

January 31, 2022

Consolidated Financial Results
for the First Nine Months of the Fiscal Year Ending March 31, 2022
<under IFRS>

Company name: PRONEXUS Inc.
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 7893
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 Scheduled date to file Quarterly Securities Report: February 10, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly earnings: Yes
 Holding of quarterly earnings performance review: None

(Millions of yen with fractional amounts rounded, unless otherwise noted)

1. Consolidated performance for the first nine months of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
First nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	20,737	5.3	2,952	9.1	3,055	5.1	2,096	3.7
December 31, 2020	19,702	2.4	2,707	(2.1)	2,906	3.6	2,020	5.6

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
First nine months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
December 31, 2021	2,090	3.8	2,507	10.4	80.50	—
December 31, 2020	2,014	5.5	2,270	13.3	74.81	—

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2021	35,585	23,909	23,877	67.1
March 31, 2021	36,337	23,452	23,423	64.5

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	17.00	—	16.00	33.00
Fiscal year ending March 31, 2022	—	16.00	—		
Fiscal year ending March 31, 2022 (Forecast)				16.00	32.00

Notes: 1. Revisions to the forecasts of cash dividends most recently announced: None

2. The second quarter-end dividends for the fiscal year ended March 31, 2021 are 17.00 yen, the total combining the ordinary dividends of 15.00 yen with the 90th anniversary commemorative dividends of 2.00 yen.

3. Consolidated earnings forecasts for the fiscal year 2021 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	25,500	2.0	2,200	3.3	2,200	(12.1)	1,520	(10.4)	1,520	(10.1)	58.53

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the first nine months ended December 31, 2021 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- a. Changes in accounting policies required by IFRS: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None

(3) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	27,716,688 shares
As of March 31, 2021	28,716,688 shares

- b. Number of treasury shares at the end of the period

As of December 31, 2021	2,207,421 shares
As of March 31, 2021	2,031,321 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the first nine months ended December 31, 2021	25,969,302 shares
For the first nine months ended December 31, 2020	26,919,429 shares

*** Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special matters**

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to PRONEXUS Inc. (hereinafter the “Company”) and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. Please refer to the section of “(3) Explanation of consolidated earnings forecasts and other forward-looking statements” of “1. Qualitative information regarding earnings for the first nine months” on page 4 of [Attached Material] for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(Means of access to contents of supplementary material on quarterly earnings and quarterly earnings performance review)

The supplementary material on quarterly earnings will be available on the Company’s website.

Regarding the earnings performance review for the six-month and year-end results, to prevent the spread of novel coronavirus disease (COVID-19), and assuming that many people are teleworking, we have decided not to hold the briefing in person, and instead to upload a video recording of the earnings performance review on a later day.

[Attached Material]

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1. Qualitative information regarding earnings for the first nine months

(1) Explanation of operating results

(i) Condition of Japanese economy

In the first nine months, the Japanese economy experienced both a partial recovery in current personal consumption and a recovery in corporate results compared to the same period of the previous fiscal year, as the spread of COVID-19 slowed temporarily at the end of the year. However, the impact of the spread of COVID-19 variants on both the Japanese and overseas economies means that the future remains uncertain overall.

In the securities market of Japan, to which the business of the Company is closely linked, the recovery in results for Japanese companies led the Nikkei Stock Average to trend at the 28,000-yen level (23,000-yen level during the same period of the previous fiscal year), despite the emergence of risk in the Chinese real estate market and falling stock prices overseas mainly due to the spread of COVID-19 variants.

(ii) Review of performance

In the first nine months, a stronger move to enhance information provision to investors driven by revisions to Japan's Corporate Governance Code in June 2021, as well as the recovery in the securities market of Japan and the J-REIT market compared to the same period of the previous fiscal year and continued capital inflows into investment trusts led to increased orders for related products. As a result, consolidated revenue in the first nine months was 20,737 million yen, an increase of 1,036 million yen, or 5.3%, year on year.

Concerning profits, while outsourcing expenses as well as labor costs and personnel expenses associated with the strengthening of structures increased, due to increased revenues, operating profit was 2,952 million yen, an increase of 245 million yen, or 9.1%, year on year. Profit before tax was 3,055 million yen, an increase of 149 million yen, or 5.1%, year on year, and profit attributable to owners of parent was 2,090 million yen, an increase of 77 million yen, or 3.8%, year on year.

1) Sales performance by business

<Listed companies disclosure-related business>

Regarding shareholder convocation notices, one of our mainstay products, in addition to existing efforts to convert notices to color printing and expand the information that they provide, the increased number of individual shareholders led to increased unit prices for orders. Furthermore, with greater needs for operational streamlining, increased revenue in outsourcing services for the preparation of disclosure documents contributed to sales, and orders for products related to IPOs increased with the recovery in the securities market of Japan. As a result, revenue of the listed companies disclosure-related business was 9,047 million yen, an increase of 263 million yen, or 3.0%, year on year.

<Listed companies IR-related, etc. business>

Against the backdrop of the response to the revised Corporate Governance Code, orders for English translation services increased. Orders for visualization services for shareholders' meetings, which contracted due to the COVID-19 pandemic in the same period of the previous fiscal year, as well as orders for virtual shareholders' meeting support services, also increased. As a result, revenue of the listed companies IR-related, etc. business was 5,729 million yen, an increase of 551 million yen, or 10.6%, year on year.

<Financial instruments disclosure-related business>

With increased financing and IPOs following the recovery in the J-REIT market and improved issuance of foreign bonds compared to the same period of the previous fiscal year, orders for related products and various sales promotion tools for investment trusts increased. As a result,

revenue of the financial instruments disclosure-related business was 5,157 million yen, an increase of 235 million yen, or 4.8%, year on year.

<Database-related business>

In the database-related business, although we received orders from new customers, there were some cancellations and decreases in unit prices during contract renewals for existing customers. As a result, revenue of the database-related business was 804 million yen, a decrease of 13 million yen, or 1.6%, year on year.

Furthermore, to maximize Group synergies, we reorganized the Company's database business by transferring it to our consolidated subsidiary I-N Information Systems, Ltd. through a corporate split-off involving a merger by absorption (May 2021).

Revenue by product areas

	First nine months of FY2020 (from April 1, 2020 to December 31, 2020)		First nine months of FY2021 (from April 1, 2021 to December 31, 2021)		Change	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	(%)
Listed companies disclosure-related business	8,784,424	44.6	9,047,140	43.6	262,716	3.0
Listed companies IR-related, etc. business	5,178,537	26.3	5,729,140	27.6	550,603	10.6
Financial instruments disclosure-related business	4,922,187	25.0	5,157,305	24.9	235,117	4.8
Database-related business	816,511	4.1	803,685	3.9	(12,826)	(1.6)
Total	19,701,660	100.0	20,737,270	100.0	1,035,610	5.3

Note: Amounts are based on sales prices.

2) Earnings summary

In the first nine months, revenue increased by 1,036 million yen year on year, with revenue in all product areas other than the database-related business exceeding the same period of the previous fiscal year. However, cost of sales rose by 575 million yen year on year mainly due to increased outsourcing expenses in response to more orders and higher labor costs associated with strengthening service systems. This led to a cost-to-sales ratio of 59.4%, a decrease of 0.2 percentage points year on year. As a result, gross profit was 8,412 million yen, an increase of 461 million yen, or 5.8%, year on year. Meanwhile, selling, general and administrative expenses amounted to 5,486 million yen, an increase of 188 million yen, or 3.5%, year on year mainly due to a rise in personnel expenses associated with strengthening the sales structure. However, due to increased revenues, the ratio of selling, general and administrative expenses was 26.5%, a decrease of 0.4 percentage points year on year. As a result, operating profit was 2,952 million yen, an increase of 245 million yen, or 9.1%, year on year.

As a result of recording finance income of 65 million yen, finance costs of 5 million yen and share of profit of investments accounted for using equity method of 43 million yen, profit before tax was 3,055 million yen, an increase of 149 million yen, or 5.1%, year on year. Regarding profit before tax in the same period of the previous fiscal year, with the acquisition of additional shares in July 2020 in DISCLOSURE PRO Inc., which had been an associate accounted for by the equity method, we recorded 139 million yen in gain on step acquisitions with the company becoming a wholly owned subsidiary. As a result, profit attributable to owners of parent was 2,090 million yen, an increase of 77 million yen, or 3.8%, year on year.

(iii) Seasonal factors of the third quarter

The Company and its subsidiaries (the “Group”) owe approximately two-thirds of its revenue to Japanese listed companies. Because roughly 65% of these companies close their books in March, orders for products related to account settlements and shareholders’ meetings peak in the first quarter (from April to June). Consequently, as shown in the table below, revenue during the first quarter accounts for approximately 40% of the year total, while that during the third quarter (from October to December) is limited to around 20%.

(Reference) Fiscal year ended March 31, 2021

	Q1 (Apr.–Jun.)	Q2 (Jul.–Sep.)	Q3 (Oct.–Dec.)	Q4 (Jan.–Mar.)	Year total
Revenue (Millions of yen)	9,435	4,955	5,312	5,295	24,997
Composition ratio (%)	37.7	19.8	21.3	21.2	100.0

(2) Explanation of financial position

At the end of the third quarter ended December 31, 2021, total assets decreased by 752 million yen from the previous fiscal year-end to 35,585 million yen. The main components included a decrease of 500 million yen in trade and other receivables and a decrease of 441 million yen in deferred tax assets.

At the end of the third quarter, total liabilities decreased by 1,209 million yen from the previous fiscal year-end to 11,676 million yen. The main components included a decrease of 595 million yen in trade and other payables and a decrease of 391 million yen in other current liabilities.

Equity totaled 23,909 million yen at the end of the third quarter, an increase of 456 million yen from the previous fiscal year-end. The main components included an increase due to the recording of 2,090 million yen in profit attributable to owners of parent, and a decrease due to purchase of treasury shares of 1,215 million yen. As a result, the ratio of equity attributable to owners of parent to total assets became 67.1%.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

<Outlook for the fiscal year ending March 31, 2022>

No changes have been made to the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2022 announced on May 14, 2021.

2. Condensed quarterly consolidated financial statements and significant notes thereto

(1) Condensed quarterly consolidated statement of financial position

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	12,845,107	12,741,190
Trade and other receivables	2,585,575	2,085,113
Other financial assets	1,733,522	1,756,985
Inventories	573,928	554,576
Other current assets	286,949	269,608
Total current assets	18,025,083	17,407,472
Non-current assets		
Property, plant and equipment	4,675,332	4,462,804
Right-of-use assets	3,796,143	3,465,060
Goodwill	466,875	470,703
Intangible assets	2,530,475	2,686,262
Investment property	186,322	186,322
Investments accounted for using equity method	763,050	787,450
Other financial assets	4,933,152	5,610,429
Deferred tax assets	918,943	477,923
Other non-current assets	41,529	30,221
Total non-current assets	18,311,822	18,177,174
Total assets	36,336,904	35,584,646

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	56,672	103,320
Lease liabilities	824,803	782,778
Trade and other payables	1,531,750	936,534
Income taxes payable	465,438	194,992
Contract liabilities	674,124	1,035,066
Other current liabilities	2,751,141	2,359,979
Total current liabilities	6,303,927	5,412,668
Non-current liabilities		
Borrowings	301,652	300,000
Lease liabilities	3,106,445	2,768,647
Retirement benefit liability	2,523,647	2,559,506
Provisions	191,390	189,343
Other non-current liabilities	457,429	445,777
Total non-current liabilities	6,580,563	6,263,272
Total liabilities	12,884,490	11,675,940
Equity		
Share capital	3,058,651	3,058,651
Capital surplus	4,691,776	4,694,634
Treasury shares	(2,082,303)	(2,269,362)
Other components of equity	721,958	1,132,945
Retained earnings	17,032,541	17,259,791
Total equity attributable to owners of parent	23,422,622	23,876,658
Non-controlling interests	29,792	32,047
Total equity	23,452,414	23,908,706
Total liabilities and equity	36,336,904	35,584,646

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

(Condensed quarterly consolidated statement of profit or loss)

(Thousands of yen)

	First nine months ended December 31, 2020	First nine months ended December 31, 2021
Revenue	19,701,660	20,737,270
Cost of sales	(11,749,978)	(12,324,949)
Gross profit	7,951,682	8,412,321
Selling, general and administrative expenses	(5,297,854)	(5,485,658)
Other income	62,997	60,756
Other expenses	(10,124)	(35,629)
Operating profit	2,706,701	2,951,789
Finance income	41,614	65,180
Finance costs	(6,740)	(5,065)
Share of profit of investments accounted for using equity method	25,692	43,239
Revaluation gain on step acquisition	139,122	—
Profit before tax	2,906,389	3,055,142
Income tax expense	(886,423)	(959,615)
Profit	2,019,966	2,095,527
Profit attributable to		
Owners of parent	2,013,851	2,090,424
Non-controlling interests	6,115	5,103
Profit	2,019,966	2,095,527
Earnings per share		
Basic earnings per share (Yen)	74.81	80.50
Diluted earnings per share (Yen)	—	—

(Condensed quarterly consolidated statement of comprehensive income)

(Thousands of yen)

	First nine months ended December 31, 2020	First nine months ended December 31, 2021
Profit	2,019,966	2,095,527
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	246,084	388,843
Total of items that will not be reclassified to profit or loss	246,084	388,843
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,957	22,155
Total of items that may be reclassified to profit or loss	3,957	22,155
Other comprehensive income, net of tax	250,041	410,998
Comprehensive income	2,270,007	2,506,525
Comprehensive income attributable to		
Owners of parent	2,263,945	2,501,411
Non-controlling interests	6,063	5,113
Comprehensive income	2,270,007	2,506,525

(3) Condensed quarterly consolidated statement of changes in equity

First nine months ended December 31, 2020

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Total
Balance as of April 1, 2020	3,058,651	4,683,596	(3,801,143)	(14,370)	362,561	348,191
Profit						—
Other comprehensive income				4,009	246,084	250,093
Total comprehensive income	—	—	—	4,009	246,084	250,093
Purchase of treasury shares			(189)			—
Dividends						—
Total transactions with owners	—	—	(189)	—	—	—
Balance as of December 31, 2020	3,058,651	4,683,596	(3,801,332)	(10,361)	608,645	598,284

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of April 1, 2020	18,162,035	22,451,330	54,911	22,506,241
Profit	2,013,851	2,013,851	6,115	2,019,966
Other comprehensive income		250,093	(52)	250,041
Total comprehensive income	2,013,851	2,263,945	6,063	2,270,007
Purchase of treasury shares		(189)		(189)
Dividends	(861,422)	(861,422)		(861,422)
Total transactions with owners	(861,422)	(861,612)	—	(861,612)
Balance as of December 31, 2020	19,314,464	23,853,663	60,974	23,914,637

First nine months ended December 31, 2021

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Total
Balance as of April 1, 2021	3,058,651	4,691,776	(2,082,303)	6,681	715,277	721,958
Profit						—
Other comprehensive income				22,144	388,843	410,987
Total comprehensive income	—	—	—	22,144	388,843	410,987
Purchase of treasury shares			(1,215,119)			—
Cancellation of treasury shares			1,028,060			—
Dividends						—
Changes in ownership interest in subsidiaries		2,858				—
Total transactions with owners	—	2,858	(187,059)	—	—	—
Balance as of December 31, 2021	3,058,651	4,694,634	(2,269,362)	28,825	1,104,120	1,132,945

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of April 1, 2021	17,032,541	23,422,622	29,792	23,452,414
Profit	2,090,424	2,090,424	5,103	2,095,527
Other comprehensive income		410,987	10	410,998
Total comprehensive income	2,090,424	2,501,411	5,113	2,506,525
Purchase of treasury shares		(1,215,119)		(1,215,119)
Cancellation of treasury shares	(1,028,060)	—		—
Dividends	(835,114)	(835,114)		(835,114)
Changes in ownership interest in subsidiaries		2,858	(2,858)	—
Total transactions with owners	(1,863,174)	(2,047,375)	(2,858)	(2,050,233)
Balance as of December 31, 2021	17,259,791	23,876,658	32,047	23,908,706

(4) Notes to condensed quarterly consolidated financial statements
(Notes on premise of going concern)

No items to report