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



October 31, 2022

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 Stock exchange listing: Tokyo
 Code number: 9422
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 Scheduled date of filing quarterly securities report: November 09, 2022
 Scheduled date of commencing dividend payments: December 06, 2022
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

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

1. Non-consolidated Financial Results for the Six Months Ended September 30, 2022 (April 01, 2022 to September 30, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	89,465	0.3	1,392	(59.2)	1,469	(57.7)	811	(67.9)
September 30, 2021	89,224	14.3	3,410	(27.2)	3,472	(30.6)	2,526	(25.0)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	18.15	-
September 30, 2021	56.47	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2022	92,678	52,871	57.0
March 31, 2022	100,965	53,625	53.1

(Reference) Equity: As of September 30, 2022: ¥ 52,871 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	-	35.00			
Fiscal year ending March 31, 2023(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, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income		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):

September 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:

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

3) Average number of shares during the period:

Six months ended September 30, 2022:	44,737,744 shares
Six months ended September 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 4 of the Appendix.

1. Qualitative Information on Quarterly Non-consolidated Financial Results

(1) Analysis of Operating Results

During the six months ended September 30, 2022, the Japanese economy saw a gradual recovery in economic activities due to the relaxation of activity restrictions although COVID-19 has not been under complete control. On the other hand, the outlook remains uncertain with prices of resources and raw materials rising due 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, 730,000 units (down 18.6% year-on-year) were sold. Despite the growth in revenue from proprietary 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, 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 six months ended September 30, 2022, the Company reported net sales of 89,465 million yen (up 0.3% year on year), an operating profit of 1,392 million yen (down 59.2% year on year), an ordinary profit of 1,469 million yen (down 57.7% year on year), and a profit of 811 million yen (down 67.9% year on year).

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

◆ Financial results

Account title	(Million yen)		
	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022	Year-on-year change (%)
Net sales	89,224	89,465	0.3
Operating profit	3,410	1,392	(59.2)
Ordinary profit	3,472	1,469	(57.7)
Profit	2,526	811	(67.9)

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, proprietary 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, the Company reformed shop operations and expanded its contact centers (introduced to our directly managed carrier shops nationwide), 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 proprietary business, the 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 82,030 million yen (down 0.0% year on year) and an operating profit of 2,268 million yen (down 48.9% year on year).

◆ Financial results

(Million yen)			
Account title	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022	Year-on-year change (%)
Net sales	82,034	82,030	(0.0)
Operating profit	4,442	2,268	(48.9)

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, in order to further promote Mobile WorkPlace, the Company is working to expand its customer base by enhancing services in collaboration with partner companies and strengthening sales activities targeting small and medium-sized businesses. Supported by such efforts, revenue from proprietary business increased as we were able to win a large contract for Mobile WorkPlace and to increase revenue by adding services to existing customers. As a result, the Company achieved an increase in operating profit. While focusing on Mobile WorkPlace as our main service, we will work to drive growth of the Corporate Business beyond the boundary of traditional businesses through strong partnerships with partner companies with expertise in their respective fields.

As a result, the Company reported net sales of 7,435 million yen (up 3.4% year on year) and an operating profit of 1,291 million yen (up 8.0% year on year).

◆ Financial results

(Million yen)			
Account title	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022	Year-on-year change (%)
Net sales	7,189	7,435	3.4
Operating profit	1,195	1,291	8.0

(2) Analysis of Financial Position

(i) Status of Assets, Liabilities and Net Assets

(Assets)

Current assets decreased by 7,344 million yen from the end of the previous fiscal year to 75,683 million yen. This was mainly due to the decrease in accounts receivable-trade by 8,731 million yen, the decrease in accounts receivable-other by 2,272 million yen, and the increase in cash and deposits by 2,708 million yen.

Non-current assets decreased by 942 million yen from the end of the previous fiscal year to 16,994 million yen. This was mainly due to the decrease in Investments and other assets by 457 million yen, the decrease in the right of career shop management by 330 million yen, and the decrease in property, plant and equipment by 172 million yen.

As a result, total assets decreased by 8,287 million yen from the end of the previous fiscal year to 92,678 million yen.

(Liabilities)

Current liabilities decreased by 7,052 million yen from the end of the previous fiscal year to 34,795 million yen. This was mainly due to the decrease in accounts payable-trade by 3,691 million yen, the decrease in accrued agency commission by 2,413 million yen, the decrease in accounts payable-other by 1,890 million yen, the increase in income taxes payable by 598 million yen, and the increase in provision for bonuses by 537 million yen.

Non-current liabilities decreased by 480 million yen from the end of the previous fiscal year to 5,010 million yen. This was mainly due to the decrease in other items by 652 million yen and the increase in provision for retirement benefits by 176 million yen.

As a result, total liabilities decreased by 7,533 million yen from the end of the previous fiscal year to 39,806 million yen.

(Net assets)

Net assets decreased by 753 million yen from the end of the previous fiscal year to 52,871 million yen. This was mainly due to the decrease as a result of dividend payment of 1,565 million yen and the increase as a result of the recognition of profit of 811 million yen.

As a result, the Company's equity ratio was 57.0%.

(ii) Status of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") as of September 30, 2022 increased by 2,710 million yen from the end of the previous fiscal year to 24,253 million yen.

(Cash flows from operating activities)

Cash obtained from operating activities was 4,521 million yen (down 726 million yen from the same period last year). This was mainly because the increasing factors, including a decrease in trade receivables of 8,741 million yen, a decrease in accounts receivable-other of 2,272 million yen, and the recognition of income before income taxes of 1,315 million yen, exceeded the decreasing factors, including a decrease in trade payables of 6,105 million yen and a decrease in accounts payable-other of 1,805 million yen.

(Cash flows from investing activities)

Cash used for investing activities was 244 million yen (down 780 million yen from the same period last year). This was mainly due to the expenditure of 388 million yen for the purchase of property, plant and equipment, the expenditure of 208 million yen for the purchase of intangible assets, the expenditure of 106 million yen for the payments for lease and guarantee deposits, and the proceeds of 611 million yen from the collection of lease and guarantee deposits.

(Cash flows from financing activities)

Cash used for financing activities was 1,567 million yen (up 1 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, 2022, the following percentages of forecasts were met: 44.7% of net sales; 16.2% of operating profit; 16.9% of ordinary profit; and 14.2% of profit.

The Company strives to realize an early recovery in financial results in the current challenging environment in our industry. As an effort to increase sales, we are expanding capacity to handle more reservations for shop visits and opening new shops in commercial complexes with high traffic. Gross profit on unit sales is on a rising trend as excessive price competition on the back of telecom carriers' heavy focus on new customers is moderating. In addition, we will continue to pursue cost reduction through consolidation of unprofitable shops and operational reforms.

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 September 30,2022
Assets		
Current assets		
Cash and deposits	21,425	24,134
Accounts receivable - trade	27,996	19,264
Merchandise and finished goods	6,437	7,264
Accounts receivable - other	26,065	23,793
Deposits paid	117	118
Other	993	1,113
Allowance for doubtful accounts	(6)	(5)
Total current assets	83,028	75,683
Non-current assets		
Property, plant and equipment	3,979	3,807
Intangible assets		
Goodwill	1,183	1,116
The right of career shop management	6,949	6,618
Other	549	634
Total intangible assets	8,683	8,370
Investments and other assets	5,274	4,816
Total non-current assets	17,936	16,994
Total assets	100,965	92,678
Liabilities		
Current liabilities		
Accounts payable - trade	15,391	11,699
Accrued agency commission	6,757	4,343
Accounts payable - other	13,154	11,263
Income taxes payable	275	874
Provision for bonuses	1,852	2,389
Provision for bonuses for directors (and other officers)	5	10
Other	4,411	4,213
Total current liabilities	41,848	34,795
Non-current liabilities		
Provision for retirement benefits	3,178	3,354
Asset retirement obligations	624	620
Other	1,687	1,035
Total non-current liabilities	5,491	5,010
Total liabilities	47,339	39,806

(Million yen)

	As of March 31,2022	As of September 30,2022
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	50,260	49,507
Treasury shares	(0)	(0)
Total shareholders' equity	53,624	52,870
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	52,871
Total liabilities and net assets	100,965	92,678

(2) Quarterly Non-consolidated Statements of Income

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

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Net sales	89,224	89,465
Cost of sales	63,081	65,972
Gross profit	26,143	23,493
Selling, general and administrative expenses	22,732	22,100
Operating profit	3,410	1,392
Non-operating income		
Interest income	0	0
Dividend income	0	0
Support money of store move etc income	16	32
Reversal of allowance for doubtful accounts	1	1
Surrender value of insurance policies	31	-
Late charges income	-	46
Other	17	16
Total non-operating income	66	97
Non-operating expenses		
Interest expenses	0	0
Loss on sale and retirement of non-current assets	-	3
Payment late charges	-	14
Other	4	2
Total non-operating expenses	5	20
Ordinary profit	3,472	1,469
Extraordinary income		
Compensation for forced relocation	211	-
Gain on revision of retirement benefit plan	280	-
Other	-	0
Total extraordinary income	491	0
Extraordinary losses		
Head office relocation expenses	127	-
Loss on store closings	10	95
Loss on sale and retirement of non-current assets	6	10
Impairment losses	25	48
Total extraordinary losses	170	154
Profit before income taxes	3,793	1,315
Income taxes - current	1,361	633
Income taxes - deferred	(94)	(129)
Total income taxes	1,267	503
Profit	2,526	811

(3) Quarterly Non-consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,793	1,315
Depreciation	1,024	987
Amortization of goodwill	61	60
Impairment losses	25	48
Loss on store closings	10	95
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in provision for bonuses	(1,149)	537
Increase (decrease) in provision for bonuses for directors (and other officers)	(62)	5
Increase (decrease) in provision for retirement benefits	(2,486)	176
Gain on revision of retirement benefit plan	(280)	-
Interest and dividend income	(0)	(0)
Interest expenses	0	0
Compensation for forced relocation	(211)	-
Head office relocation expenses	127	-
Foreign exchange losses (gains)	(0)	(0)
Loss (gain) on sale of investment securities	-	(0)
Decrease (increase) in trade receivables	11,068	8,741
Decrease (increase) in accounts receivable - other	1,670	2,272
Decrease (increase) in inventories	1,381	(870)
Increase (decrease) in trade payables	(6,447)	(6,105)
Increase (decrease) in accounts payable - other	(2,642)	(1,805)
Increase (decrease) in accrued consumption taxes	(106)	46
Increase (decrease) in accounts payable relating to introduction of defined-contribution pension plan	2,020	(675)
Other, net	(998)	(195)
Subtotal	6,798	4,633
Interest and dividends received	0	0
Interest paid	(0)	(0)
Proceeds from compensation for forced relocation	211	-
Payments for loss on store closings	(15)	(108)
Income taxes refund (paid)	(1,775)	(80)
Other, net	29	76
Net cash provided by (used in) operating activities	5,248	4,521
Cash flows from investing activities		
Purchase of property, plant and equipment	(455)	(388)
Purchase of intangible assets	(98)	(208)
Proceeds from sale of investment securities	-	0
Purchase of investment securities	(20)	-
Payments of leasehold and guarantee deposits	(460)	(106)
Proceeds from refund of leasehold and guarantee deposits	43	611
Purchase of long-term prepaid expenses	(30)	(41)
Other, net	(3)	(111)
Net cash provided by (used in) investing activities	(1,024)	(244)
Cash flows from financing activities		
Dividends paid	(1,565)	(1,565)
Other, net	(0)	(1)
Net cash provided by (used in) financing activities	(1,565)	(1,567)

	(Million yen)	
	For the six months ended September 30,2021	For the six months ended September 30,2022
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	2,658	2,710
Cash and cash equivalents at beginning of period	21,665	21,542
Cash and cash equivalents at end of period	24,324	24,253