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## Non-consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

January 27, 2022

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: February 09, 2022  
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, 2021 (April 01, 2021 to December 31, 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	%
Nine months ended December 31, 2021	138,298	5.6	5,358	(33.2)	5,452	(35.1)	3,935	(30.1)
December 31, 2020	130,946	(16.4)	8,019	7.8	8,398	10.2	5,630	9.3

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	87.97	-
December 31, 2020	125.84	-

### (2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2021	98,654	51,942	52.7
March 31, 2021	105,315	51,140	48.6

(Reference) Equity: As of December 31, 2021: ¥ 51,942 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	185,000	(2.0)	8,000	(25.1)	8,000	(27.8)	5,700	(24.4)	127.41

(Note) Revision to the financial results forecast announced most recently: Yes

\* 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):

December 31, 2021: 44,737,938 shares

March 31, 2021: 44,737,938 shares

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

December 31, 2021: 194 shares

March 31, 2021: 153 shares

3) Average number of shares during the period:

Nine months ended December 31, 2021: 44,737,773 shares

Nine months ended December 31, 2020: 44,737,789 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 nine months ended December 31, 2021, despite the lingering impact of the COVID-19 pandemic, the Japanese economy showed signs of recovery, as the challenging conditions began to gradually ease. As for its outlook, although expectations are high for economic recovery, we will need to closely watch the resurgence of the infection due to COVID-19 variants.

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 1.34 million units (up 6.9% year-on-year). Although revenue from our unique services (smartphone coating, "nexi" service packages, managed mobile services, etc.) increased, during the third quarter, the climate surrounding the industry became more severe and the decline in revenue from the agency business for telecom carriers was greater than expected. As for selling, general and administrative expenses, personnel expenses increased 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, while promotion expenses also increased in an effort to strengthen door-to-door sales.

As a result, for the nine months ended December 31, 2021, net sales were 138,298 million yen (up 5.6%), operating profit was 5,358 million yen (down 33.2%), ordinary profit was 5,452 million yen (down 35.1%), and profit was 3,935 million yen (down 30.1%). While net sales decreased by 849 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

Account title	(Million yen)		
	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021	Year-on-year change (%)
Net sales	130,946	138,298	5.6
Operating profit	8,019	5,358	△33.2
Ordinary profit	8,398	5,452	△35.1
Profit	5,630	3,935	△30.1

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, the climate surrounding the industry became more severe during the third quarter and the decline in revenue from the agency business for telecom carriers was greater than expected. Robust revenue from our unique services was reported thanks to the growth of services such as smartphone coating and “nexi” service packages. We also won contracts under the “Project on Digital Utilization Support for Users” by the Ministry of Internal Affairs and Communications, and started the project to eliminate the digital divide (information gap) among customers. 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 126,821 million yen in net sales (up 7.9% year-on-year ) and 6,813 million yen in operating profit (down 25.9%). While net sales decreased by 22 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	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021	Year-on-year change (%)
Net sales	117,534	126,821	7.9
Operating profit	9,197	6,813	△25.9

## 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 IoT solutions, we began to provide our proprietary “equipment device remote monitoring” solutions, as they were adopted by our partnering companies.

As a result, the financial results of the Corporate Business were 11,477 million yen in net sales (down 14.4% year-on-year) and 1,971 million yen in operating profit (down 0.5%). While net sales decreased by 827 million yen due to the application of the Accounting Standard for Revenue Recognition, etc., the application had no impact on operating profit.

### ◆ Financial results

Account title	(Million yen)		
	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021	Year-on-year change (%)
Net sales	13,412	11,477	△14.4
Operating profit	1,982	1,971	△0.5

## (2) Analysis of Financial Position

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

#### (Assets)

Current assets decreased by 6,414 million yen from the end of the previous fiscal year to 79,499 million yen. This was mainly due to the decrease in accounts receivable-trade by 7,511 million yen, the decrease in cash and deposits by 1,576 million yen, the decrease in merchandise and finished goods by 722 million yen, and the increase in accounts receivable-other by 3,346 million yen.

Non-current assets decreased by 245 million yen from the end of the previous fiscal year to 19,155 million yen. This was mainly due to the decrease in the right of career shop management by 499 million yen, the decrease in property, plant and equipment by 142 million yen, and the increase in investments and other assets by 432 million yen.

As a result, total assets decreased by 6,660 million yen from the end of the previous fiscal year to 98,654 million yen.

#### (Liabilities)

Current liabilities decreased by 6,106 million yen from the end of the previous fiscal year to 41,476 million yen. This was mainly due to the decrease in provision for bonuses by 4,154 million yen, the decrease in income taxes payable by 1,620 million yen, the decrease in accrued agency commission by 1,559 million yen, the decrease in accounts payable-trade by 1,326 million yen, and the increase in accounts payable-other by 1,725 million yen.

Non-current liabilities decreased by 1,356 million yen from the end of the previous fiscal year to 5,234 million yen. This was mainly due to the decrease in provision for retirement benefits by 2,755 million yen as a result of a partial change in the retirement benefits system and the increase in other items by 1,342 million yen.

As a result, total liabilities decreased by 7,462 million yen from the end of the previous fiscal year to 46,711 million yen.

#### (Net assets)

Net assets increased by 801 million yen from the end of the previous fiscal year to 51,942 million yen. This was mainly due to the increase as a result of the recognition of profit of 3,935 million yen and the decrease as a result of dividend payment of 3,131 million yen.

As a result, the Company's equity ratio was 52.7%.

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

The Company has revised its full-year financial forecasts announced on April 30, 2021, in view of recent trends in operating results.

#### (1) Reason for the revision

During the nine months ended December 31, 2021, while the financial results for the first half of the year progressed as initially planned, the climate surrounding the industry became severe during the third quarter and profits decreased significantly due to the decline in revenue from the agency business for telecom carriers. In the fourth quarter, expectations are high for sales to regain momentum during the fiscal year-end sales season in March and the recovery in business performance through the promotion of “Mobile WorkPlace.” Nevertheless, they will not be enough to compensate for the decrease in profits during the past nine months and business performance is expected to fall short of the forecasts.

#### (2) Business initiatives to be taken going forward

The Company hopes to achieve a quick recovery of its performance and the medium- to long-term growth of its business even under this harsh climate for the industry, and to this end, will engage in the following three priority tasks.

1. “Improvement of revenue from the Consumer Business” based on the pursuit of efficient store management and transitioning from the conventional store visit-type of sales to the establishment of an aggressive sales style in line with the changes in the industry
2. “Accelerating the expansion of revenue from the Corporate Business” based on the acceleration of proposals for digital transformation (DX) to large companies as well as medium-sized companies and SMEs and the promotion of practical applications of IoT solutions to customers, for example in the 5G utilization fields
3. “New initiatives in the Consumer Business” that leverage the Company’s assets of physical stores and the know-how for operating smartphone classes and develop businesses to provide support for living the digital life in an age where life expectancy is expected to reach 100 years.

We will steadily execute initiatives to achieve these priority tasks by also complementing our functions with capital and business alliances as well as M&A investments and reinforcing our business foundations.

#### (3) Forecasts of year-end dividends

The Company upholds the basic policy on profit allocation to endeavor to improve financial results so that it can consistently pay stable dividends to shareholders at a payout ratio of about 40%. In the period of the CONEXIO Plan 2023, we strive to pay a stable dividend of 70 yen or more per year in order to further enhance shareholder returns, taking into account the overall performance and promotion of growth investment.

Although we have made downward revisions to our financial results forecast, there will be no changes to the year-end dividends forecast, from the standpoint of continuing stable dividends.

## 1. Quarterly Non-consolidated Financial Statements

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

(Million yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	21,550	19,974
Accounts receivable - trade	29,038	21,526
Merchandise and finished goods	6,295	5,572
Accounts receivable - other	27,788	31,134
Deposits paid	114	127
Other	1,131	1,171
Allowance for doubtful accounts	(5)	(6)
Total current assets	85,914	79,499
Non-current assets		
Property, plant and equipment	4,014	3,872
Intangible assets		
Goodwill	1,306	1,222
The right of career shop management	7,654	7,154
Other	449	497
Total intangible assets	9,410	8,874
Investments and other assets	5,976	6,408
Total non-current assets	19,401	19,155
Total assets	105,315	98,654
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	14,756	13,430
Accrued agency commission	6,370	4,811
Accounts payable - other	14,505	16,231
Income taxes payable	2,022	401
Provision for bonuses	4,829	675
Provision for bonuses for directors (and other officers)	81	4
Other	5,017	5,921
Total current liabilities	47,583	41,476
Non-current liabilities		
Provision for bonuses	-	20
Provision for directors' bonuses	-	8
Provision for retirement benefits	5,894	3,138
Asset retirement obligations	595	623
Other	102	1,444
Total non-current liabilities	6,591	5,234
Total liabilities	54,174	46,711



(Million yen)

	As of March 31,2021	As of December 31,2021
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	47,774	48,578
Treasury shares	(0)	(0)
Total shareholders' equity	51,138	51,941
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2	0
Total valuation and translation adjustments	2	0
Total net assets	51,140	51,942
Total liabilities and net assets	105,315	98,654

(2) Quarterly Non-consolidated Statements of Income

	(Million yen)	
	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales	130,946	138,298
Cost of sales	93,667	100,049
Gross profit	37,278	38,249
Selling, general and administrative expenses	29,259	32,890
Operating profit	8,019	5,358
Non-operating income		
Interest income	0	0
Dividend income	0	0
Support money of store move etc income	90	36
Reversal of allowance for doubtful accounts	0	3
Subsidies for employment adjustment	259	-
Surrender value of insurance policies	-	31
Other	41	25
Total non-operating income	392	97
Non-operating expenses		
Interest expenses	0	0
Loss on cancellation of contracts	5	0
Loss on investments in investment partnerships	3	-
Other	3	3
Total non-operating expenses	12	3
Ordinary profit	8,398	5,452
Extraordinary income		
Gain on sale of non-current assets	24	-
Compensation for forced relocation	-	332
Gain on revision of retirement benefit plan	-	280
Other	0	13
Total extraordinary income	25	626
Extraordinary losses		
Head office relocation expenses	-	127
Loss on store closings	19	20
Loss on sale and retirement of non-current assets	27	9
Impairment losses	24	25
Other	1	-
Total extraordinary losses	73	183
Profit before income taxes	8,350	5,895
Income taxes - current	2,864	2,103
Income taxes - deferred	(143)	(143)
Total income taxes	2,720	1,959
Profit	5,630	3,935