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CONEXIO Corporation

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Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

Transcription / Q&A

Event Date November 1, 2022

Event Summary

[Company Name]	CONEXIO Corporation	
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[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2023	
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[Participants]		
[Number of Speakers]	2	
	Hiroshi Suguta	Representative Director and President
	Shinji Nakata	Board Director and Senior Managing Executive Officer, General Manager, Administration Group

Presentation

サマリー

23/3期 2Q累計 全社業績	売上高： 89,465 百万円 (+ 0.3%) 営業利益： 1,392 百万円 (▲59.2%) 四半期純利益： 811 百万円 (▲67.9%)	キャリア代理店ビジネス収益の減少を 独自ビジネス収益や販売管理費削減で 補えずに大幅減益
コンシューマ 事業	売上高： 82,030 百万円 (▲ 0.0%) 営業利益： 2,268 百万円 (▲48.9%)	販売台数の落ち込み (▲19.3%) と、 前年2Qからの手数料体系変更の影響に より、キャリア代理店ビジネス収益が 減少し減益
法人事業	売上高： 7,435 百万円 (+3.4%) 営業利益： 1,291 百万円 (+8.0%)	Mobile WorkPlace 等の独自ビジネス収 益、キャリア代理店ビジネス収益が共 に伸長し増益

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First, I will provide an overview of the H1 results.

As you can see, company-wide results were very challenging. Net sales increased 0.3% to JPY89.465 billion, operating income decreased 59.2% to JPY1.392 billion, and net income decreased 67.9% to JPY811 million.

By segment, operating income in the consumer business declined 48.9%, while operating income in the corporate business increased 8%.

営業利益の増減要因（第2四半期累計期間）

- 売上総利益は、販売台数の減少、販売台数非連動収益の減益（期初想定通り）により10.1%減少
- 販売管理費は、通信キャリアからの支援金減少（期初想定通り）を店舗人員の最適化やオペレーション改革による人件費削減で補い2.8%減少



Next, we will explain the factors behind the increase or decrease in operating income with a stair chart.

The left half of the chart shows gross profit, while the right half shows the factors that contribute to changes in SG&A expenses.

Gross profit decreased by JPY2.65 billion. In the carrier agency business, unit sales-linked revenues declined due to a decrease in the number of cell phone upgrades sold as a reaction to sales measures focused on acquiring MNP contracts, and revenues that are not linked to unit sales have also declined due to changes in the commission structure since last year.

Despite growth in proprietary businesses and a JPY1.32 billion reduction in personnel expenses through operational reforms, operating income declined JPY2.018 billion to JPY1.392 billion.

決算ハイライト（第2四半期累計期間）

- 販売台数は18.6%減少したものの、売上高は商品売上単価の上昇により前年同期並み
- 四半期純利益は、営業利益の減少に加え、前年同期に退職給付制度改定益等の特別利益を計上した影響もあり67.9%減少

[単位：万台/百万円]	22/3期 1-2Q A	23/3期 1-2Q B	増減率 B/A	23/3期予想 C	進捗率 B/C
販売台数	89.7	73.0	▲18.6%	184.0	39.7%
売上高	89,224	89,465	+0.3%	200,000	44.7%
売上総利益	26,143	23,493	▲10.1%	—	—
キャリア代理店ビジネス収益	19,047	16,211	▲14.9%	—	—
独自ビジネス収益	7,096	7,281	+2.6%	—	—
販売管理費	22,732	22,100	▲2.8%	—	—
営業利益	3,410	1,392	▲59.2%	8,600	16.2%
コンシューマ事業	4,442	2,268	▲48.9%	10,000	22.7%
法人事業	1,195	1,291	+8.0%	3,300	39.1%
経常利益	3,472	1,469	▲57.7%	8,700	16.9%
税引前四半期純利益	3,793	1,315	▲65.3%	—	—
四半期純利益	2,526	811	▲67.9%	5,700	14.2%

The following are the financial highlights for H1 of the fiscal year.

The left side shows the actual results for the previous period, the center shows the actual results for the current period, and the right side shows the forecast for the current period.

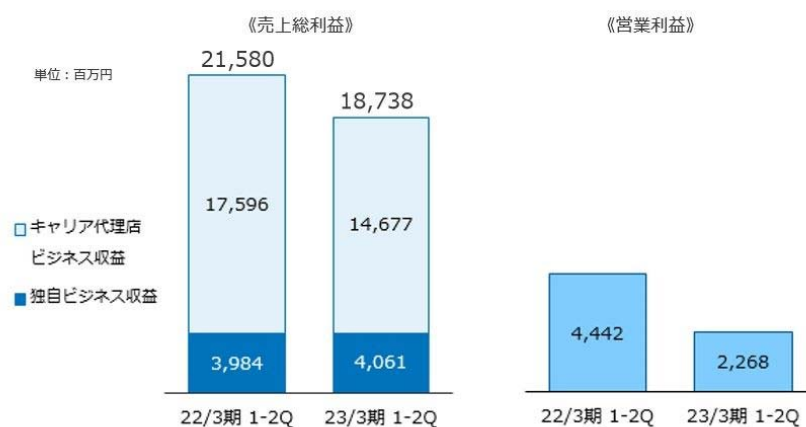
Although the number of customers visiting stores decreased due to COVID-19, resulting in an 18.6% decrease in unit sales, net sales were on par with the same period of the previous year due to higher unit prices per product sold.

Operating income decreased 59.2% due to the factors discussed on the previous page.

Net income for the quarter decreased 67.9% due to the decrease in operating income and the impact of extraordinary gains, such as the gain on the revision of retirement benefit plans, recorded in the same period of the previous year.

コンシューマ事業

- 売上総利益は、取替販売台数の落ち込み、販売台数非連動収益の減益によりキャリア代理店ビジネス収益が減少し13.2%減少
- 販売管理費は、店舗人員の最適化やオペレーション改革推進の結果、キャリア支援金減少を補い3.9%削減



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I will now explain the results by segment.

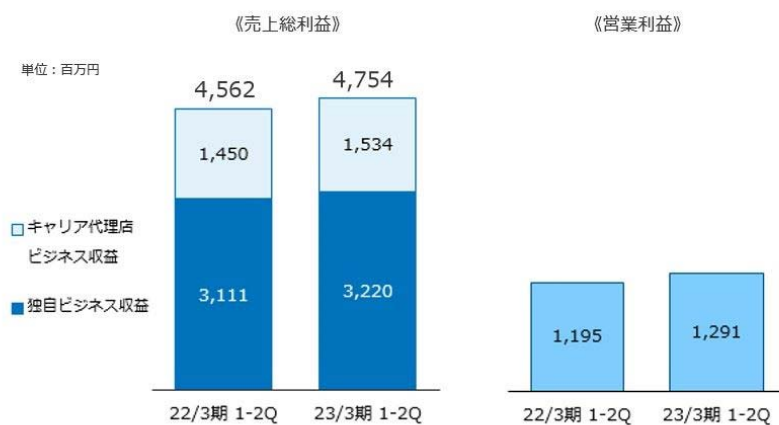
In the consumer business, gross profit declined 13.2% due to a drop in the carrier agency business revenue caused by a decline in upgrade sales volume and a decrease in commissions due to a change in the carrier commission structure.

SG&A expenses were reduced by 3.9% through optimization of store personnel and operational reforms, offsetting a decrease in career support payments.

As a result, operating income decreased 48.9%.

法人事業

- 独自ビジネス収益は、Mobile WorkPlace（モバイルワークプレイス）等が堅調に推移し3.5%増加
- キャリア代理店ビジネス収益は、KDDIの施策により伸長し5.8%増加



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In the corporates business, proprietary business revenue increased 3.5% due to the strong sales of Mobile WorkPlace and other services.

Carrier agency business revenue increased by 5.8%, mainly due to KDDI's measures.

As a result, operating income increased by 8%.

決算ハイライト（第2四半期会計期間）

- 売上総利益は販売粗利単価の改善が見られたものの、手数料体系変更の影響が大きく7.4%減少
- 販売管理費はオペレーション改革が進み3.4%削減したものの、売上総利益の減少を補えず四半期純利益は49.5%減少

[単位：万台/百万円]	22/3期 2Q A	23/3期 2Q B	増減率 B/A	23/3期 1Q
販売台数	44.1	35.7	▲19.1%	37.2
売上高	43,197	44,017	+1.9%	45,448
売上総利益	12,855	11,903	▲7.4%	11,589
キャリア代理店ビジネス収益	9,187	8,155	▲11.2%	8,056
独自ビジネス収益	3,668	3,748	+2.2%	3,533
販売管理費	11,336	10,948	▲3.4%	11,151
営業利益	1,519	954	▲37.2%	437
コンシューマ事業	1,928	1,278	▲33.7%	990
法人事業	721	753	+4.4%	537
経常利益	1,564	966	▲38.2%	503
税引前四半期純利益	1,573	829	▲47.3%	486
四半期純利益	1,039	525	▲49.5%	286

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The following are the financial highlights for Q2 of the fiscal year.

The trend of YoY volume decline and profit decrease is almost the same as I explained earlier for the cumulative period, but there was an improvement in profitability from Q1.

You can see the difference from Q1 by looking at the disclosed data sheet. Although the number of units sold decreased slightly compared to Q1, an increase in total sales on sales and a decrease in SG&A expenses resulted in an improvement of approximately JPY500 million in operating income.

This was due to an improvement in the gross profit per unit, reflecting an increase in the upgrade ratio in the ratio of new and upgrade of the units. The other factors include increase in total sales on sales due to the accumulation of proprietary businesses, and an increase in profit margins due to reduced labor costs resulting from more efficient operations.

We intend to continue this trend steadily in H2.

コンシューマ事業 ～事業環境変化とキャリア代理店ビジネスの取り組み～

- 通信キャリアの新規偏重施策を背景とした過度な価格競争は沈静化しつつあり、販売粗利単価は持ち直しの傾向
- 来店予約枠の拡大や集客力のある複合施設への出店により販売台数を増加させ業績回復に努める

課題	対策	現状と下期の取り組み	効果
1 販売強化	<ul style="list-style-type: none"> 集客力の向上 出張販売の強化 	<ul style="list-style-type: none"> 店舗稼働の効率化による来店予約枠の拡大 出張販売専任チームの組織化と集客力のある複合施設での積極的な営業活動展開 	販売台数増加・ キャリア指標向上 による収益増
2 店舗網の再構築 (店舗戦略見直し)	<ul style="list-style-type: none"> 最適配置、統廃合 ダウンサイジング 	<ul style="list-style-type: none"> エリア内最適化を鑑み、不採算店舗を中心に統廃合を推進（今年度中に10店舗程度予定） 立地と客層を考慮し営業時間を店舗毎に最適化 	筋肉質な 収益体制の構築 (コスト削減)
3 オペレーション改革	<ul style="list-style-type: none"> コンタクトセンター機能拡充 店舗とリモート接客との連携（オンラインセンター） 	<ul style="list-style-type: none"> 共通業務の集約化により店舗稼働の効率化を推進 コンタクトセンターは受付業務の拡充を推進 オンラインセンターでのリモート接客は、直営65店舗から対象店舗を拡大し、質の高いノウハウを構築 	

I will now explain our efforts by segment.

First, I will explain the changes in the business environment of the consumer business and our efforts in the carrier agency business.

In terms of the business environment, excessive price competition, which had been caused by the telecommunications carriers' policies that were heavily weighted toward new carriers and MNPs, is subsiding, and unit sales gross profit tends to be recovering.

Regarding initiatives, first, we will further improve the efficiency of store operations to reduce SG&A expenses.

In addition, we will strive to increase sales volume and recover business performance by expanding the number of appointment slots for store visits and opening new stores in complexes that have the ability to attract customers.

コンシューマ事業 ～リアルショップのサービス領域拡大～

- 当社直営のキャリア認定ショップは、従来のショップ業務の効率化によりキャパシティを拡大
- 暮らしのスマホ教室や自治体と連携してのスマホ活用講座を展開し、独自ビジネス拡大を推進



Next, I will explain the expansion of real store service areas.

We would like to expand the capacity of our directly managed carrier authorized shops by streamlining conventional store operations, thereby expanding their services and increasing their value as real customer service centers in the region.

Specifically, we will expand our proprietary business by developing our own smartphone classes for daily life and smartphone utilization classes in cooperation with local governments.

コンシューマ事業 ～独自ビジネスにおける新商材の展開～

- スマホ関連商材を中心に自社企画開発商品の展開を開始、第一弾のスマートフォン用保護フィルム「LUMIERA（ルミエラ）」は、当社直営店にて販売好調
- nexiパッケージは、クラウドサービス「AOSBOX Home」の取り扱いを開始

特殊反射防止フィルム「LUMIERA」



「nexiパッケージ」のサービス拡大



Next, regarding our proprietary business in the consumer business, we would like to develop our own planned and developed products with a focus on smartphone-related products.

Our first product, a protective film for smartphones, which we call LUMIERA, has been sold at our directly managed stores and has been very well received. In the future, we would like to consider expanding our sales channels both domestically and internationally, such as through online sales.

As for nexi packages, the Company started handling cloud services and a commercial product named AOSBOX Home.

We will continue to develop commercial products with high customer needs and grow our own proprietary business.

コンシューマ事業 ～新たな取組みとして暮らしの相談窓口を展開～

- コネクシオは「ほけんの窓口」とともに、「暮らしの相談窓口」の展開をスタート
- 保険の相談はもちろん、スマホの料金相談や資産運用、生活を豊かにするための情報提供がうけられる新コンセプトショップ

暮らしの相談窓口 海老名ビナガーデンズパーチ店

「暮らしの相談窓口」では「ほけんの窓口」「スマホの窓口」2つのサービスを提供

ほけんの窓口

専門資格を持ったプロが、保険や家計のご相談に対応、ご加入後も継続的にサポート

スマホの窓口

- ・ スマホ料金相談
- ・ スマホでまなびの窓口

最新のテーマを扱った講座や個別相談会を毎日開催



【参考】プレスリリース 22/10/6 コネクシオと「ほけんの窓口」が新概念ショップ「暮らしの相談窓口」をオープン

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Next, I will explain our new initiatives.

In the insurance agency business, which started two and a half years ago, we have launched a new concept of real stores called Kurashi no Sodan Madoguchi, consultation service for daily life, together with the HOKEN NO MADOGUCHI insurance agency group.

The Kurashi no Sodan Madoguchi is a new concept of consultation service where, in addition to insurance consultations, customers can receive information to enrich their lives, such as consultations on smartphone fees, which are indispensable for daily life, or information on money matters such as asset management, to enrich their lives. We would like to aim for a synergistic effect with HOKEN NO MADOGUCHI.

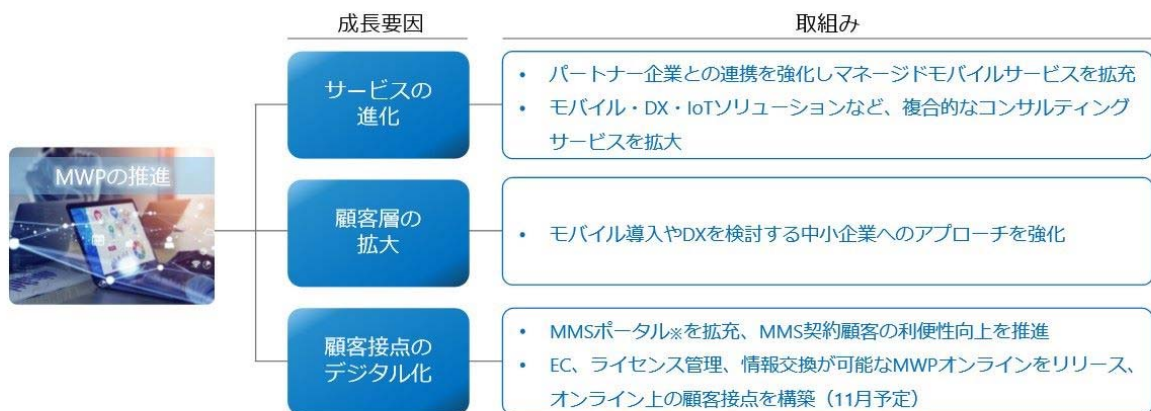
The first store, Kurashi no Sodan Madoguchi Ebina ViNA GARDENS PERCH Store, has been opened. We intend to develop a comfortable, community-based store that provides services centered on insurance and smartphones.

法人事業 ～Mobile WorkPlace の概要と取組み～



モバイルとクラウドサービスにより、いつでも・どこでも・誰でも仕事ができる環境基盤の提供
(職場環境のデジタルシフトを支援)

- Mobile WorkPlaceを推進するための3つの成長要因とそれぞれの取組み



※ MMS (マネージドモバイルサービス) ポータル: お問合せや申請・注文が可能な会員顧客向けポータルサイト

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Next, I will explain our corporate business.

First, we will give an overview of Mobile WorkPlace, the pillar of our corporate business, and explain its initiatives.

Mobile WorkPlace is an environmental platform that enables anyone to work anywhere, anytime through mobile and cloud services. We believe that this is an essential initiative for promoting DX, which is a digital shift in the work environment.

To promote Mobile WorkPlace, we are working to expand three growth factors.

The first point is the evolution of services. In addition to our existing managed mobile services for terminal lines, we will work with our partners to provide FMC-managed service management for specific applications, or for the recent high demand of making in-house phones mobile. Through this, we will work to expand our managed service offerings and expand our complex consulting services.

The second point is to expand the customer base. We would like to proactively approach SMEs that are considering mobile implementation and DX and would like to contribute to their transition to DX.

The third point is the digitization of customer contact points. In addition to the first point, the evolution of our services, and the second, the expansion of our customer base, Mobile WorkPlace Online, which will be released this November, will enable us to further expand our customer contact points.

We are able to manage and exchange information for online orders and licenses offered, and we are willing to manage and provide both complex and routine services online.

法人事業 ～マネージドモバイルサービスの成長～

- コネクシオが持つノウハウと、専門性を有した各分野のパートナー企業様との強固なパートナーシップにより、従来のビジネスの枠を超え、各種通信デバイスとクラウドソリューションの領域を拡大
- マネージドモバイルサービスを中心としたモバイルワークプレイスの推進により独自ビジネスは拡大、法人事業の成長を牽引

< マネージドモバイルサービス実績推移 >



※ Annual Recurring Revenue : 期末時点での月次リカーリングレベニュー（継続的な固定収益）に12を乗じて算出

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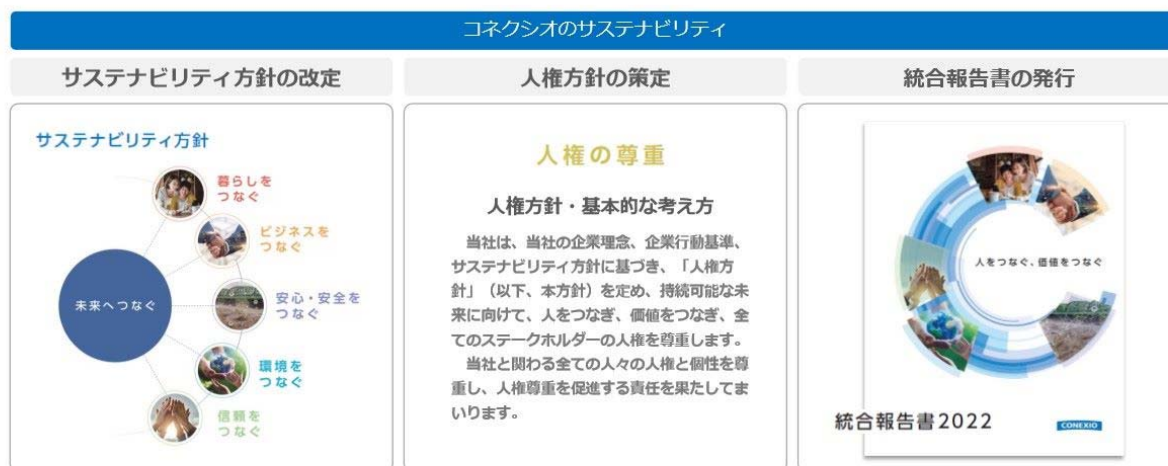
Next, we will show you the performance trends of our managed mobile services.

Managed mobile services have contributed to the increase in corporate business profits with ongoing fixed revenue growth year after year, as indicated by the graphs of revenue, ARR, and number of lines shown here.

Through CONEXIO's know-how and partnerships with partner companies in various fields of expertise, we will expand our business beyond the frame of conventional businesses to include a variety of communication devices and cloud solutions.

サステナビリティの取組み

- 企業理念である「人をつなぐ、価値をつなぐ」の実現に向け、当社を取り巻く外部環境の変化に柔軟に対応、事業と一体となったサステナビリティへの取組みにより経済社会全体の活性化に貢献



Finally, we would like to introduce our sustainability initiatives.

We have revised our sustainability policy, formulated a human rights policy, and issued an integrated report.

In order to realize our corporate philosophy of CONEXIO is to connect people and values, we will respond flexibly to changes in the external environment surrounding our company and strive to contribute to the revitalization of the economy and society as a whole through sustainability initiatives that are integrated with our business.

2023/3期 業績予想

- キャリア代理店ビジネス収益の落ち込みにより業績の進捗状況は厳しいものの、販売粗利単価増加に向けての取り組みやコスト削減により業績回復に努める
- 現段階で2022年4月27日に発表した通期の業績予想に変更はない
- 今後何らかの変化がある場合には、適切に開示を予定

[単位：万台/百万円]	22/3期 実績 A	23/3期 予想 B	増減率 B/A
売上高	193,247	200,000	+3.5%
営業利益	8,072	8,600	+6.5%
コンシューマ事業	9,568	10,000	+4.5%
法人事業	3,100	3,300	+6.4%
経常利益	8,202	8,700	+6.1%
当期純利益	5,618	5,700	+1.5%

Finally, we would like to explain our earnings and dividend forecasts for the fiscal year ending March 31, 2023.

First, let me announce the earnings forecast.

Although the decline in earnings from the carrier agency business has made progress difficult, we will strive to recover performance through efforts to increase gross profit per unit sold and cost reductions.

At this point, there is no change to the full-year forecast announced on April 27, 2022. If there are any changes in the future, we will disclose them appropriately.

配当方針・配当予想

配当方針	➤ 配当性向40%を目処とし、安定的な配当を継続して行えるよう業績の向上に努める																																																
配当予想	➤ 23/3期 年間配当金：70円（中間35円、期末35円） ➤ 厳しい経営環境ではあるが、株主への安定配当は継続可能であり、中間配当同様、期末配当35円も堅持する方針																																																
配当金の推移	<div><div>■ 配当金(円) ■ 記念配当金(円) ■ 配当性向(%)</div><table><thead><tr><th>期</th><th>配当金(円)</th><th>記念配当金(円)</th><th>配当性向(%)</th></tr></thead><tbody><tr><td>13/3期</td><td>26.5</td><td></td><td>43.1%</td></tr><tr><td>14/3期</td><td>31.5</td><td></td><td>38.3%</td></tr><tr><td>15/3期</td><td>40</td><td></td><td>35.7%</td></tr><tr><td>16/3期</td><td>48</td><td></td><td>34.9%</td></tr><tr><td>17/3期</td><td>56</td><td></td><td>38.7%</td></tr><tr><td>18/3期</td><td>60</td><td>5</td><td>43.2%</td></tr><tr><td>19/3期</td><td>60</td><td></td><td>38.8%</td></tr><tr><td>20/3期</td><td>60</td><td></td><td>38.3%</td></tr><tr><td>21/3期</td><td>65</td><td></td><td>38.6%</td></tr><tr><td>22/3期</td><td>70</td><td></td><td>55.7%</td></tr><tr><td>23/3期</td><td>70</td><td></td><td>54.9%</td></tr></tbody></table></div>	期	配当金(円)	記念配当金(円)	配当性向(%)	13/3期	26.5		43.1%	14/3期	31.5		38.3%	15/3期	40		35.7%	16/3期	48		34.9%	17/3期	56		38.7%	18/3期	60	5	43.2%	19/3期	60		38.8%	20/3期	60		38.3%	21/3期	65		38.6%	22/3期	70		55.7%	23/3期	70		54.9%
期	配当金(円)	記念配当金(円)	配当性向(%)																																														
13/3期	26.5		43.1%																																														
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16/3期	48		34.9%																																														
17/3期	56		38.7%																																														
18/3期	60	5	43.2%																																														
19/3期	60		38.8%																																														
20/3期	60		38.3%																																														
21/3期	65		38.6%																																														
22/3期	70		55.7%																																														
23/3期	70		54.9%																																														

Finally, I would like to discuss the dividend forecast for the current fiscal year.

The interim dividend was JPY35 per share, as forecasted at the beginning of the fiscal year. Despite the severe business environment, we are able to continue to pay stable dividends to shareholders, and we intend to maintain the year-end dividend of JPY35 as well as the interim dividend.

This concludes our explanation. Thank you for your attention.

Moderator: Thank you for your explanation.

Question & Answer

Moderator [Q]: Okay, we will now move on to the question-and-answer session.

Again, for questions from the Zoom webinar, please enter your company name, name, and question in the QA section.

Let me first answer the questions we received in advance.

Please explain why you are not revising your full-year forecast given the 16% progress in profit in H1 of the year?

Now, President Suguta, please respond to the question.

Suguta [A]: First of all, in this agency business, which is greatly affected by the policies of the carriers, especially in Q4, the fluctuations caused by the policies will be quite large, so it is difficult to predict the landing prospects six months ahead now.

We have factored in a certain degree of improvement in earnings going forward due to the follow-up impact on earnings from changes in the MNP-oriented environment and signs of an improvement in profit margins from Q2. Even if the amount is lower than expected, the return of performance-linked bonuses will occur in our case, so we believe that the amount will be within the scope of the minor standard.

If it becomes necessary to make revisions, we assume that one of the best times to do so would be during the disclosure of these Q3 results, when Q4 is visible, as it was last year.

That is all.

Moderator [Q]: Thank you for your answer. Now, for the second question.

What is your outlook for performance in the next fiscal year and beyond?

President Suguta, please respond.

Suguta [A]: In the next fiscal year and beyond, we expect a slight decline in the agency business, which is currently the mainstay of our company.

However, we believe that the trend of reducing agency commissions and the number of stores will bottom out at some point. We expect that telecommunication revenues of the carriers will bottom out to some extent in the next fiscal year, or at the latest, the year after next. We believe that this will put a stop to the current downward trend to a certain extent.

We are currently considering the possibility of a slight decrease in the next fiscal year, which will be covered by the increase in profits from our own proprietary business, which we are currently focusing on, in order to increase profits as much as possible.

That is all.

Moderator [Q]: Thank you for your answer. Now, for the next question.

Please explain the status of negotiations with the carrier regarding the projected number of stores?

President Suguta, please respond.

Suguta [A]: DOCOMO announced this policy before the start of this fiscal year, and in principle, they are not asking them to unilaterally close these stores but to close or integrate them in a rational manner by agreement with the agencies.

During H1 of this fiscal year, we are in the process of negotiating with DOCOMO, prioritizing stores with low profitability or those that are unlikely to generate sufficient earnings in the next fiscal year and beyond. As I answered on the previous meeting, in principle, we expect to close or consolidate about 10 shops this fiscal year.

As for the next fiscal year and beyond, the situation is currently blank.

That is all.

Moderator [Q]: Thank you for your answer.

With your current question, I would like to ask an additional question. In which year is it likely to accelerate the pace of store consolidation, this fiscal year or next fiscal year?

Suguta [A]: We have not yet received any concrete information from DOCOMO regarding its policy on consolidation or the scale of consolidation after the next fiscal year. At the moment, the overall number of stores to be closed or consolidated is 100 for this fiscal year only, but we have not yet heard about next year and beyond, so it is difficult to predict what will happen at this point.

That is all.

Moderator [Q]: Thank you for your answer. Now, for the next question.

What is the growth rate forecast for your own proprietary business? We would also be happy to hear about any positive stories, such as those from the digital utilization support and promotion project.

Suguta [A]: First of all, one of the few bright spots is that our own proprietary business is definitely growing steadily.

In particular, there is still considerable room for growth in the corporate business, and we believe that, depending on how we do things, we can expect an even higher growth rate than before. In fact, we have factored in a growth rate for H2 of this fiscal year that exceeds the growth rate of H1 of this fiscal year. With the new measures I have just explained, I believe that the corporate business can be a driver of this proprietary business.

The Consumer Business is considering further new products with respect to independently planned accessories and apps, which are the largest bulk of its proprietary business. In addition to the LUMIERA film I mentioned earlier, we are planning to expand the accessories portion of our original business by releasing a number of new products.

We are also working on smartphone classes for daily life and businesses for local governments. We are now working to grow these new revenue sources at a faster pace than ever before, and to expand these revenue sources as another challenge for the consumer business.

As for municipalities, last year we received orders from 22 municipalities, but this year we received orders from 33 municipalities, which is an increase. This is something that the Ministry of Internal Affairs and Communications, or MIC, promotes in the budget allocated to each municipality, but currently, more and

more municipalities are planning to develop various administrative services centering on the My Number cards through their own budgets. Starting with these 33 municipalities, we are now looking forward to further exploration of this project.

At present, we are cooperating with local municipalities by dispatching smartphone instructors to gather residents and teach them how to use their smartphones and My Number cards.

Naturally, cooperation with government services requires the cooperation of our corporate units as well. Therefore, we believe that we have entered an era in which consumers and corporations are working together to create new projects for local governments.

That is all.

Moderator [Q]: Thank you for your answer.

This is a question related to the proprietary business. From the outside, it seems that the increase in profits of our proprietary business is not gaining momentum. If there are issues, please explain the issues as well.

Suguta [A]: Yes. As you pointed out, we had hoped for a little more growth in our proprietary business in H1. However, as I mentioned earlier, accessories and applications, which are still the largest part of the total sales of this original business, are inevitably linked to the number of units sold. In other words, we believe these did not grow sufficiently in proportion to the 18% year-over-year decline in unit sales.

Although the percentage of purchases is increasing, we will work a little harder in H2 to achieve growth that exceeds the decline in sales volume.

We also started holding smartphone classes for daily life at all stores in May, and although the contribution to total sales was still quite small in H1, we expect to be able to increase it a little more in H2.

That is all.

Moderator [Q]: Thank you for your answer.

Now, as for the next question, there are several similar questions, so I will summarize them.

We would like to ask you to explain once again the situation regarding the two-quarter cumulative period, the significant decrease in the number of units sold, and the deviation from the initial assumption for the same two-quarter accounting period.

Please explain once again the reasons for the discrepancy between the initial forecast and the current financial results and the sales situation up to Q2.

Suguta [A]: Unfortunately, the sales volume was much lower than we had expected. The decrease in sales volume was the most significant factor in H1's decrease in profit, which was not expected by the Company.

Other than that, there is also a decrease in fees or support payments due to the change in the fee structure, which has been ongoing since last year. This is a significant factor in the decrease in profits compared to the previous fiscal year, as indicated in the stair chart shown earlier. This was almost in line with our assumption at the beginning of the fiscal year. Therefore, the most significant factor was the deterioration in earnings linked to sales volume.

It is difficult to pinpoint the reason for the decline in sales volume, but one factor is that new products are relatively less attractive than in the past, and the upgrade cycle for new products has become longer because of the rising prices of new products.

I also believe that the impact of COVID-19 had a certain degree of influence. In particular, we believe that the impact of the seventh wave of COVID-19 in Q2 had, to a certain extent, a relative impact on the sales decline.

Then, there is online sales as one factor. As for the part of the sales being eclipsed by carriers' online sales, H1 has not been affected to a great extent in general, but we have seen some signs of this in central Tokyo, especially in the Tokyo metropolitan area.

Therefore, it is difficult to say whether we can expect a significant increase in sales volume in the future. However, we expect a shift to upgrade of handsets and change of models based on the situation of COVID-19 in H2 of this fiscal year and MNP policies of carriers. We believe that this will lead to an increase in sales volume over H1 of this fiscal year.

Compared to the forecast for the current fiscal year disclosed at the beginning of the current fiscal year, the progress rate remains at a low level, at more than only 10%. This is mainly due to the factors I have just explained, but for H2, sales volume will improve a little more.

Then, our gross profit per unit will also improve. In addition, we expect to reduce SG&A expenses by streamlining operations, which will lead to a significant improvement in earnings compared to H1 of the fiscal year.

That is all.

Moderator [Q]: Thank you for your answer.

Next question. As for sales volume non-linked earnings, it appears that the negative margin is larger in Q2 than in Q1, compared to last year. Please tell us the factors that contribute to this.

Suguta [A]: As for the decrease compared to the previous year, the major component of agency commissions that is not linked to sales is the evaluation of various indicators set by carriers, and various incentives are offered depending on the evaluation of how well we have performed in these indicators.

This is called sales activity support or LTV incentives. The fact that the amount of these incentives will be reduced by a certain amount from the previous fiscal year was incorporated in the changes to the system, and we believe that it is within the scope of these incentives.

I hope that answers your question. That is all.

Moderator [Q]: Thank you for your answer.

Regarding your questions, we would like to accept two more.

First, we have received a question about the corporate business. Summarizing the corporate business, what are some of KDDI's measures that were in place during this H1? This is the first question.

Also, do you envision that the corporate business will be strong in the future, or do you envision an increase in profit margins due to an increase in stock business, or do you envision higher sales? This is another question.

Suguta [A]: KDDI's measures were not particularly large or unusual. The measures to encourage customers to change handset models or switch from other carriers were relatively stronger than before, and we were able to achieve results by taking advantage of their commission policies.

As for the future growth pillars of the corporate business, I believe that the carrier agency business will be determined by how much business we are able to acquire. Therefore, the key factor in the carrier agency business is to increase the number of units sold and the number of lines handled as much as possible.

On the other hand, our original business revenue is mainly based on stock, which is basically the accumulation of sales based on one-year or multi-year contracts. Our earnings increase as a result of the accumulation of stock from the acquisitions we have made up to that point.

That is all.

Moderator [Q]: Thank you very much.

Now, we would like to close with a final question. You mention that stable dividends to shareholders can continue, but is it correct to assume that this comment includes the next fiscal year and beyond? Please tell us about your shareholder return policy for the next fiscal year and beyond.

Suguta [A]: Regarding this matter, we would like to discuss and examine the contents of this matter thoroughly again within our company and finalize our policy for the next fiscal year and beyond.

In addition to the dividend policy, I believe it is necessary to consider a new shareholder return policy that includes the purchase of our own shares. We would like to announce our dividend policy again from the next fiscal year onward at that time.

That is all.

Moderator [M]: Thank you for your answer.

This concludes the question-and-answer session. If you have any further questions, please contact our IR department. The IR staff would also like to answer any questions that we were unable to cover today.

This concludes the presentation of the financial results for Q2 of the fiscal year ending March 31, 2023. Thank you very much for watching.

Suguta [M]: Thank you very much.

[END]