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Non-consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

January 30, 2023

Company name: CONEXIO Corporation
 Stock exchange listing: Tokyo
 Code number: 9422
 URL: <https://www.conexio.co.jp>
 Representative: Hiroshi Suguta President
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 Scheduled date of filing quarterly securities report: February 10, 2023
 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, 2022 (April 01, 2022 to December 31, 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	%
Nine months ended December 31, 2022	138,120	(0.1)	3,191	(40.4)	3,274	(39.9)	1,933	(50.9)
December 31, 2021	138,298	5.6	5,358	(33.2)	5,452	(35.1)	3,935	(30.1)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	43.23	-
December 31, 2021	87.97	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2022	96,575	52,427	54.3
March 31, 2022	100,965	53,625	53.1

(Reference) Equity: As of December 31, 2022: ¥ 52,427 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)				0.00	35.00

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

(Note) At the meeting of the Board of Directors held on December 22, 2022, the Company has revised its dividend forecast for the fiscal year ending March 31, 2023 and has resolved to not pay a year-end dividend for the fiscal year ending March 31, 2023. This revision and resolution are contingent upon the completion of the tender offer, as described in "Notice of Statement of Opinion Concerning the Tender Offer for Shares of the Company by NCX Corporation" announced on the same day.

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	195,000	0.9	6,300	(22.0)	6,400	(22.0)	4,000	(28.8)	89.41

(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):

December 31, 2022: 44,737,938 shares

March 31, 2022: 44,737,938 shares

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

December 31, 2022: 194 shares

March 31, 2022: 194 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 44,737,744 shares

Nine months ended December 31, 2021: 44,737,773 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 nine months ended December 31, 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.

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 continued 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, 1,080,000 units (down 19.3% 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 nine months ended December 31, 2022, the Company reported net sales of 138,120 million yen (down 0.1% year on year), an operating profit of 3,191 million yen (down 40.4% year on year), an ordinary profit of 3,274 million yen (down 39.9% year on year), and a profit of 1,933 million yen (down 50.9% year on year).

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

◆ Financial results

(Million yen)

Account title	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Year-on-year change (%)
Net sales	138,298	138,120	(0.1)
Operating profit	5,358	3,191	(40.4)
Ordinary profit	5,452	3,274	(39.9)
Profit	3,935	1,933	(50.9)

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 126,992 million yen (up 0.1% year on year) and an operating profit of 4,424 million yen (down 35.1% year on year).

◆ Financial results

(Million yen)			
Account title	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Year-on-year change (%)
Net sales	126,821	126,992	0.1
Operating profit	6,813	4,424	(35.1)

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 11,127 million yen (down 3.0% year on year) and an operating profit of 2,065 million yen (up 4.8% year on year).

◆ Financial results

(Million yen)			
Account title	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Year-on-year change (%)
Net sales	11,477	11,127	(3.0)
Operating profit	1,971	2,065	4.8

(2) Analysis of Financial Position

(i) Status of Assets, Liabilities and Net Assets

(Assets)

Current assets decreased by 3,305 million yen from the end of the previous fiscal year to 79,722 million yen. This was mainly due to the decrease in accounts receivable-trade by 7,609 million yen, the decrease in cash and deposits by 2,226 million yen, the increase in accounts receivable-other by 4,733 million yen, and the increase in merchandise and finished goods by 1,532 million yen.

Non-current assets decreased by 1,084 million yen from the end of the previous fiscal year to 16,852 million yen. This was mainly due to the decrease in the right of career shop management by 496 million yen, the decrease in investments and other assets by 464 million yen, and the decrease in property, plant and equipment by 163 million yen.

As a result, total assets decreased by 4,389 million yen from the end of the previous fiscal year to 96,575 million yen.

(Liabilities)

Current liabilities decreased by 2,708 million yen from the end of the previous fiscal year to 39,140 million yen. This was mainly due to the decrease in accounts payable-trade by 3,742 million yen, the decrease in accrued agency commission by 1,757 million yen, the decrease in provision for bonuses by 1,392 million yen, and the increase in accounts payable-other by 3,258 million yen.

Non-current liabilities decreased by 483 million yen from the end of the previous fiscal year to 5,007 million yen. This was mainly due to the decrease in other items by 692 million yen and the increase in provision for retirement benefits by 204 million yen.

As a result, total liabilities decreased by 3,192 million yen from the end of the previous fiscal year to 44,147million yen.

(Net assets)

Net assets decreased by 1,197 million yen from the end of the previous fiscal year to 52,427 million yen. This was mainly due to the decrease as a result of dividend payment of 3,131 million yen and the increase as a result of the recognition of profit of 1,933 million yen.

As a result, the Company's equity ratio was 54.3%.

(3) Financial Forecasts and Other Forward-Looking Information

On December 22, 2022, the Company has made the decision to revise its full-year earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023), based on factors including recent movements in the Company's business performance. In addition, the Company has revised its dividend forecast for the fiscal year ending March 31, 2023 and has resolved to not pay a year-end dividend for the fiscal year ending March 31, 2023. This revision and resolution are contingent upon the completion of the tender offer for Shares of the Company by NCX Corporation, as described in "Notice of Statement of Opinion Concerning the Tender Offer for Shares of the Company by NCX Corporation" announced on the same day.

For details, please refer to the press release below.

Notice of Statement of Opinion Concerning the Tender Offer for Shares of the Company by NCX Corporation

https://www.conexio.co.jp/en/ir/news/2023/230111_1_en.pdf

Notice of Revisions to Full-Year Earnings Forecast for the Fiscal Year Ending March 31, 2023

https://www.conexio.co.jp/en/ir/news/2023/230111_2_en.pdf

Notice of Revisions to Year-End Dividend Forecast for the Fiscal Year Ending March 31, 2023 (No Dividend)

https://www.conexio.co.jp/en/ir/news/2023/230111_3_en.pdf

2. Quarterly Non-consolidated Financial Statements
(1) Quarterly Non-consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	21,425	19,199
Accounts receivable - trade	27,996	20,387
Merchandise and finished goods	6,437	7,969
Accounts receivable - other	26,065	30,799
Deposits paid	117	118
Other	993	1,255
Allowance for doubtful accounts	(6)	(6)
Total current assets	83,028	79,722
Non-current assets		
Property, plant and equipment	3,979	3,816
Intangible assets		
Goodwill	1,183	1,088
The right of career shop management	6,949	6,453
Other	549	685
Total intangible assets	8,683	8,227
Investments and other assets	5,274	4,809
Total non-current assets	17,936	16,852
Total assets	100,965	96,575
Liabilities		
Current liabilities		
Accounts payable - trade	15,391	11,648
Accrued agency commission	6,757	5,000
Accounts payable - other	13,154	16,413
Income taxes payable	275	444
Provision for bonuses	1,852	460
Provision for bonuses for directors (and other officers)	5	-
Other	4,411	5,173
Total current liabilities	41,848	39,140
Non-current liabilities		
Provision for retirement benefits	3,178	3,383
Asset retirement obligations	624	629
Other	1,687	995
Total non-current liabilities	5,491	5,007
Total liabilities	47,339	44,147

(Million yen)

	As of March 31,2022	As of December 31,2022
Net assets		
Shareholders' equity		
Share capital	2,778	2,778
Capital surplus	585	585
Retained earnings	50,260	49,063
Treasury shares	(0)	(0)
Total shareholders' equity	53,624	52,426
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	52,427
Total liabilities and net assets	100,965	96,575

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

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	138,298	138,120
Cost of sales	100,049	103,174
Gross profit	38,249	34,946
Selling, general and administrative expenses	32,890	31,754
Operating profit	5,358	3,191
Non-operating income		
Interest income	0	0
Dividend income	0	0
Support money of store move etc income	36	43
Reversal of allowance for doubtful accounts	3	-
Surrender value of insurance policies	31	-
Gain on investments in investment partnerships	0	-
Late charges income	-	46
Other	24	26
Total non-operating income	97	117
Non-operating expenses		
Interest expenses	0	0
Loss on sale and retirement of non-current assets	-	3
Payment late charges	-	14
Compensation for damage	-	11
Other	3	4
Total non-operating expenses	3	34
Ordinary profit	5,452	3,274
Extraordinary income		
Compensation for forced relocation	332	-
Gain on revision of retirement benefit plan	280	-
Other	13	0
Total extraordinary income	626	0
Extraordinary losses		
Head office relocation expenses	127	-
Loss on store closings	20	198
Loss on sale and retirement of non-current assets	9	10
Impairment losses	25	65
Total extraordinary losses	183	274
Profit before income taxes	5,895	3,000
Income taxes - current	2,103	1,243
Income taxes - deferred	(143)	(176)
Total income taxes	1,959	1,066
Profit	3,935	1,933