00	70.00

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

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 01, 2021 to March 31, 2022)

(% 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	190,000	0.6	9,700	(9.1)	9,700	(12.4)	6,600	(12.4)	147.53

(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: Yes

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):

September 30, 2021: 44,737,938 shares

March 31, 2021: 44,737,938 shares

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

September 30, 2021: 153 shares

March 31, 2021: 153 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 44,737,785 shares

Six months ended September 30, 2020: 44,737,791 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 5 of the Appendix.

1. Qualitative Information on Quarterly Non-consolidated Financial Results

(1) Analysis of Operating Results

During the six months ended September 30, 2021, the Japanese economy continued to face challenging conditions, with the lingering impact of the COVID-19 pandemic, resulting in the repeated declaration of a state of emergency mainly in the major metropolitan areas. As for its outlook, we will need to closely watch any indication of the resurgence of infection, although the state of emergency declaration was lifted as a result of the successful vaccine rollout.

In the mobile phone market in which the Company conducts business activities, we continued operations while taking measures to prevent the spread of the infection under the pandemic and maintaining an environment where customers could come to the shops and employees could come to work with peace of mind. The market was revitalized as telecom carriers revamped their pricing plans, promoting price competition among telecom carriers. As a result, handsets compliant with the new telecommunication standard 5G (the 5th generation mobile telecommunication system) have also been gaining popularity. Meanwhile, as information gaps become greater with the progress of digitalization, we have commenced support toward creating a society where everyone can enjoy the benefits of digitalization by taking part in the government's "Project on Digital Utilization Support."

Under such a business environment, our handset unit sales have recovered from the previous year during which business activities were under voluntary restraints amid the spread of the COVID-19 pandemic, increasing to 0.89 million units (up 15.6% year-on-year). Although revenue from our unique services (smartphone coating, "nexi" service packages, managed mobile services, etc.) increased significantly, profit decreased due to (i) an increase in personnel expenses due to the reactionary increase in operation from the voluntary restraints placed on sales activities under the COVID-19 pandemic in the previous year and a decrease in support grants from telecom carriers, which had been expected at the beginning of this fiscal year, and (ii) an increase in promotion expenses to strengthen door-to-door sales.

As a result, for the six months ended September 30, 2021, net sales were 89,224 million yen (up 14.3%), operating profit was 3,410 million yen (down 27.2%), ordinary profit was 3,472 million yen (down 30.6%), and profit was 2,526 million yen (down 25.0%). While net sales decreased by 579 million yen due to the application of the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter "Accounting Standard for Revenue Recognition"), etc., the application had no impact on operating profit, ordinary profit, and profit.

◆ Financial results

(Million yen)			
Account title	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021	Year-on-year change (%)
Net sales	78,072	89,224	14.3
Operating profit	4,686	3,410	△27.2
Ordinary profit	5,004	3,472	△30.6
Profit	3,366	2,526	△25.0

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 "nexi smartphone support" to support the rich smartphone life of smartphone users by helping them to learn how to use smartphones and the insurance agency business of "HOKEN NO MADOGUCHI."

In the Consumer Business, revenue from the agency business for telecom carriers increased as a result of the reactionary increase in unit sales against the voluntary restraints placed on sales activities due to the COVID-19 pandemic in the previous year. Robust revenue from our unique services was also reported thanks to the growth of services such as smartphone coating and “nexi” service packages. Under the “Project on Digital Utilization Support for Users” by the Ministry of Internal Affairs and Communications, we won the contract from 22 municipalities to start the project to eliminate the digital divide (information gap) among customers. In addition, we opened “KURASHI NO SUMAHO KYOSHITSU” smartphone classes for one on one private lessons. As for selling, general and administrative expenses, profit was suppressed by (i) an increase in personnel expenses due to the reactionary increase in operation from the voluntary restraints placed on sales activities under the COVID-19 pandemic in the previous year and a decrease in support grants from telecom carriers and (ii) an increase in promotion expenses to strengthen door-to-door sales.

As a result, the financial results of the Consumer Business were 82,034 million yen in net sales (up 18.3% from the same period last year) and 4,442 million yen in operating profit (down 19.4%). While net sales decreased by 13 million yen due to the application of the Accounting Standard for Revenue Recognition, etc., the application had no impact on operating profit.

◆ Financial results

(Million yen)			
Account title	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021	Year-on-year change (%)
Net sales	69,339	82,034	18.3
Operating profit	5,511	4,442	△19.4

Corporate Business

In the Corporate Business, the Company mainly acts as an intermediary for concluding contracts of mobile phones and other communication services, provides after-sales services and sells mobile phone handsets, etc., targeting at corporate customers. The Company also develops and operates MobileWorkPlace (mobile work-related solutions for corporate customers) and offers IoT solutions and prepaid cards to convenience stores.

In the Corporate Business, revenue from our unique businesses increased as ongoing revenue accumulated due to the increase in the number of subscriptions to managed mobile services, driven by the promotion of telework in the previous year. Meanwhile, revenue from the agency business for telecom carriers failed to exceed the levels of the same period last year, which benefitted from the special demand arising from COVID-19 control measures, due to a decline in sales resulting from such factors as the effects of inventory shortages of mainstay models. As for mobile solutions, we have entered into a business partnership with Needs Well Inc., a system integration company, to start the provision of data coordination solutions to core backbone systems as part of “MobileWorkPlace.”

As a result, the financial results of the Corporate Business were 7,189 million yen in net sales (down 17.7% from the same period last year) and 1,195 million yen in operating profit (down 6.6%). While net sales decreased by 565 million yen due to the application of the Accounting Standard for Revenue Recognition, etc., the application had no impact on operating profit.

◆ Financial results

(Million yen)			
Account title	Six Months Ended September 30, 2020	Six Months Ended September 30, 2021	Year-on-year change (%)
Net sales	8,732	7,189	△17.7
Operating profit	1,280	1,195	△6.6

(2) Analysis of Financial Position

(i) Status of Assets, Liabilities and Net Assets

(Assets)

Current assets decreased by 11,338 million yen from the end of the previous fiscal year to 74,575 million yen. This was mainly due to the decrease in accounts receivable-trade by 11,077 million yen, the decrease in accounts receivable-other by 1,670 million yen, the decrease in merchandise and finished goods by 1,312 million yen, the increase in cash and deposits by 2,653 million.

Non-current assets decreased by 103 million yen from the end of the previous fiscal year to 19,298 million yen. This was mainly due to the decrease in the right of career shop management by 332 million yen, the decrease in property, plant and equipment by 227 million yen, and the increase in investments and other assets by 463 million yen.

As a result, total assets decreased by 11,441 million yen from the end of the previous fiscal year to 93,874 million yen.

(Liabilities)

Current liabilities decreased by 11,008 million yen from the end of the previous fiscal year to 36,575 million yen. This was mainly due to the decrease in accounts payable-trade by 4,232 million yen, the decrease in accounts payable-other by 2,757 million yen, the decrease in accrued agency commission by 2,215 million yen, the decrease in provision for bonuses by 1,163 million yen, and the decrease in income taxes payable by 396 million yen.

Non-current liabilities decreased by 1,392 million yen from the end of the previous fiscal year to 5,198 million yen. This was mainly due to the decrease in provision for retirement benefits by 2,766 million yen as a result of a partial change in the retirement benefits system and the increase in other items by 1,327 million yen.

As a result, total liabilities decreased by 12,401 million yen from the end of the previous fiscal year to 41,773 million yen.

(Net assets)

Net assets increased by 959 million yen from the end of the previous fiscal year to 52,100 million yen. This was mainly due to the increase as a result of the recognition of profit of 2,526 million yen and the decrease as a result of dividend payment of 1,565 million yen.

As a result, the Company's equity ratio was 55.5%.

(ii) Status of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") as of September 30, 2021 increased by 2,658 million yen from the end of the previous fiscal year to 24,324 million yen.

(Cash flows from operating activities)

Cash obtained from operating activities was 5,248 million yen (up 1,565 million yen from the same period last year). This was mainly because the increasing factors, including a decrease in trade receivables of 11,068 million yen, the recognition of profit before income taxes of 3,793 million yen, a decrease in accounts receivable-other of 1,670 million yen, a decrease in inventories of 1,381 million yen, and the recognition of depreciation of 1,024 million yen, exceeded the decreasing factors, including an decrease in trade payables of 6,447 million yen, a decrease in accounts payable-other of 2,642 million yen, a decrease in provision for retirement benefits of 2,486 million yen, income taxes paid of 1,775 million yen, and a decrease in provision for bonuses of 1,149 million yen.

(Cash flows from investing activities)

Cash used for investing activities was 1,024 million yen (up 438 million yen from the same period last year). This was mainly due to the expenditure of 460 million yen for the payments for lease and guarantee deposits and the expenditure of 455 million yen for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash used for financing activities was 1,565 million yen (up 221 million yen from the same period last year). This was mainly due to dividends paid of 1,565 million yen.

(3) Financial Forecasts and Other Forward-Looking Information

During the six months ended September 30, 2021, the following percentages of forecasts were met: 47.0% of net sales; 35.2% of operating profit; 35.8% of ordinary profit; and 38.3% of profit. At this stage, no changes have been made to the full-year financial forecasts announced on April 30, 2021. The Company will properly disclose any changes made to the forecasts in the future.

1. Quarterly Non-consolidated Financial Statements

(1) Quarterly Non-consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	21,550	24,204
Accounts receivable - trade	29,038	17,960
Merchandise and finished goods	6,295	4,982
Accounts receivable - other	27,788	26,117
Deposits paid	114	119
Other	1,131	1,196
Allowance for doubtful accounts	(5)	(5)
Total current assets	85,914	74,575
Non-current assets		
Property, plant and equipment	4,014	3,787
Intangible assets		
Goodwill	1,306	1,252
The right of career shop management	7,654	7,321
Other	449	497
Total intangible assets	9,410	9,071
Investments and other assets	5,976	6,439
Total non-current assets	19,401	19,298
Total assets	105,315	93,874
Liabilities		
Current liabilities		
Accounts payable - trade	14,756	10,524
Accrued agency commission	6,370	4,155
Accounts payable - other	14,505	11,748
Income taxes payable	2,022	1,625
Provision for bonuses	4,829	3,666
Provision for bonuses for directors (and other officers)	81	12
Other	5,017	4,842
Total current liabilities	47,583	36,575
Non-current liabilities		
Provision for bonuses	-	13
Provision for directors' bonuses	-	5
Provision for retirement benefits	5,894	3,127
Asset retirement obligations	595	622
Other	102	1,429
Total non-current liabilities	6,591	5,198
Total liabilities	54,174	41,773

(Million yen)

	As of March 31,2021	As of September 30,2021
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	47,774	48,734
Treasury shares	(0)	(0)
Total shareholders' equity	51,138	52,098
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2	1
Total valuation and translation adjustments	2	1
Total net assets	51,140	52,100
Total liabilities and net assets	105,315	93,874

(2) Quarterly Non-consolidated Statements of Income

	(Million yen)	
	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	78,072	89,224
Cost of sales	54,459	63,081
Gross profit	23,613	26,143
Selling, general and administrative expenses	18,926	22,732
Operating profit	4,686	3,410
Non-operating income		
Interest income	0	0
Dividend income	0	0
Support money of store move etc income	36	16
Reversal of allowance for doubtful accounts	0	1
Subsidies for employment adjustment	259	-
Surrender value of insurance policies	-	31
Other	26	17
Total non-operating income	323	66
Non-operating expenses		
Interest expenses	0	0
Loss on investments in investment partnerships	3	1
Other	2	3
Total non-operating expenses	5	5
Ordinary profit	5,004	3,472
Extraordinary income		
Gain on sale of non-current assets	24	-
Compensation for forced relocation	-	211
Gain on revision of retirement benefit plan	-	280
Other	0	-
Total extraordinary income	25	491
Extraordinary losses		
Head office relocation expenses	-	127
Loss on store closings	5	10
Loss on sale and retirement of non-current assets	11	6
Impairment losses	1	25
Total extraordinary losses	19	170
Profit before income taxes	5,010	3,793
Income taxes - current	1,738	1,361
Income taxes - deferred	(95)	(94)
Total income taxes	1,643	1,267
Profit	3,366	2,526

(3) Quarterly Non-consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	5,010	3,793
Depreciation	963	1,024
Amortization of goodwill	65	61
Impairment losses	1	25
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	(833)	(1,149)
Increase (decrease) in provision for bonuses for directors (and other officers)	(23)	(62)
Increase (decrease) in provision for retirement benefits	233	(2,486)
Gain on revision of retirement benefit plan	-	(280)
Interest and dividend income	(0)	(0)
Interest expenses	0	0
Subsidies for employment adjustment	(259)	-
Compensation for forced relocation	-	(211)
Head office relocation expenses	-	127
Foreign exchange losses (gains)	2	(0)
Decrease (increase) in trade receivables	21,863	11,068
Decrease (increase) in accounts receivable - other	(13,896)	1,670
Decrease (increase) in inventories	516	1,381
Increase (decrease) in trade payables	(9,904)	(6,447)
Increase (decrease) in accounts payable - other	3,752	(2,642)
Increase (decrease) in accrued consumption taxes	(751)	(106)
Other, net	(1,096)	1,032
Subtotal	5,644	6,798
Interest and dividends received	0	0
Interest paid	(0)	(0)
Subsidies for employment adjustment received	259	-
Proceeds from compensation for forced relocation	-	211
Income taxes refund (paid)	(2,271)	(1,775)
Other, net	50	13
Net cash provided by (used in) operating activities	3,682	5,248
Cash flows from investing activities		
Purchase of property, plant and equipment	(360)	(455)
Purchase of intangible assets	(152)	(98)
Purchase of investment securities	(20)	(20)
Payments of leasehold and guarantee deposits	(91)	(460)
Proceeds from refund of leasehold and guarantee deposits	195	43
Purchase of long-term prepaid expenses	(40)	(30)
Other, net	(116)	(3)
Net cash provided by (used in) investing activities	(585)	(1,024)
Cash flows from financing activities		
Purchase of treasury shares	(0)	-
Dividends paid	(1,342)	(1,565)
Other, net	(1)	(0)
Net cash provided by (used in) financing activities	(1,344)	(1,565)
Effect of exchange rate change on cash and cash equivalents	(2)	0
Net increase (decrease) in cash and cash equivalents	1,749	2,658

	(Million yen)	
	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash and cash equivalents at beginning of period	20,499	21,665
Cash and cash equivalents at end of period	22,249	24,324