

CONEXIO Corporation

9422

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Summary

ITOCHU Corporation-affiliated major mobile phone sales agency that is top in sales for NTT DOCOMO Unit sales in FY3/20 declined but operating profit increased for ninth consecutive fiscal year

CONEXIO Corporation (9422) (“the Company”), a subsidiary of ITOCHU Corporation (8001), is a major mobile phone sales agency. It is the second-largest mobile phone sales agency in Japan in terms of unit sales, and the largest agency in terms of sales of mobile phones for NTT DOCOMO (9437). In addition to selling mobile phones, the Company provides mobile handset management and operation services using smartphones to corporate customers and offers prepaid cards to convenience stores, as well as providing proprietary internet of things (IoT) products such as IoT gateway devices and IoT solutions.

1. Unit sales in FY3/20 fell 19.8%, but operating profit increased for ninth consecutive fiscal year

In FY3/20 results, net sales fell 20.8% year on year (YoY) to ¥209,005mn, operating profit rose 0.5% to ¥10,330mn, ordinary profit declined 0.2% to ¥10,515mn and profit rose 1.1% to ¥7,000mn. Unit sales fell 19.8% YoY to 2,018,000, due to a number of factors, including the shift to NTT DOCOMO’s split plans in June 2019, the enactment of the revised Telecommunications Business Act and the consumption tax hike from October 2019, as well as the impact of the novel coronavirus pandemic (“the coronavirus”) towards the end of the fiscal year. Still, with device prices being relatively stable, an increase in commission income not linked to device sales and stronger sales of smartphone accessories, the increase in the number of companies adopting the mobile help desk and its improved profitability, as well as other factors, gross profit margin improved to 25.0% (versus 19.7% in the previous fiscal year). As a result, despite the significant decline in net sales, gross profit increased 0.7% YoY to ¥52,245mn. In addition, SG&A expenses were kept to ¥41,914mn, a 0.7% YoY increase, and operating profit increased for the ninth consecutive fiscal year.

2. The Company has not disclosed results forecasts for FY3/21

The Company is unable to identify the impacts of the coronavirus going forward, and as a result, the Company has not at this point in time disclosed a full-year forecast for FY3/21 which is underway. The Company has stated that “We will disclose the business performance forecast for the current fiscal year as soon as the impact of the amount can be sorted out while keeping an eye on the changing situation.” The Company is providing appropriate disclosure regarding the impact of the coronavirus, and on this point the Company was selected as a “good example of disclosure concerning the impact of the novel coronavirus” by the Tokyo Stock Exchange.

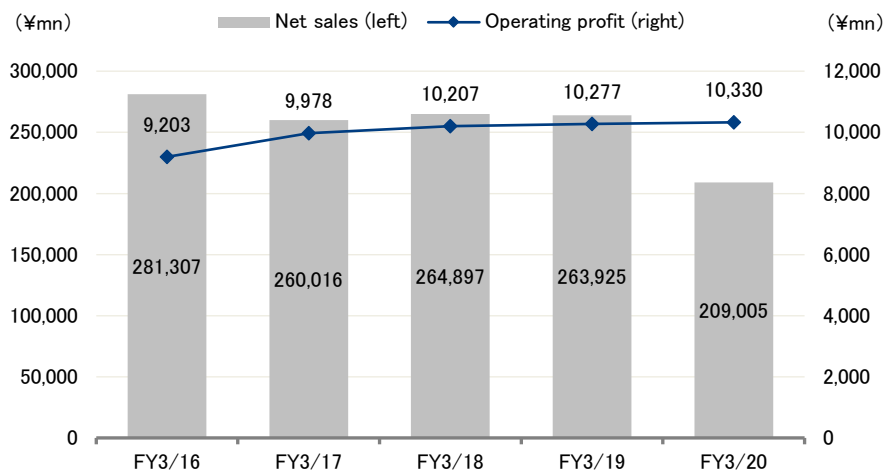
3. Maintaining a dividend payout ratio of 40%. Steadily promoting the medium-term management plan

The Company’s basic policy for distributing profits is to work to improve financial results so it can continuously and stably pay dividends, targeting a dividend payout ratio of 40%. In line with this basic policy, in FY3/19 the Company paid an annual dividend of ¥60 (dividend payout ratio = 38.8%), and in FY3/20 the Company paid an annual dividend of ¥60 (dividend payout ratio = 38.3%). The dividend amount for FY3/21 is still yet to be determined, but the Company has stated that it intends to maintain a dividend payout ratio of 40%. Meanwhile, the Company plans to steadily advance the medium-term management plan “CONEXIO Plan 2020.”

Summary

Key Points

- Major mobile phone sales agency, largest in terms of sales of mobile phones for NTT DOCOMO
- Unit sales decreased in FY3/20 due to headwinds, but the improvement in profit margin led to higher operating profit for the ninth consecutive fiscal year
- Despite the uncertain results and dividends for FY3/21 and beyond, the Company will advance its strategies as planned

Results trends


Source: Prepared by FISCO from the Company's financial results

Company profile

ITOCHU Corporation-affiliated major mobile phone sales agency that is top in sales for NTT DOCOMO

● Company profile

CONEXIO, an affiliate of ITOCHU Corporation, is a major mobile phone sales agency. It is the second-largest mobile phone sales agency in Japan in terms of unit sales, and the largest agency in terms of sales of mobile phones for NTT DOCOMO. In addition to wholesale and retail sales of mobile phones, the Company is active in a wide range of business fields, including providing mobile handset management and operation services (outsourcing services including the mobile help desk, device set-up, etc.) to corporate customers, offering prepaid cards to convenience stores, and providing IoT solutions. Based on the philosophy statement of “the Company is to connect people and values”, the Company holds up a 10-year vision to “create advanced services in communications and networks meeting the wishes of each customer and become the most reliable partner.” According to this vision, the Company is pursuing a strategy of offering high-value-added carrier-certified shops that are “selected by customers.” In FY3/20, unit sales were 2,018,000 and the Company had 433 carrier-certified shops as of March 31, 2020.

Business overview

Main business is mobile phone shops targeting individual customers (Consumer Business), but is also aggressively expanding Corporate Business to maximize profit going forward

1. Engages in the Consumer Business and the Corporate Business, centered on the mobile phone sales agency business

The Company's main business is the agency business for telecom carriers that includes selling mobile phones and tablet devices, concluding contracts of telecommunications services* and providing after-sale services. And this business consists of the Consumer Business and the Corporate Business. In FY3/20, the Consumer Business accounted for 91.8% of total sales, while the Corporate Business provided 8.2% of sales.

* Based on agency contracts between the Company and the telecom carriers, the Company sells the telecommunications services offered by the telecom carriers to individuals and companies. When concluding contracts for these services and for a fixed period thereafter, the Company receives commission income from the telecom carriers.

(1) Consumer Business

The Consumer Business consists of operating carrier-certified shops of Japan's main telecom carriers: NTT DOCOMO (9437), KDDI Corp. (9433) known as "au", SoftBank Corp. (9984), and Rakuten Mobile, Inc. and wholesale of mobile phones to major electronics retailers and facilitating their sales. Also, the Consumer Business operates the Company's proprietary service "nexiplus"* to strengthen relations and accommodate customer demands for smartphone use. The Consumer Business generates revenue by selling goods, such as feature phones, smartphones, tablet devices and peripheral equipment for mobile devices, and by receiving commission income for selling the products and services offered by the telecom carriers. In FY3/20, sales of goods amounted to ¥131,844mn (68.7% of total sales by the Consumer Business), while commission income came to ¥59,965mn (31.3% of total sales by the business).

* "nexiplus" is a unique service of the Company that provides convenient and beneficial contents. Examples include special gifts that members can receive at convenience stores, cafes and other locations, a wide range of coupons that can be used at nearby stores and famous chain stores, specially-priced tickets for various events, as well as health, love, and legal consultations from experts over the phone.

a) Carrier-certified shops

At the end of March 2020, the Company had 433 carrier-certified shops*, and 292 of which were operated directly by the Company. Of the 433 shops, 364 were docomo shops (239 directly operated, 125 outsourced), 43 were au shops (27 directly operated including 2 UQ Spots, 16 outsourced), 5 were SoftBank shops (all operated directly), and 21 were Rakuten Mobile shops (all operated directly). In terms of the number of shops and unit sales of mobile phones and tablet devices, the Company is the leading sales agency for NTT DOCOMO.

* In addition to directly operated shops, the Company has 141 outsourced shops.

Business overview

The Company is also working to create high-value-added shops that are “selected by customers.” To this end, the Company offers smartphone lessons at directly-managed shops nationwide, provides proposals tailored to each customer’s lifestyle, reviews fee plans and takes in devices for repairs in order to allow customers to use their mobile phones with peace of mind for a long period of time. It is also conducting various other measures, including transitioning to large-scale shops through relocations, expanding the floor space and trial areas, enhancing the lineup of peripheral equipment for mobile devices, and introducing a shop-visit reservation system and expanded reservation capacity, and these measures are being developed at each shop individually. In FY3/20, unit sales at carrier-certified shops were 1,664,000 (82.5% of companywide unit sales).

b) Wholesale to major electronics retailers and facilitating their sales

The Consumer Business also conducts wholesale business of mobile phones to major electronics retailers and facilitates the sale of them. Furthermore, the Company operates service counters inside of the stores of the retailers to provide after-sale services, such as receiving payments, repairing, and troubleshooting. In FY3/20, this business sold 266,000 mobile phones and tablet devices (13.2% of companywide unit sales).

Furthermore, the Company’s distribution and call center also has advanced processing capability. Specifically, the distribution center’s centralized mobile phone receipt and shipment function minimizes sales opportunity losses by rapidly supplying popular and new models to shops. The call center quickly handles processes such as activating mobile phones purchased by customers and registering model changes, thereby helping to improve customer satisfaction.

(2) Corporate Business

The Corporate Business includes arrangement of contracts between corporate customers and telecom carriers, the provision of after-sale services, the sale of mobile phones and tablets with various solution services. In addition, the Company sells prepaid cards and other products to convenience stores and other customers, and is also working to develop and provide IoT solutions ahead of the arrival of the new “5G” telecommunications standard.

The Corporate Business derives revenues from three sources: 1) the sale of mobile phones, tablet devices, and IoT product, 2) commission income from telecom carriers or the sale of solution services, 3) the sale of prepaid cards. In FY3/20, the business sold ¥4,219mn of goods (24.5% of total Corporate Business sales), received ¥9,123mn of commission incomes (53.1%), and garnered ¥3,851mn (22.4%) from the sale of prepaid cards. The Corporate Business sold 86,000 mobile phones and tablet devices in FY3/20 (4.3% of companywide unit sales).

a) Solution services for corporate customers

In addition to offering mobile handset management and operation services (outsourcing of mobile help desk, device set-up services, etc.), the Company also provides “mobile biz suite” (mbs), a service that provides all solution services facilitating the use of smartphones for business in a one-stop manner. Among these, the Company utilizes its strengths in administration of mobile devices for its mobile help desk service, which offers support services necessary to make full use of multifunctional smartphones 24 hours a day and 365 days a year, is growing steadily. The Company mainly provides this service to companies in industries where security is prioritized, such as financial institutions and insurance companies.

b) Prepaid card sales

The Company sells prepaid cards at convenience stores all around Japan including at FamilyMart (8028) and Poplar Co. Ltd. (7601). It also assists retailers and web service companies nationwide to issue prepaid cards*.

* In one example, the business assisted Oisix ra daichi Inc. (3182), which sells healthy foods (little or no use of chemicals) through an online supermarket, in issuing the Oisix Gift Card, which can be exchanged for food purchases.

Business overview

c) IoT solutions

The Company also provides solutions needed for companies to adopt IoT by providing related devices, telecommunication networks, platforms and assistance in introduction of IoT that involves the accumulation of huge amounts of data remotely collected from machinery, vehicles, and other equipment. Recently, the Company has been focusing on leveraging the Company's vast store of knowledge related to telecommunications and telecommunications equipment assembly technology gained from years of experience in the Company's mainstay mobile phone sales agency business to develop IoT modular products. In FY3/19, starting with the launch of a new service, the Smart Ready IoT Solutions Template, which accelerates and simplifies the construction of IoT systems, the Company released security functions for IoT equipment and meter-reading functions. In FY3/20, the Company began providing the AI-compatible, high-performance "edge computing gateway," CONEXIOBlackBear, which is shock- and vibration-resistant and can be used overseas and mounted in automobiles, as well as an "AR equipment maintenance solution" linking an AR solution from a partner company with the Company's IoT services. Most recently, while accumulating a track record of field trials and full-scale introductions of various services, the Company is accumulating knowledge and building sales channels for solution products in anticipation of the arrival of 5G.

2. Strengths and characteristics**(1) Many years of experience as mobile phone sales agency**

A major strength of the Company is the nationwide network of carrier-certified shops that has been built and maintained since the beginning of popularization of the mobile phones in Japan. Furthermore, the Company mutually shares sales strategy with NTT DOCOMO, making the Company the top agency in Japan for NTT DOCOMO. This close relationship with NTT DOCOMO is one of the sources for the Company's high profitability, and one of the Company's strengths.

(2) Comfortable work environment

For the sales at carrier-certified shops, the mainstay business of the Company, securing and retaining the sales staff are important issues. Therefore, in order to increase employee retention rates and strengthen the Company's human resources, the Company is actively working on "workstyle reform" including implementation of various measures to provide a comfortable work environment.

For example, at carrier-certified shops, the Company has introduced one fixed holiday per month and shortened hours of operation, as well as providing a partially company-sponsored childcare service system, introducing a flex-time system, a trial teleworking, while encouraging male employees to take childcare leave, and conducting training aimed at identifying and nurturing women leaders. As a result of these efforts, the Company has received awards and recognitions, including the Grand Prize in the Tokyo Metropolitan Government's "Women's Participation Promotion Award" (January 2019) and the Minister of Health, Labour and Welfare Award at the "Enterprise That Should Be Most Valued in Japan" Grand Prize (February 2018).

Most recently, the Company received the White Company Award in the Diversity & Inclusion Category at the 5th White Company Awards (March 2020). This is the second time the Company has been recognized, after receiving an award in both the Child Raising Support Category and the Ikuboss Category at the 3rd White Company Awards (this was the Company's third White Company Award received).

Furthermore, regarding the Company's response to the coronavirus, as of March 2020, the Company had distributed face masks and a special bonus payment to all employees, anticipating the additional burden that would be placed on them going forward. (Regular employees and contract employees were paid a uniform bonus of ¥80,000, which was booked in March 2020 and paid out in May.)

Business overview

This care and regard for employees (personnel policy) likely makes it easier for the Company to attract and retain a large pool of talented people, and is also an intangible characteristic and strength of the Company.

3. Business risks

The biggest risk to the Company is the heavy reliance on carrier-certified shop business. These shops obtain large profit from commission revenue from the telecom carriers, and telecom carriers select sales operators. Thus, the carrier-certified shop business can easily be affected by the sales policy or other management decisions made by the telecom carriers.

Like telecom carriers, the Company can also be impacted by changes in laws and regulations such as the Telecommunications Business Act. Recently, with the enactment of revisions to the Telecommunications Business Act in October 2019, it has become mandatory to completely separate communications charges and device fees from one another. The Company's heavy reliance on NTT DOCOMO in comparison to other companies in the industry is both a strength and business risk. If NTT DOCOMO's business foundation were to shrink significantly as a result of competition with other carriers intensifying, the Company's business could be greatly and adversely affected.

Results trends

Unit sales fell due to the impact of the enactment of revisions to the Telecommunications Business Act, but the gross profit margin improved significantly due to the increase in commission income and other factors

Operating profit increased for the ninth consecutive fiscal year, partly due to suppressed SG&A expenses

1. Summary of FY3/20 results

In FY3/20 results, net sales decreased 20.8% YoY to ¥209,005mn, operating profit rose 0.5% to ¥10,330mn, ordinary profit fell 0.2% to ¥10,515mn, and profit increased 1.1% to ¥7,000mn.

Unit sales fell 19.8% YoY to 2,018,000, due to a number of factors, including the shift to NTT DOCOMO's split plans in June 2019, the enactment of the amended Telecommunications Business Act and the consumption tax hike in October 2019, as well as the impact of the coronavirus pandemic towards the end of the fiscal year. Still, with device prices being relatively stable (prices fell very little), an increase in commission income not linked to unit sales and stronger sales of smartphone accessories, an increase in the number of companies adopting the mobile help desk and its improved profitability, as well as other factors, the gross profit margin improved to 25.0% (versus 19.7% in the previous fiscal year). As a result, despite the significant decline in net sales, gross profit increased 0.7% YoY to ¥52,245mn, thereby maintaining its upward trend. In particular, the gross profit of the Company's unique income not linked to the carrier business increased 9.3% YoY and contributed to the overall increase in gross profit. In addition, SG&A expenses were kept to ¥41,914mn, a 0.7% YoY increase, which allowed operating profit to rise for the ninth consecutive fiscal year.

Results trends

With respect to the factors behind the operating profit in each segment, the Consumer Business was a ¥370mn decline factor, while the Corporate Business was a ¥736mn increase factor. Company-wide expenses were a ¥313mn decline factor (increase in costs). The Corporate Business drove profits, as its profit-earning capability improved due to the up-front investments made through the previous fiscal year.

FY3/20 financial results

	FY3/19		FY3/20		YoY	
	Results	% of sales	Results	% of sales	Amount/units	Ratio
Unit sales (10,000 units)	251.6	-	201.8	-	-49.8	-19.8%
Net sales	263,925	100.0%	209,005	100.0%	-54,920	-20.8%
Gross profit	51,880	19.7%	52,245	25.0%	365	0.7%
SG&A expenses	41,602	15.8%	41,914	20.1%	312	0.7%
Operating profit	10,277	3.9%	10,330	4.9%	53	0.5%
Ordinary profit	10,539	4.0%	10,515	5.0%	-24	-0.2%
Profit	6,921	2.6%	7,000	3.3%	79	1.1%
EBITDA	12,601	4.8%	12,651	6.1%	50	0.4%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

2. Status by business

Results by business

	FY3/19		FY3/20		YoY	
	Results	% of total	Results	% of total	Amount	% change
Net sales	263,925	100.0%	209,005	100.0%	-54,920	-20.8%
Consumer Business	244,587	92.7%	191,810	91.8%	-52,777	-21.6%
Product sales	178,432	67.6%	131,844	63.1%	-46,588	-26.1%
Commission income	66,154	25.1%	59,965	28.7%	-6,189	-9.4%
Corporate Business	19,337	7.3%	17,194	8.2%	-2,143	-11.1%
Product sales	6,526	2.5%	4,219	2.0%	-2,307	-35.4%
Commission income	8,853	3.4%	9,123	4.4%	270	3.0%
Prepaid card sales	3,956	1.5%	3,851	1.8%	-105	-2.7%
Operating profit	10,277	3.9%	10,330	4.9%	53	0.5%
Consumer Business	13,566	-	13,196	-	-370	-2.7%
Corporate Business	977	-	1,714	-	737	75.4%
(intercompany elimination)	-4,266	-	-4,580	-	-314	-

Source: Prepared by FISCO from the Company's financial results, results briefing materials and data sheet

(1) Consumer Business

Affected by the enactment of the revised Telecommunications Business Act and other factors, unit sales declined 20.0% YoY to 1,930,000. As a result of this and other factors, segment sales declined 21.6% YoY to ¥191,810mn. This comprised ¥131,844mn in product sales (down 26.1%), which was a large drop, but commission income only fell 9.4% to ¥59,965mn.

Meanwhile, the profit margin improved significantly on stronger sales of smartphone accessories (including nexiplus and nexi packages, etc.), commission income not linked to unit sales, and the stabilization of device prices with the shift to split plans (including curbs on discounts), with segment profit only declining a slight 2.7% to ¥13,196mn. In particular, the number of nexi package members increased by 118% (roughly doubling) compared to the end of the previous fiscal year, thus contributing to profits.

Results trends

(2) Corporate Business

Net sales declined 11.1% YoY to ¥17,194mn. Unit sales fell to 86,000 (down 18.1%), resulting in a 35.4% decrease in product sales to ¥4,219mn, but commission income rose 3.0% to ¥9,123mn due to the increase in the number of companies adopting the mobile help desk and improved profitability. The number of companies using this service increased 6.2% compared to the end of the previous fiscal year. Sales of prepaid cards dropped 2.7% to ¥3,851mn. Continued growth in help desk and the aggressive roll-out of mobile solutions were among the factors resulting in significant improvement in profit margin, with segment profit rising 75.4% YoY to ¥1,714mn, and thus contributing to the overall increase in profits.

3. Coronavirus impact

The impact of the coronavirus began in March 2020, and put downward pressure on Q4 results. The number of customers visiting stores decreased 3% (YoY) in January, fell 2% in February, and then plummeted 16% in March, and unit sales in Q4 were 518,000 (down 23.7% YoY). However, on the other hand, there were some positive developments as well. Particularly in the Corporate Business, momentum increased for the introduction of teleworking and the promotion of work style reforms, resulting in an increase in opportunities for introducing help desk services and proposing solutions.

Furthermore, anticipating that the business environment for employees will remain tough for the time being, in March the Company distributed masks to all employees (a total of 150,000 masks) and also booked special bonuses (a uniform ¥80,000 for all regular employees and contract employees, to be paid in May). It is worth noting that the Company was able to achieve an increase in profits even though these expenses were booked in the FY3/20 results.

In this way, the Company has properly disclosed the impacts of the coronavirus (facts, countermeasures, etc.). This was regarded highly by the Tokyo Stock Exchange, and the Company was selected as a “good example of disclosure concerning the impact of the novel coronavirus.”

Results trends

Debt-free with a strong financial position

4. Financial condition

Balance sheets

	As of March 31, 2019	As of March 31, 2020	Change
			(¥mn)
Cash and deposits	11,086	20,387	9,301
Notes and accounts receivable-trade	49,285	40,380	-8,905
Accounts receivable - other	12,914	8,812	-4,102
Total current assets	82,594	75,524	-7,070
Property, plant and equipment	4,804	4,262	-542
Intangible assets	10,839	10,146	-693
Investments and other assets	5,267	5,824	557
Total non-current assets	20,911	20,233	-678
Total assets	103,506	95,757	-7,749
Accounts payable – trade	20,275	13,394	-6,881
Accrued agency commission	11,607	10,128	-1,479
Accounts payable – other	12,387	6,874	-5,513
Total current liabilities	55,264	43,099	-12,165
Provision for retirement benefits	5,252	5,580	328
Total non-current liabilities	6,135	6,371	236
Total liabilities	61,400	49,470	-11,930
Total net assets	42,106	46,287	4,181
Total liabilities and net assets	103,506	95,757	-7,749

Source: Prepared by FISCO from the Company's financial results

At the end of FY3/20, total assets had decreased ¥7,748mn from the end of the previous fiscal year to ¥95,757mn. Current assets decreased ¥7,070mn, which was mainly due to decreases in notes and accounts receivable-trade of ¥8,904mn and in accounts receivable-other of ¥4,102mn, partly offset by an increase in cash and deposits of ¥9,301mn. Non-current assets decreased ¥677mn, primarily because of a ¥542mn decrease in property, plant and equipment and a ¥693mn decrease in intangible assets (mainly in the rights of carrier shop management), partly offset by a ¥557mn increase in investment and other assets.

Total liabilities were down ¥11,929mn YoY to ¥49,470mn. Current liabilities decreased ¥12,165mn, with the main factors being decreases in accounts payable-trade of ¥6,881mn, accrued agency commission of ¥1,479mn and accounts payable-other of ¥5,513mn. Non-current liabilities grew ¥235mn, primarily because the provision for retirement benefits increased ¥328mn. Net assets were up ¥4,181mn to ¥46,287mn, mainly due to the increase in retained earnings of ¥4,316mn following the recording of profit.

5. Status of cash flows

In FY3/20, cash provided by operating activities was ¥13,118mn. The main sources of income were the recording of profit before income taxes of ¥10,386mn, decreases in trade receivables of ¥8,901mn and accounts receivable-other of ¥4,102mn, while the main expenditures were a decrease in notes and accounts payable-trade of ¥8,360mn. Cash used in investing activities was ¥1,290mn, mainly due to expenditure of ¥902mn for the purchase of property, plant and equipment. Cash used in financing activities was ¥2,685mn, primarily because of the payment of dividends. As a result, cash and cash equivalents at the end of the fiscal year under review increased by ¥9,139mn from the end of the previous fiscal year to ¥20,499mn.

■ Business outlook

FY3/21 forecasts were not disclosed, but the business strategies of the medium-term management plan “CONEXIO Plan 2020” will be promoted

1. FY3/21 results and dividend forecasts were not disclosed

Due to the impact of the coronavirus, it is difficult for the Company to forecast future results at this point in time. As a result, the Company decided not to announce operating results forecasts for FY3/21. The Company has stated that it will “Disclose the forecasts for the current fiscal year as soon as the impact of the amount can be sorted out while keeping an eye on the changing situation.” However, the Company plans to steadily promote the business strategies of CONEXIO Plan 2020, which has already been released.

2. The basic policy of CONEXIO Plan 2020, the medium-term management plan

The Company is working on its medium-term management plan, CONEXIO Plan 2020, with FY3/19 as the first fiscal year and FY3/21 as the final fiscal year. The basic policy set out in the plan is “Strengthening Touch Points with Customers and Enhancing Productivity toward Achieving a Smart Society Pioneered by 5G.” This policy remains unchanged at the current point in time, and the Company plans to continue to pursue the objectives of the plan in FY3/21. Specifically, it aims to strengthen touch points with customers by working closely with them as an optimal partner that can contribute to providing secure, reliable services aimed at the age of 5G, and to enhance productivity under a harsher employment environment through reviewing existing businesses and proactively adopting IT systems and investments in human capital. The future outlook is uncertain due to the impact of the coronavirus, but the Company plans to continue to steadily advance this basic policy in FY3/21.

3. Key efforts in FY3/21 (Consumer Business)

(1) Build a long-term relationship with customers

Amid the coronavirus, the Company will keep the proper social distance between seats in waiting areas, and install acrylic partitions at customer service counters to create an environment in which customers can feel safe visiting stores and employees can feel safe working in. Regarding operations after the coronavirus ends, the Company is working to improve the value of store services, and once smartphone classes start up again the Company is planning to review the way it offers the classes and enhance the classes so that customers can participate with peace of mind. In addition to enhancing initial set-up support, the Company aims to create an environment where customers can feel safe using their smartphones.

(2) Achieve highly-productive shop operations

Amid the coronavirus, the Company will work to shorten response times while ensuring the safety of customers and employees under restricted business hours and with limited customer service. Once the coronavirus is over, the Company will focus on making store operations more efficient. Specifically, the Company will enhance the appointment system, and use tools analyzing customer visitation data to strengthen shop staffing placements and to assign staff to help with initial device set-up.

Business outlook

4. Key efforts in FY3/21 (Corporate Business)**(1) Evolve into a mobile solutions provider**

The Company will enhance solution products to address the increasing demand for teleworking amid the coronavirus. In addition to expanding the functions of mobile handset management and operation services, the Company will establish a solution sales platform.

(2) Enhance IoT/5G solutions

In addition to expanding IoT solutions initiatives connecting to 5G, the next-generation telecommunications standard, the Company will deploy solution packages for the manufacturing, construction, construction equipment, and agricultural machinery industries. The Company will build up the sales network for “CONEXIOBlackBear,” which the Company developed on its own, and partner with 5G, AI, AR and other technologies.

Shareholder return policy

Dividend amount for FY3/21 is still yet to be determined, but the Company intends to maintain a dividend payout ratio of 40%

The Company's basic policy on profit allocation is to endeavor to improve operating results so that it can continue to pay stable dividends at a payout ratio of approximately 40%. In line with this basic policy, in FY3/19 the Company paid an annual dividend of ¥60 (dividend payout ratio = 38.8%), and in FY3/20 the Company plans to pay an annual dividend of ¥60 (dividend payout ratio = 38.3%). The dividend amount for FY3/21 is still yet to be determined due to the impact of the coronavirus, but the Company has stated that it intends to maintain a dividend payout ratio of 40%, and that it will announce the dividend forecast when it is possible to forecast operating results.

In addition, on July 3, 2017, the Company canceled all of treasury shares held as of March 31, 2017 (11,185,062 shares). This reduced the number of shares issued as of March 31, 2020, to 44,737,938, 20% lower than the number of shares issued as of March 31, 2017. We believe this will be accretive to the value of existing shareholders' equity. It would seem that the Company can be highly evaluated on this point, for actively returning profits to shareholders in such ways.



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