

July 29, 2022

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2023
<under IFRS>

Company name: PRONEXUS Inc.
Listing: Tokyo Stock Exchange
Stock code: 7893
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Scheduled date to file Quarterly Securities Report: August 12, 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 three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three months ended								
June 30, 2022	10,976	5.1	2,996	(1.5)	3,019	(1.5)	2,057	(2.4)
June 30, 2021	10,441	10.7	3,043	12.3	3,064	12.7	2,107	13.9

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
First three months ended						
June 30, 2022	2,056	(2.4)	1,820	(27.1)	80.60	–
June 30, 2021	2,106	14.0	2,496	31.8	79.33	–

(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
	Millions of yen	Millions of yen	Millions of yen	%
As of				
June 30, 2022	39,784	24,784	24,748	62.2
March 31, 2022	35,560	23,453	23,421	65.9

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, 2022	–	16.00	–	19.00	35.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		18.00	–	18.00	36.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year 2022 (from April 1, 2022 to March 31, 2023)

(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
First six months ending September 30, 2022	15,700	2.0	2,800	(2.8)	2,800	(5.3)	1,930	(5.2)	1,930	(5.0)	75.66
Fiscal year ending March 31, 2023	27,000	3.3	2,600	4.7	2,600	(0.9)	1,800	1.8	1,800	2.1	70.56

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

*** Notes**

- (1) Changes in significant subsidiaries during the first three months ended June 30, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- Changes in accounting policies required by IFRS: None
 - Changes in accounting policies due to other reasons: None
 - 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 June 30, 2022	27,716,688 shares
As of March 31, 2022	27,716,688 shares

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

As of June 30, 2022	2,207,481 shares
As of March 31, 2022	2,207,421 shares

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

For the first three months ended June 30, 2022	25,509,262 shares
For the first three months ended June 30, 2021	26,547,836 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 three 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. The Company holds presentations for analysts regarding the six-month and year-end results. Distributed presentation materials as well as video recordings of the performance reviews will be available on the Company’s website. Furthermore, depending on future conditions regarding the novel coronavirus disease (COVID-19), we may not hold the briefing in person, and instead upload a video recording of the earnings performance review on a later date.

[Attached Material]

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1. Qualitative information regarding earnings for the first three months

(1) Explanation of operating results

(i) Condition of Japanese economy

In the first three months, the Japanese economy experienced a recovery in personal consumption due to progressing COVID-19 vaccinations and the easing of restrictions on economic activities. As a result, we saw an overall positive trend in corporate results.

However, in addition to surging resource prices caused by Russia's invasion of Ukraine, as a result of the Japanese yen plunging due to the European and U.S. central banks raising interest rates, an increase in prices and other factors, the future of the economy remains unclear.

In addition, in the securities markets of Japan, to which the business of the Company is closely linked, against a backdrop of a rapidly weakening yen, the Nikkei Stock Average trended mainly in the 27,000-yen level. The Nikkei Stock Average trended mainly in the 29,000-yen level in the same period of the previous fiscal year, meaning stock price levels in the first three months fell below previous year levels.

(ii) Review of performance

In the first three months, the Tokyo Stock Exchange started new market segments in April. In the Prime Market, one of the new segments, a higher level of standards was applied for Japan's Corporate Governance Code, updated in June of last year. As a result, there has been a move to strengthen information provision to shareholders and investors particularly among companies listed on the Prime Market, and related products, which are shareholder convocation notices and English translation services, were strong. On the other hand, against the backdrop of European and U.S. central banks raising interest rates and the resulting sharp drop in the yen, the J-REIT market and the foreign bond market were weak compared to the same period of the previous fiscal year, and orders for associated products decreased. As a result, consolidated revenue in the first three months was 10,976 million yen, an increase of 536 million yen, or 5.1%, year on year.

Concerning profits, in addition to increases in labor costs and outsourcing expenses to respond mainly to increased orders, due to expenses associated with updating the support system for the preparation of disclosure documents, higher costs for printing paper from surging raw materials prices, and other factors, operating profit was 2,996 million yen, a decrease of 47 million yen, or 1.5%, year on year. Profit before tax was 3,019 million yen, a decrease of 46 million yen, or 1.5%, year on year, and profit attributable to owners of parent was 2,056 million yen, a decrease of 50 million yen, or 2.4%, year on year.

1) Sales performance by business

<Listed companies disclosure-related business>

Regarding shareholder convocation notices, one of our mainstay products, there was further growth in response to the revised version of Japan's Corporate Governance Code, and the shift to color printing for notices and expansion of the information provided have continued to increase. Furthermore, our unit price for orders also increased due to the increased number of individual shareholders and higher number of pages as many listed companies amended their articles of incorporation to respond to electronic provision methods for materials for shareholders' meetings. Furthermore, with persisting high demands for operational streamlining in line with work-style reform, orders increased in outsourcing services for the preparation of disclosure documents. As a result, revenue of the listed companies disclosure-related business was 6,072 million yen, an increase of 413 million yen, or 7.3%, year on year.

<Listed companies IR-related, etc. business>

With the start of new market segments on the Tokyo Stock Exchange in April and the application of the Japan's Corporate Governance Code to the Prime Market requiring English-language information disclosure, our English translation services were strong. Furthermore, orders

increased for websites, shareholders' meeting visualization services, and virtual shareholders' meeting support services as companies sought to improve and expand non-financial information disclosure and to promote dialogue with shareholders. As a result, revenue of the listed companies IR-related, etc. business was 3,078 million yen, an increase of 290 million yen, or 10.4%, year on year.

<Financial instruments disclosure-related business>

Against the backdrop of European and U.S. central banks raising interest rates and the resulting sharp drop in the yen, the J-REIT market was weak mainly due to foreign investors hesitating to buy, and the issuance of foreign bonds decreased compared to the same period of the previous fiscal year, leading to a decrease in orders for related products. In addition, the market for investment trusts in Japan, there was a partial slowdown in the establishment of new funds, which led to a decrease in revenue from mainstay products such as prospectuses, asset management reports and various sales promotion tools for financial institutions. As a result, revenue of the financial instruments disclosure-related business was 1,571 million yen, a decrease of 156 million yen, or 9.0%, year on year.

<Database-related business>

In the database-related business, although we worked to acquire 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 256 million yen, a decrease of 12 million yen, or 4.3%, year on year.

Furthermore, in May 2021, the Company's database business was transferred to I-N Information Systems, Ltd., a consolidated subsidiary possessing databases for economic statistics and finance, to maximize Group synergies by way of mutual market exploration, development of new products, etc.

Revenue by product areas

	First three months of FY2021 (from April 1, 2021 to June 30, 2021)		First three months of FY2022 (from April 1, 2022 to June 30, 2022)		Change	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	(%)
Listed companies disclosure-related business	5,658,512	54.2	6,071,507	55.3	412,996	7.3
Listed companies IR-related, etc. business	2,787,869	26.7	3,077,936	28.1	290,067	10.4
Financial instruments disclosure-related business	1,726,981	16.5	1,571,222	14.3	(155,759)	(9.0)
Database-related business	267,208	2.6	255,622	2.3	(11,586)	(4.3)
Total	10,440,570	100.0	10,976,287	100.0	535,718	5.1

Note: Amounts are based on sales prices.

2) Earnings summary

In the first three months, revenue increased by 536 million yen year on year, with revenue in product areas including listed companies disclosure-related business and listed companies IR-related, etc. business exceeding the same period of the previous fiscal year. Cost of sales rose by 503 million yen year on year due to increases in labor costs and outsourcing expenses to respond to increased orders, as well as expenses associated with updating the support system for the preparation of disclosure documents, higher costs for printing paper from surging raw materials prices, and other factors. Consequently, the cost-to-sales ratio rose to 54.7%, an increase of 2.0 percentage points year on year. As a result, gross profit was 4,968 million yen, an increase of 33

million yen, or 0.7%, year on year. Meanwhile, selling, general and administrative expenses amounted to 1,984 million yen, an increase of 77 million yen, or 4.0%, year on year mainly due to a rise in personnel expenses associated with strengthening the sales structure. However, as a result of efforts to control expenses and other factors, the ratio of selling, general and administrative expenses was 18.1%, a decrease of 0.2 percentage points year on year. As a result, operating profit was 2,996 million yen, a decrease of 47 million yen, or 1.5%, year on year.

As a result of recording finance income of 26 million yen, finance costs of 1 million yen and share of loss of investments accounted for using equity method of 2 million yen, profit before tax was 3,019 million yen, a decrease of 46 million yen, or 1.5%, year on year. Profit attributable to owners of parent was 2,056 million yen, a decrease of 50 million yen, or 2.4%, year on year.

(iii) Seasonal factors of the first quarter

The Company and its subsidiaries (hereinafter 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, revenue in the first quarter is more than those of others as shown in the table below.

(Reference) Fiscal year ended March 31, 2022

	Q1 (Apr.–Jun.)	Q2 (Jul.–Sep.)	Q3 (Oct.–Dec.)	Q4 (Jan.–Mar.)	Year total
Revenue (Millions of yen)	10,441	4,958	5,339	5,405	26,142
Composition ratio (%)	39.9	19.0	20.4	20.7	100.0

(2) Explanation of financial position

Due to the seasonal factor as mentioned above ((1)-(iii)), total assets, total liabilities and total equity of the Group increase considerably at the end of the first quarter of the fiscal year, compared with those at the end of the previous fiscal year. A similar trend has occurred for the current first quarter-end also, as described below.

At the end of the first quarter ended June 30, 2022, total assets increased by 4,224 million yen from the previous fiscal year-end to 39,784 million yen. The main components included an increase of 4,240 million yen in trade and other receivables.

At the end of the first quarter, total liabilities increased by 2,894 million yen from the previous fiscal year-end to 15,000 million yen. The main components included an increase of 747 million yen in trade and other payables, an increase of 1,096 million yen in contract liabilities, and an increase of 724 million yen in other current liabilities.

Equity totaled 24,784 million yen at the end of the first quarter, an increase of 1,330 million yen from the previous fiscal year-end. The main components included an increase due to the recording of 2,056 million yen in profit attributable to owners of parent, and a decrease due to dividends of surplus of 485 million yen. As a result, the ratio of equity attributable to owners of parent to total assets became 62.2%.

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

<Outlook for the fiscal year ending March 31, 2023>

No changes have been made to the half-year and the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2023 announced on May 13, 2022.

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, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	12,207,624	12,241,167
Trade and other receivables	2,572,741	6,812,933
Other financial assets	1,741,441	1,792,924
Inventories	709,192	525,974
Other current assets	298,205	396,386
Total current assets	<u>17,529,204</u>	<u>21,769,383</u>
Non-current assets		
Property, plant and equipment	4,318,258	4,244,373
Right-of-use assets	3,067,975	2,934,942
Goodwill	472,287	476,379
Intangible assets	2,791,080	2,846,211
Investment property	186,322	186,322
Investments accounted for using equity method	825,274	801,461
Other financial assets	5,461,066	5,446,610
Deferred tax assets	856,831	1,030,392
Other non-current assets	51,487	47,963
Total non-current assets	<u>18,030,581</u>	<u>18,014,652</u>
Total assets	<u><u>35,559,785</u></u>	<u><u>39,784,035</u></u>

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	51,652	50,000
Lease liabilities	796,512	707,348
Trade and other payables	1,640,755	2,388,006
Income taxes payable	440,053	1,020,415
Contract liabilities	721,538	1,817,899
Other current liabilities	2,641,318	3,365,652
Total current liabilities	6,291,828	9,349,321
Non-current liabilities		
Borrowings	300,000	300,000
Lease liabilities	2,318,794	2,244,582
Retirement benefit liability	2,570,536	2,481,726
Provisions	204,329	204,402
Other non-current liabilities	421,061	420,387
Total non-current liabilities	5,814,721	5,651,098
Total liabilities	12,106,549	15,000,419
Equity		
Share capital	3,058,651	3,058,651
Capital surplus	4,694,634	4,688,104
Treasury shares	(2,269,362)	(2,269,426)
Other components of equity	941,708	704,322
Retained earnings	16,994,938	18,566,248
Total equity attributable to owners of parent	23,420,568	24,747,899
Non-controlling interests	32,668	35,718
Total equity	23,453,236	24,783,616
Total liabilities and equity	35,559,785	39,784,035

(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 three months ended June 30, 2021	First three months ended June 30, 2022
Revenue	10,440,570	10,976,287
Cost of sales	(5,505,548)	(6,008,642)
Gross profit	4,935,022	4,967,645
Selling, general and administrative expenses	(1,906,810)	(1,983,754)
Other income	24,144	17,321
Other expenses	(9,798)	(5,366)
Operating profit	3,042,558	2,995,845
Finance income	16,894	26,258
Finance costs	(1,814)	(1,074)
Share of profit (loss) of investments accounted for using equity method	6,802	(2,384)
Profit before tax	3,064,440	3,018,645
Income tax expense	(957,067)	(961,205)
Profit	2,107,373	2,057,440
Profit attributable to		
Owners of parent	2,105,986	2,055,986
Non-controlling interests	1,388	1,454
Profit	2,107,373	2,057,440
Earnings per share		
Basic earnings per share (Yen)	79.33	80.60
Diluted earnings per share (Yen)	-	-

(Condensed quarterly consolidated statement of comprehensive income)

(Thousands of yen)

	First three months ended June 30, 2021	First three months ended June 30, 2022
Profit	2,107,373	2,057,440
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	383,048	(258,476)
Share of other comprehensive income of investments accounted for using equity method	26	(258)
Total of items that will not be reclassified to profit or loss	383,074	(258,734)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,980	21,176
Total of items that may be reclassified to profit or loss	5,980	21,176
Other comprehensive income, net of tax	389,055	(237,558)
Comprehensive income	2,496,428	1,819,882
Comprehensive income attributable to		
Owners of parent	2,495,041	1,818,600
Non-controlling interests	1,387	1,282
Comprehensive income	2,496,428	1,819,882

(3) Condensed quarterly consolidated statement of changes in equity

First three months ended June 30, 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				5,981	383,074	389,056
Total comprehensive income	–	–	–	5,981	383,074	389,056
Purchase of treasury shares			(211,119)			–
Dividends						–
Changes in ownership interest in subsidiaries		2,858				–
Total transactions with owners	–	2,858	(211,119)	–	–	–
Balance as of June 30, 2021	3,058,651	4,694,634	(2,293,422)	12,662	1,098,351	1,111,013

	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	2,105,986	2,105,986	1,388	2,107,373
Other comprehensive income		389,056	(1)	389,055
Total comprehensive income	2,105,986	2,495,041	1,387	2,496,428
Purchase of treasury shares		(211,119)		(211,119)
Dividends	(426,966)	(426,966)		(426,966)
Changes in ownership interest in subsidiaries		2,858	(2,858)	–
Total transactions with owners	(426,966)	(635,227)	(2,858)	(638,085)
Balance as of June 30, 2021	18,711,561	25,282,436	28,321	25,310,757

First three months ended June 30, 2022

(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, 2022	3,058,651	4,694,634	(2,269,362)	36,450	905,258	941,708
Profit						-
Other comprehensive income				21,348	(258,734)	(237,386)
Total comprehensive income	-	-	-	21,348	(258,734)	(237,386)
Purchase of treasury shares			(64)			-
Dividends						-
Changes in ownership interest in subsidiaries		(6,530)				-
Total transactions with owners	-	(6,530)	(64)	-	-	-
Balance as of June 30, 2022	3,058,651	4,688,104	(2,269,426)	57,798	646,524	704,322

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of April 1, 2022	16,994,938	23,420,568	32,668	23,453,236
Profit	2,055,986	2,055,986	1,454	2,057,440
Other comprehensive income		(237,386)	(172)	(237,558)
Total comprehensive income	2,055,986	1,818,600	1,282	1,819,882
Purchase of treasury shares		(64)		(64)
Dividends	(484,676)	(484,676)		(484,676)
Changes in ownership interest in subsidiaries		(6,530)	1,768	(4,762)
Total transactions with owners	(484,676)	(491,270)	1,768	(489,502)
Balance as of June 30, 2022	18,566,248	24,747,899	35,718	24,783,616

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

No items to report