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Non-consolidated Financial Results for the Three Months Ended June 30, 2019[Japanese GAAP]

July 30, 2019

Company name: CONEXIO Corporation
Code number: 9422
Representative: Hiroo Inoue, President
Contact: Shinya Nakada, General Manager, Corporate Planning Department
Phone: 03-5331-3702
Stock exchange listing: Tokyo
URL: https://www.conexio.co.jp
Scheduled date of filing quarterly securities report: August 8, 2019
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, 2019 (April 1, 2019 to June 30, 2019)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2019	54,972	(8.9)	2,308	39.4	2,331	39.3	1,535	42.0
June 30, 2018	60,332	8.2	1,656	18.1	1,673	17.2	1,080	18.7

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	34.31	-
June 30, 2018	24.16	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2019	83,951	42,282	50.4
March 31, 2019	103,506	42,106	40.7

(Reference) Equity: As of June 30, 2019: ¥ 42,282 million
As of March 31, 2019: ¥ 42,106 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, 2019	-	30.00	-	30.00	60.00
Fiscal year ending March 31, 2020	-				
Fiscal year ending March 31, 2020 (Forecast)		30.00	-	30.00	60.00

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

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020(April 01, 2019 to March 31, 2020)

The impact of the future business environment on our business results is unclear, and will be promptly disclosed as soon as they are reasonably calculated.

* 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, 2019:	44,737,938 shares	March 31, 2019:	44,737,938 shares
2) Total number of treasury shares at the end of the period:	June 30, 2019:	122 shares	March 31, 2019:	122 shares
3) Average number of shares during the period:	Three months ended June 30, 2019:	44,737,816 shares	Three months ended June 30, 2018:	44,737,823 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 three months ended June 30, 2019, the Japanese economy continued on a moderate recovery trend with improvements in corporate earnings as well as the employment environment. On the other hand, given the concerns about the rising uncertainty in the overseas economies due to the effects of trade issues, the outlook of the Japanese economy needs to be closely watched.

In the mobile phone market in which the Company conducts business activities, the "Telecommunications Business Act" was revised by the Ministry of Internal Affairs and Communications, which incorporates simpler and easier-to-understand payment plans for mobile phones, and is scheduled to go into effect in the fall. Ahead of these developments, a specific of major telecom carriers has introduced new payment plans that completely separate communication charges from handset fees. While communications charges will be lowered, handset prices will rise, which, in turn, is expected to have an immense impact on the number of customers visiting the shops and handset unit sales going forward.

In such a business climate, despite the decrease in unit sales of handsets to 550,000 (down 8.6% year-on-year) due to the change in some of the product distribution flows and the reactionary drop in sales after last-minute demand before and after the introduction of the separate payment plans, revenue improved, thanks to the stabilization of handset prices in conjunction with the introduction of the separate payment plans, reinforced sales of peripheral goods of smartphones and the increase in the number of companies adopting the mobile helpdesk.

As a result, the Company's financial results for the fiscal year ended June 30, 2019 were 54,972 million yen in net sales (down 8.9%), 2,308 million yen in operating profit (up 39.4%), 2,331 million yen in ordinary profit (up 39.3%) and 1,535 million yen in profit (up 42.0%).

◆Financial results

(Million yen)

Account title	Three months ended June 30, 2018	Three months ended June 30, 2019	Year-on-year change (%)
Net sales	60,332	54,972	(8.9)
Operating profit	1,656	2,308	39.4
Ordinary profit	1,673	2,331	39.3
Profit	1,080	1,535	42.0

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 "nexiplus" to meet the needs of smartphone users and strengthen the relationship with them.

In the Consumer Business, unit sales of handsets decreased due to the change in some of the product distribution flows. However, revenue remained robust due to the stabilization of handset prices in conjunction with the introduction of the separate payment plans, reinforced sales of peripheral goods of smartphones and efforts to encourage the continued use of various services. Carrier-certified shops are making efforts to strengthen their points of contact with customers by holding smartphone lessons. The shops are also shortening the customers' waiting time by expanding reservation frames for shop visits and improving operations.

As a result, the financial results of the Consumer Business were 50,651 million yen in net sales (down 10.4%) and 2,985 million yen in operating profit (up 11.8%).

◆Financial results

(Million yen)

Account title	Three months ended June 30, 2018	Three months ended June 30, 2019	Year-on-year change (%)
Net sales	56,502	50,651	(10.4)
Operating profit	2,670	2,985	11.8

Corporate Business

In the Corporate Business, the Company acts as an intermediary for concluding contracts for mobile phones and other communication services, provides after-sales services and sells mobile phone handsets, etc., targeting at corporate customers. The Company also offers mobile BPO services to corporate customers (outsourcing services covering mobile help desk, handset set-up (kitting), etc.), prepaid cards to convenience stores, and IoT solutions.

In the Corporate Business, sales of handsets increased due to last-minute demand ahead of the introduction of the separate payment plans. The number of companies adopting the mobile helpdesk also increased. As for IoT solutions, the Company began receiving orders for "CONEXIOBlackBear (tentative name)," a high-performance IoT edge computing gateway, which was developed as a core device, as well as captured large-scale one-stop solution projects.

As a result, the financial results of the Corporate Business were 4,320 million yen in net sales (up 12.8%) and 389 million yen in operating profit (up 873.0%).

◆Financial results

(Million yen)

Account title	Three months ended June 30, 2018	Three months ended June 30, 2019	Year-on-year change (%)
Net sales	3,829	4,320	12.8
Operating profit	40	389	873.0

(2) Analysis of Financial Position

Status of Assets, Liabilities and Net Assets

(Assets)

Current assets decreased by 19,257 million yen from the end of the previous year to 63,337 million yen. This was mainly due to the decrease in notes and accounts receivable-trade by 14,556 million yen, the decrease in accounts receivable-other by 5,325 million yen, the decrease in merchandise and finished goods by 2,522 million yen and the increase in cash and deposits by 2,981 million yen.

Non-current assets decreased by 297 million yen from the end of the previous fiscal year to 20,614 million yen. This was mainly due to the decrease in the right of carrier shop management by 166 million yen and the decrease in property, plant and equipment by 120 million yen.

As a result, total assets decreased by 19,554 million yen from the end of the previous fiscal year to 83,951 million yen.

(Liabilities)

Current liabilities decreased by 19,870 million yen from the end of the previous fiscal year to 35,394 million yen. This was mainly due to the decrease in accounts payable-trade by 10,637 million yen, the decrease in accounts payable-other by 5,175 million yen, the decrease in accrued agency commission by 2,141 million yen, the decrease in provision for bonuses by 1,377 million yen and the decrease in income taxes payable by 1,160 million yen.

Non-current liabilities increased by 140 million yen from the end of the previous fiscal year to 6,275 million yen. This was mainly due to the increase in provision for retirement benefits by 133 million yen.

As a result, total liabilities decreased by 19,730 million yen from the previous fiscal year to 41,669 million yen.

(Net assets)

Net assets increased by 175 million yen from the end of the previous fiscal year to 42,282 million yen. This was mainly due to the increase as a result of the recognition of profit of 1,535 million yen and the decrease as a result of the dividend payment of 1,342 million yen.

As a result, the Company's equity ratio was 50.4%.

(3) Financial Forecasts and Other Forward-Looking Information

In the business environment surrounding the Company, the "Telecommunications Business Act" was revised in May 2019 and contents including the realization of simpler and easier-to-understand payment plans based on the complete separation of communication charges and handset fees, were incorporated. Although a specific of major telecom carriers introduced new payment plans ahead of the enactment of this revised "Telecommunications Business Act" (scheduled for the fall of 2019), handset prices have gone up in conjunction with these new payment plans, and handset unit sales are undergoing major fluctuations as a result. For the time being, the Company will need to assess the trends of handset sales following the introduction of the new payment plans while closely observing the impact of the enactment of the revised law in fall on the mobile market. The Company has determined that the impact of such developments on its business performance is uncertain and that the calculation of appropriate and reasonable quantities is difficult. Going forward the Company intends to promptly disclose its financial forecasts as soon as they have been reasonably calculated.

2. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Million yen)

	As of March 31,2019	As of June 30,2019
Assets		
Current assets		
Cash and deposits	11,086	14,068
Notes and accounts receivable - trade	49,285	34,728
Merchandise and finished goods	8,221	5,698
Accounts receivable - other	12,914	7,589
Deposits paid	273	312
Other	818	943
Allowance for doubtful accounts	(6)	(4)
Total current assets	82,594	63,337
Non-current assets		
Property, plant and equipment	4,804	4,683
Intangible assets		
Goodwill	1,499	1,467
The right of carrier shop management	8,985	8,818
Other	355	345
Total intangible assets	10,839	10,632
Investments and other assets	5,267	5,298
Total non-current assets	20,911	20,614
Total assets	103,506	83,951
Liabilities		
Current liabilities		
Accounts payable - trade	20,275	9,638
Accrued agency commission	11,607	9,465
Accounts payable - other	12,387	7,212
Income taxes payable	2,095	934
Provision for bonuses	3,800	2,423
Provision for directors' bonuses	23	4
Other	5,074	5,715
Total current liabilities	55,264	35,394
Non-current liabilities		
Provision for bonuses	24	31
Provision for directors' bonuses	11	14
Provision for retirement benefits	5,252	5,385
Asset retirement obligations	669	672
Other	176	171
Total non-current liabilities	6,135	6,275
Total liabilities	61,400	41,669

(Million yen)

	As of March 31,2019	As of June 30,2019
Net assets		
Shareholders' equity		
Capital stock	2,778	2,778
Capital surplus	585	585
Retained earnings	38,606	38,799
Treasury shares	(0)	(0)
Total shareholders' equity	41,970	42,163
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	136	119
Total valuation and translation adjustments	136	119
Total net assets	42,106	42,282
Total liabilities and net assets	103,506	83,951

(2) Non-consolidated Statements of Income

(Million yen)

	For the three months ended June 30,2018	For the three months ended June 30,2019
Net sales	60,332	54,972
Cost of sales	48,336	42,390
Gross profit	11,995	12,581
Selling, general and administrative expenses	10,338	10,272
Operating profit	1,656	2,308
Non-operating income		
Interest income	-	0
Dividend income	1	2
Support money of store move etc income	15	10
Reversal of allowance for doubtful accounts	2	2
Other	7	11
Total non-operating income	26	26
Non-operating expenses		
Interest expenses	-	0
Foreign exchange losses	-	1
Loss on sales and retirement of non-current assets	3	1
Rental expenses on real estate	1	-
Loss on cancellation of contracts	4	-
Other	0	0
Total non-operating expenses	9	3
Ordinary profit	1,673	2,331
Extraordinary income		
Other	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on sales and retirement of non-current assets	2	1
Impairment loss	22	22
Loss on store closings	12	9
Total extraordinary losses	36	32
Profit before income taxes	1,636	2,298
Income taxes - current	644	809
Income taxes - deferred	(88)	(45)
Total income taxes	555	763
Profit	1,080	1,535