

July 31, 2023

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2024
<under IFRS>

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 Listing: Tokyo Stock Exchange
 Stock code: 7893
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 Scheduled date to file Quarterly Securities Report: August 10, 2023
 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, 2024 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
First three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	11,800	7.5	3,221	7.5	3,248	7.6	2,225	8.2
June 30, 2022	10,976	5.1	2,996	(1.5)	3,019	(1.5)	2,057	(2.4)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
First three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2023	2,224	8.2	2,984	64.0	87.18	—
June 30, 2022	2,056	(2.4)	1,820	(27.1)	80.60	—

(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	%
June 30, 2023	44,244	26,961	26,919	60.8
March 31, 2023	36,918	24,436	24,395	66.1

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, 2023	—	18.00	—	18.00	36.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (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 2024 (from April 1, 2023 to March 31, 2024)

(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	%	
First six months ending September 30, 2023	17,400	8.6	2,630	(2.5)	2,630	(4.6)	1,820	(2.5)	1,820	(2.3)	71.35
Fiscal year ending March 31, 2024	30,000	11.9	2,400	8.5	2,400	0.4	1,650	1.6	1,650	2.0	64.68

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, 2023 (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 June 30, 2023	27,716,688 shares
As of March 31, 2023	27,716,688 shares

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

As of June 30, 2023	2,207,521 shares
As of March 31, 2023	2,207,521 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, 2023	25,509,167 shares
For the first three months ended June 30, 2022	25,509,262 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 5 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 the easing of activity restrictions against COVID-19 infection, leading to a moderate improvement in corporate earnings.

However, in addition to surging resource prices caused by Russia's invasion of Ukraine, as a result of the Japanese yen depreciation in foreign exchange markets and 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, the Nikkei Stock Average at one time hit the 33,000-yen level, the highest since the bursting of the bubble economy, against the backdrop of the Bank of Japan's continued monetary easing measures and expectations for a domestic economic recovery. The Nikkei Stock Average trended mainly in the 31,000-yen level during the first three months of the current fiscal year, surpassing that of the same period of the previous fiscal year, which was in the 26,800-yen level.

(ii) Review of performance

In the first three months of the current fiscal year, Cine Holdings Co., Ltd., and Cine Focus Corp. which is engaged in video equipment rental and operational support for events, joined our consolidated subsidiaries in March of this year, making a significant contribution to our business performance. The business of preparing the shareholder convocation notices, one of our mainstay products, saw the number of their printed pages decrease due to the implementation of the system for the electronic provision of convocation notices starting from the general meetings of shareholders held in March of this year. Nevertheless, the business achieved an increased revenue owing to an increase in the number of individual shareholders, solicitation of orders at reasonable prices in response to rising costs such as those of printing paper, and promotion of orders for new services in response to the introduction of the new system. In the meantime, the cessation of the issuance of structured notes that combine bonds and financial derivatives led to a significant decline in revenues from foreign bond-related products, but the increase in revenues more than offset this, resulting in a year-on-year increase in consolidated revenue of 824 million yen, or by 7.5%, to 11,800 million yen in the first three months of the current fiscal year.

In terms of profit, operating profit was 3,221 million yen, an increase of 225 million yen, or 7.5%, year on year owing to an increase in revenues, which compensated for the initial costs incurred mainly in labor costs arising from making changes in the workflows and an increase in man-hours mainly due to the introduction of the system for the electronic provision of convocation notices of general meetings of shareholders, and from the launch of new services, as well as higher personnel expenses associated with strengthening of the sales structure. Profit before tax was 3,248 million yen, an increase of 230 million yen, or 7.6%, year on year, and profit attributable to owners of parent was 2,224 million yen, an increase of 168 million yen, or 8.2%, year on year.

1) Sales performance by business

<Listed companies disclosure-related business>

The business of preparing shareholder convocation notices, one of our mainstay products, saw a decrease in number of their printed pages due to the implementation of the system for the electronic provision of convocation notices starting from the general meetings of shareholders held in March of this year, and to the absence of the temporary increase in the printed pages that occurred in the same period of the previous fiscal year that notified amendments to articles of incorporation of many listed companies to respond to the introduction of the system.

Nevertheless, the business achieved an increased revenue, due to the fact that, in the first year of the introduction of the electronic provision system, approximately 70% of listed companies still printed the convocation notice of general meetings of shareholders as before, and to an increase

in the number of individual shareholders, solicitation of orders at reasonable prices in response to rising costs such as those of printing paper, and promotion of orders for new services in response to the introduction of the new system. 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 6,256 million yen, an increase of 184 million yen, or 3.0%, year on year.

<Listed companies IR and events-related, etc. business>

In March of this year, Cine Holdings Co., Ltd., and Cine Focus Corp. which is engaged in video equipment rental and operational support for events, joined our consolidated subsidiaries, allowing our event-related business such as for general meetings of shareholders to make a significant contribution to our business performance. In addition, with the start of new market segments on the Tokyo Stock Exchange in April 2022 and the application of the Japan's Corporate Governance Code to the Prime Market requiring the enhancement of information about sustainability and English-language disclosures, there was a growing number of orders for our support for preparing tools for non-financial information and for English translation services. As a result, revenue of the listed companies IR and events-related, etc. business was 3,739 million yen, an increase of 661 million yen, or 21.5%, year on year.

The name of this product category has been changed from “listed companies IR-related, etc. business” to “listed companies IR and events-related, etc. business” from the first quarter of the current fiscal year due to an increase in the composition ratio of the event business.

<Financial instruments disclosure-related business>

In the J-REIT-related business, orders for finance-related products increased due to a rise in the number of funding businesses compared to the same period of the previous fiscal year. In the investment trust-related business, new orders received in the second half of the previous fiscal year contributed to an increase in revenues related to prospectuses and fund management reports, its mainstay products. In the meantime, the cessation of the issuance of structured notes that combine bonds and financial derivatives led to a significant decline in revenues from foreign bond-related products. As a result, revenue of the financial instruments disclosure-related business was 1,551 million yen, a decrease of 20 million yen, or 1.3%, 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 254 million yen, a decrease of 1 million yen, or 0.5%, year on year.

Revenue by product areas

	First three months of FY2022 (from April 1, 2022 to June 30, 2022)		First three months of FY2023 (from April 1, 2023 to June 30, 2023)		Change	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	(%)
Listed companies disclosure-related business	6,071,507	55.3	6,255,953	53.0	184,446	3.0
Listed companies IR and events-related, etc. business	3,077,936	28.1	3,739,255	31.7	661,320	21.5
Financial instruments disclosure-related business	1,571,222	14.3	1,550,757	13.1	(20,465)	(1.3)
Database-related business	255,622	2.3	254,301	2.2	(1,322)	(0.5)
Total	10,976,287	100.0	11,800,266	100.0	823,979	7.5

Note: Amounts are based on sales prices.

2) Earnings summary

In the first three months, revenue increased by 824 million yen year on year, with revenue in product areas including listed companies disclosure-related business and listed companies IR and events-related, etc. business exceeding the same period of the previous fiscal year. Cost of sales increased by 385 million yen as initial costs were incurred mainly in labor costs arising from making changes in workflows and an increase in man-hours due to the introduction of the system for the electronic provision of convocation notices of general meetings of shareholders and from the launch of new services. The cost-to-sales ratio declined by 0.5 percentage points to 54.2% year on year due to increased revenues. As a result, gross profit was 5,407 million yen, an increase of 439 million yen, or 8.8%, year on year. Selling, general and administrative expenses amounted to 2,200 million yen, an increase of 216 million yen, or 10.9%, year on year mainly due to a rise in personnel expenses associated with strengthening the sales structure, and the ratio of selling, general and administrative expenses was 18.6%, an increase of 0.5 percentage points year on year. As a result, operating profit was 3,221 million yen, an increase of 225 million yen, or 7.5%, year on year.

As a result of recording finance income of 28 million yen, finance costs of 5 million yen and share of profit of investments accounted for using equity method of 5 million yen, profit before tax was 3,248 million yen, an increase of 230 million yen, or 7.6%, year on year. Profit attributable to owners of parent was 2,224 million yen, an increase of 168 million yen, or 8.2%, 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, 2023

	Q1 (Apr.–Jun.)	Q2 (Jul.–Sep.)	Q3 (Oct.–Dec.)	Q4 (Jan.–Mar.)	Year total
Revenue (Millions of yen)	10,976	5,042	5,213	5,572	26,804
Composition ratio (%)	40.9	18.8	19.5	20.8	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, 2023, total assets increased by 7,326 million yen from the previous fiscal year-end to 44,244 million yen. The main components included an increase of 2,162 million yen in cash and cash equivalents, an increase of 4,302 million yen in trade and other receivables and an increase of 1,072 million yen in other financial assets (non-current assets).

At the end of the first quarter, total liabilities increased by 4,801 million yen from the previous fiscal year-end to 17,283 million yen. The main components included an increase of 1,200 million yen in borrowings (current liabilities), an increase of 1,160 million yen in contract liabilities, and an increase of 981 million yen in other current liabilities.

Equity totaled 26,961 million yen at the end of the first quarter, an increase of 2,525 million yen from the previous fiscal year-end. The main components included an increase due to the recording of 2,224 million yen in profit attributable to owners of parent, an increase due to the recording of 759 million

yen in other comprehensive income, and a decrease due to dividends of surplus of 459 million yen. As a result, the ratio of equity attributable to owners of parent to total assets became 60.8%.

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

<Outlook for the fiscal year ending March 31, 2024>

No changes have been made to the half-year and the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2024 announced on May 11, 2023.

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, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	7,574,004	9,735,949
Trade and other receivables	3,122,537	7,424,375
Other financial assets	1,883,697	1,895,440
Inventories	601,723	549,643
Other current assets	352,299	436,158
Total current assets	13,534,261	20,041,566
Non-current assets		
Property, plant and equipment	4,349,871	4,326,600
Right-of-use assets	2,930,134	2,945,452
Goodwill	5,140,687	5,144,383
Intangible assets	2,992,012	2,971,142
Investment property	186,322	186,322
Investments accounted for using equity method	900,821	884,688
Other financial assets	5,863,264	6,934,942
Deferred tax assets	956,474	746,653
Other non-current assets	64,380	62,097
Total non-current assets	23,383,964	24,202,279
Total assets	36,918,225	44,243,845

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	116,540	1,316,540
Lease liabilities	771,299	762,175
Trade and other payables	1,744,201	2,565,933
Income taxes payable	504,767	1,218,658
Contract liabilities	719,178	1,879,394
Other current liabilities	2,765,632	3,746,878
Total current liabilities	6,621,617	11,489,579
Non-current liabilities		
Borrowings	378,010	361,375
Lease liabilities	2,070,057	2,123,419
Retirement benefit liability	2,686,459	2,595,288
Provisions	219,391	219,492
Other non-current liabilities	506,549	493,640
Total non-current liabilities	5,860,466	5,793,213
Total liabilities	12,482,083	17,282,792
Equity		
Share capital	3,058,651	3,058,651
Capital surplus	4,688,104	4,688,104
Treasury shares	(2,269,465)	(2,269,465)
Other components of equity	1,064,206	1,822,907
Retained earnings	17,853,844	19,618,496
Total equity attributable to owners of parent	24,395,339	26,918,692
Non-controlling interests	40,803	42,361
Total equity	24,436,142	26,961,053
Total liabilities and equity	36,918,225	44,243,845

(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, 2022	First three months ended June 30, 2023
Revenue	10,976,287	11,800,266
Cost of sales	(6,008,642)	(6,393,645)
Gross profit	4,967,645	5,406,621
Selling, general and administrative expenses	(1,983,754)	(2,199,856)
Other income	17,321	23,476
Other expenses	(5,366)	(8,924)
Operating profit	2,995,845	3,221,317
Finance income	26,258	27,532
Finance costs	(1,074)	(5,186)
Share of profit (loss) of investments accounted for using equity method	(2,384)	4,577
Profit before tax	3,018,645	3,248,241
Income tax expense	(961,205)	(1,022,867)
Profit	2,057,440	2,225,374
Profit attributable to		
Owners of parent	2,055,986	2,223,817
Non-controlling interests	1,454	1,557
Profit	2,057,440	2,225,374
Earnings per share		
Basic earnings per share (Yen)	80.60	87.18
Diluted earnings per share (Yen)	—	—

(Condensed quarterly consolidated statement of comprehensive income)

(Thousands of yen)

	First three months ended June 30, 2022	First three months ended June 30, 2023
Profit	2,057,440	2,225,374
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(258,476)	731,306
Share of other comprehensive income of investments accounted for using equity method	(258)	2,089
Total of items that will not be reclassified to profit or loss	(258,734)	733,395
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	21,176	25,306
Total of items that may be reclassified to profit or loss	21,176	25,306
Other comprehensive income, net of tax	(237,558)	758,702
Comprehensive income	1,819,882	2,984,076
Comprehensive income attributable to		
Owners of parent	1,818,600	2,982,518
Non-controlling interests	1,282	1,557
Comprehensive income	1,819,882	2,984,076

(3) Condensed quarterly consolidated statement of changes in equity

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

First three months ended June 30, 2023

(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, 2023	3,058,651	4,688,104	(2,269,465)	41,809	1,022,397	1,064,206
Profit						—
Other comprehensive income				25,306	733,395	758,702
Total comprehensive income	—	—	—	25,306	733,395	758,702
Dividends						—
Total transactions with owners	—	—	—	—	—	—
Balance as of June 30, 2023	3,058,651	4,688,104	(2,269,465)	67,115	1,755,793	1,822,907

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of April 1, 2023	17,853,844	24,395,339	40,803	24,436,142
Profit	2,223,817	2,223,817	1,557	2,225,374
Other comprehensive income		758,702		758,702
Total comprehensive income	2,223,817	2,982,518	1,557	2,984,076
Dividends	(459,165)	(459,165)		(459,165)
Total transactions with owners	(459,165)	(459,165)	—	(459,165)
Balance as of June 30, 2023	19,618,496	26,918,692	42,361	26,961,053

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

No items to report