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Non-consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



July 28, 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: August 10, 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 Three Months Ended June 30, 2022 (April 01, 2022 to June 30, 2022)

(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, 2022	45,448	(1.3)	437	(76.8)	503	(73.6)	286	(80.7)
June 30, 2021	46,026	38.5	1,891	16.9	1,907	16.1	1,486	35.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	6.41	-
June 30, 2021	33.23	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2022	89,344	52,346	58.6
March 31, 2022	100,965	53,625	53.1

(Reference) Equity: As of June 30, 2022: ¥ 52,346 million
As of March 31, 2022: ¥ 53,625 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, 2022	-	35.00	-	35.00	70.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		35.00	-	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, 2023 (April 01, 2022 to March 31, 2023)

(% 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	200,000	3.5	8,600	6.5	8,700	6.1	5,700	1.5	127.41

(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):

June 30, 2022:	44,737,938 shares
March 31, 2022:	44,737,938 shares

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

June 30, 2022:	194 shares
March 31, 2022:	194 shares

3) Average number of shares during the period:

Three months ended June 30, 2022:	44,737,744 shares
Three months ended June 30, 2021:	44,737,785 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 3 of the Appendix.

1. Qualitative Information on Quarterly Non-consolidated Financial Results

(1) Analysis of Operating Results

During the cumulative first quarter of the current fiscal year, the economic activities in Japan have shown signs of gradual recovery due to the easing of restrictions on activities, despite the prolonged impact of the new coronavirus infection on the Japanese economy. On the other hand, the outlook remains uncertain with prices of resources and raw materials rising to the impact of the situation in Ukraine and the rapid depreciation of the yen.

In the mobile phone market in which the Company conducts business activities, all telecommunications carriers continue to compete for customers, while some of the carriers have begun to reform their sales channels by announcing policies to consolidate carrier shops and accelerate online customer service. In addition, with the popularity of “5G” (the fifth generation mobile communication system) enabled mobile phone handsets and the advancement of related services, the Ministry of Internal Affairs and Communications is implementing the “Project on Digital Utilization Support.” to let everyone use digital devices and to achieve more comfortable and affluent lifestyles.

In such a business environment, even though the number of new subscriptions increased due to the enhancement of on-site sales, sales promotion measures for handset upgrades were inadequate; as a result, 370,000 units (down 18.2% year-on-year) were sold. Despite the growth in revenue from unique services business (“nexi Package”, “Mobile WorkPlace*”, etc.), there is a significant drop in revenue from carrier agency business due to a change in the commission structure by telecommunications carriers implemented in the second quarter of the previous fiscal year, in addition to a drop in the number of handsets sold. Despite initiatives to optimize shop staff and reduce personnel expenses through operational reforms, there was a significant drop in the profit for the quarter.

As a result, for the cumulative first quarter of the current fiscal year, the Company reported net sales of 45,448 million yen (down 1.3% year-on-year), operating profit of 437 million yen (down 76.8% year-on-year), ordinary profit of 503 million yen (down 73.6% year-on-year), and a profit for the quarter of 286 million yen (down 80.7% year-on-year).

* Mobile WorkPlace: Mobile work-related solution for corporate customers

◆ Financial results

(Million yen)			
Account title	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Year-on-year change (%)
Net sales	46,026	45,448	(1.3)
Operating profit	1,891	437	(76.8)
Ordinary profit	1,907	503	(73.6)
Profit	1,486	286	(80.7)

The financial results of each business segment were as follows.

Consumer Business

The Consumer Business segment is engaged in contract agency services for mobile phones and other communication services, sales of mobile phone handsets, etc. and after-sales services for consumer customers. The main sales channels include carrier shops and retail shops. In addition, unique services business in the Consumer Business operates “KURASHI NO SUMAHO KYOSHITSU” (smartphone individual classes) and “nexi Smartphone Support”, as well as an insurance agency business (HOKEN NO MADOGUCHI).

The Consumer Business saw a significant decline in the revenue of the carrier agency business due to a drop in the number of mobile phone handsets sold, resulting from a lack of sales promotion measures for handset upgrades, in addition to changes in the industry environment since the second quarter of the previous year. Under such circumstances, our Company reformed shop operations and expanded its contact centers, which are responsible for a part of shop reception services, and our online centers, which enable us to provide remote customer service online. In addition, as a new initiative in unique services business, our Company launched “KURASHI NO SUMAHO KYOSHITSU” (smartphone individual classes) at our directly managed carrier shops

nationwide, through which we started a paid support service to help customers achieve more comfortable and affluent lifestyles by making use of digital devices.

As a result, the Company reported net sales of 41,955 million yen (down 1.2% year-on-year) and an operating profit of 990 million yen (down 60.6% year-on-year).

◆ Financial results

(Million yen)			
Account title	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Year-on-year change (%)
Net sales	42,481	41,955	(1.2)
Operating profit	2,513	990	(60.6)

Corporate Business

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

In the Corporate Business, operating profit increased as a result of an increase in unique services business revenue due to the large-scale acquisition of subscribers for “Mobile WorkPlace”, despite a drop in revenue from the carrier agency business.

As a result, the Company reported net sales of 3,493 million yen (down 1.5% year-on-year) and an operating profit of 537 million yen (up 13.4% year-on-year).

◆ Financial results

(Million yen)			
Account title	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Year-on-year change (%)
Net sales	3,545	3,493	(1.5)
Operating profit	474	537	13.4

(2) Analysis of Financial Position

(i) Status of Assets, Liabilities and Net Assets

(Assets)

Current assets decreased by 11,142 million yen from the end of the previous fiscal year to 71,885 million yen. This was mainly due to a 9,581 million yen decrease in accounts receivable - trade, a 3,174 million yen decrease in accounts receivable - other, and a 1,378 million yen increase in cash and deposits.

Non-current assets decreased by 478 million yen from the end of the previous fiscal year to 17,458 million yen. This was due to a 374 million yen decrease in investments and other assets and a 165 million yen decrease in the right of carrier shop management.

As a result, total assets decreased by 11,620 million yen from the end of the previous fiscal year to 89,344 million yen.

(Liabilities)

Current liabilities decreased by 9,799 million yen from the end of the previous fiscal year to 32,049 million yen. This was due to a 6,009 million yen decrease in accounts payable - trade, a 2,187 million yen decrease in accrued agency commission, and a 2,117 million yen decrease in accounts payable - other.

Non-current liabilities decreased by 542 million yen from the end of the previous fiscal year to 4,948 million yen. This was due to a 640 million yen decrease in other and a 100 million yen increase in the provision for retirement benefits.

As a result, total liabilities decreased by 10,341 million yen from the end of the previous fiscal year to 36,997 million yen.

(Net assets)

Total net assets decreased by 1,279 million yen from the end of the previous fiscal year to 52,346 million yen. This is attributable mainly to a decrease of 1,565 million yen from dividends paid and an increase of 286 million yen from net profit for the quarter.

As a result, the equity ratio of the Company was 58.6%.

(3) Financial Forecasts and Other Forward-Looking Information

During the three months ended June 30, 2022, the following percentages of forecasts were met: 22.7% of net sales; 5.1% of operating profit; 5.8% of ordinary profit; and 5.0% of profit. At this stage, no changes have been made to the full-year financial forecasts announced on April 27, 2022. The Company will properly disclose any changes made to the forecasts in the future.

2. Quarterly Non-consolidated Financial Statements

(1) Quarterly Non-consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	21,425	22,804
Accounts receivable - trade	27,996	18,414
Merchandise and finished goods	6,437	6,487
Accounts receivable - other	26,065	22,891
Deposits paid	117	113
Other	993	1,180
Allowance for doubtful accounts	(6)	(5)
Total current assets	83,028	71,885
Non-current assets		
Property, plant and equipment	3,979	4,000
Intangible assets		
Goodwill	1,183	1,153
The right of career shop management	6,949	6,784
Other	549	621
Total intangible assets	8,683	8,559
Investments and other assets	5,274	4,899
Total non-current assets	17,936	17,458
Total assets	100,965	89,344
Liabilities		
Current liabilities		
Accounts payable - trade	15,391	9,382
Accrued agency commission	6,757	4,570
Accounts payable - other	13,154	11,037
Income taxes payable	275	385
Provision for bonuses	1,852	982
Provision for bonuses for directors (and other officers)	5	4
Other	4,411	5,686
Total current liabilities	41,848	32,049
Non-current liabilities		
Provision for retirement benefits	3,178	3,278
Asset retirement obligations	624	622
Other	1,687	1,047
Total non-current liabilities	5,491	4,948
Total liabilities	47,339	36,997

(Million yen)

	As of March 31,2022	As of June 30,2022
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	50,260	48,981
Treasury shares	(0)	(0)
Total shareholders' equity	53,624	52,345
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Total net assets	53,625	52,346
Total liabilities and net assets	100,965	89,344

(2) Quarterly Non-consolidated Statements of Income

Quarterly Non-consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Net sales	46,026	45,448
Cost of sales	32,739	33,858
Gross profit	13,287	11,589
Selling, general and administrative expenses	11,396	11,151
Operating profit	1,891	437
Non-operating income		
Interest income	0	0
Dividend income	0	0
Support money of store move etc income	11	30
Reversal of allowance for doubtful accounts	0	1
Late charges income	-	46
Other	5	6
Total non-operating income	17	85
Non-operating expenses		
Interest expenses	0	0
Loss on sale and retirement of non-current assets	-	3
Payment late charges	-	14
Other	1	1
Total non-operating expenses	1	19
Ordinary profit	1,907	503
Extraordinary income		
Compensation for forced relocation	165	-
Gain on revision of retirement benefit plan	280	-
Total extraordinary income	445	-
Extraordinary losses		
Head office relocation expenses	127	-
Loss on store closings	1	9
Loss on sale and retirement of non-current assets	3	1
Impairment losses	0	6
Total extraordinary losses	133	17
Profit before income taxes	2,219	486
Income taxes - current	778	279
Income taxes - deferred	(45)	(80)
Total income taxes	732	199
Profit	1,486	286