

October 31, 2023

Consolidated Financial Results
for the First Six 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: November 13, 2023
Scheduled date to commence dividend payments: December 5, 2023
Preparation of supplementary material on quarterly earnings: Yes
Holding of quarterly earnings performance review: Yes (for analysts)

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

1. Consolidated performance for the first six months of the fiscal year ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
First six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	17,716	10.6	3,029	12.3	3,059	11.0	2,078	11.3
September 30, 2022	16,018	4.0	2,698	(6.3)	2,756	(6.8)	1,867	(8.3)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
First six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2023	2,074	11.3	2,372	42.9	81.31	—
September 30, 2022	1,864	(8.3)	1,660	(32.6)	73.05	—

(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	%
September 30, 2023	39,936	26,349	26,305	65.9
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	—	18.00			
Fiscal year ending March 31, 2024 (Forecast)			—	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	%	Yen
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 six months ended September 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 September 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 September 30, 2023	2,207,565 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 six months ended September 30, 2023	25,509,151 shares
For the first six months ended September 30, 2022	25,509,229 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 six 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 six months

(1) Explanation of operating results

(i) Condition of Japanese economy

In the first six 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 six months of the current fiscal year, surpassing that of the same period of the previous fiscal year, which was in the 27,000-yen level.

(ii) Review of performance

In the first six 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 from other products more than offset this, resulting in a year-on-year increase in consolidated revenue of 1,698 million yen, or by 10.6%, to 17,716 million yen in the first six months of the current fiscal year.

In terms of profit, operating profit was 3,029 million yen, an increase of 331 million yen, or 12.3%, 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 3,059 million yen, an increase of 303 million yen, or 11.0%, year on year, and profit attributable to owners of parent was 2,074 million yen, an increase of 211 million yen, or 11.3%, 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 (a "full-set

delivery”), 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 8,001 million yen, an increase of 360 million yen, or 4.7%, 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 support services for general meetings of shareholders to make a significant contribution to our business performance. In addition, following 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 English-language information disclosure, orders increased for our English translation services. As a result, revenue of the listed companies IR and events-related, etc. business was 5,846 million yen, an increase of 1,422 million yen, or 32.1%, 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, its mainstay product. In the meantime, the abolishment 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 3,354 million yen, a decrease of 86 million yen, or 2.5%, year on year.

<Database-related business>

In the database-related business, although there were some cancellations and decreases in unit prices during contract renewals for existing customers, we worked to acquire orders from new customers such as universities and financial institutions. As a result, revenue of the database-related business was 515 million yen, an increase of 1 million yen, or 0.2%, year on year.

Revenue by product areas

	First six months of FY2022 (from April 1, 2022 to September 30, 2022)		First six months of FY2023 (from April 1, 2023 to September 30, 2023)		Change	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	(%)
Listed companies disclosure-related business	7,640,239	47.7	8,000,642	45.2	360,403	4.7
Listed companies IR and events-related, etc. business	4,423,872	27.6	5,845,947	33.0	1,422,075	32.1
Financial instruments disclosure-related business	3,440,315	21.5	3,354,377	18.9	(85,938)	(2.5)
Database-related business	513,796	3.2	514,897	2.9	1,101	0.2
Total	16,018,222	100.0	17,715,863	100.0	1,697,641	10.6

Note: Amounts are based on sales prices.

2) Earnings summary

In the first six months, revenue increased by 1,698 million yen year on year, with revenue in product areas other than the financial instruments disclosure-related business exceeding the same period of the previous fiscal year. Cost of sales increased by 962 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 0.2 percentage points to 59.4% year on year due to increased revenues. As a result, gross profit was 7,200 million yen, an increase of 736 million yen, or 11.4%, year on year. Selling, general and administrative expenses amounted to 4,200 million yen, an increase of 422 million yen, or 11.2%, 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 23.7%, an increase of 0.1 percentage points year on year. As a result, operating profit was 3,029 million yen, an increase of 331 million yen, or 12.3%, year on year.

As a result of recording finance income of 29 million yen, finance costs of 18 million yen and share of profit of investments accounted for using equity method of 19 million yen, profit before tax was 3,059 million yen, an increase of 303 million yen, or 11.0%, year on year. As a result, profit attributable to owners of parent was 2,074 million yen, an increase of 211 million yen, or 11.3%, year on year.

(iii) Seasonal factors of the second 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 second quarter (from July to September) is limited to 20% or less.

(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

At the end of the second quarter ended September 30, 2023, total assets increased by 3,018 million yen from the previous fiscal year-end to 39,936 million yen. The main components included an increase of 3,431 million yen in cash and cash equivalents, a decrease of 616 million yen in trade and other receivables, a decrease of 179 million yen in right-of-use assets and an increase of 440 million yen in other financial assets (non-current assets).

At the end of the second quarter, total liabilities increased by 1,105 million yen from the previous fiscal year-end to 13,587 million yen. The main components included a decrease of 608 million yen in trade and other payables, an increase of 592 million yen in income taxes payable, an increase of 746 million yen in contract liabilities, and an increase of 549 million yen in other current liabilities.

Equity totaled 26,349 million yen at the end of the second quarter, an increase of 1,913 million yen from the previous fiscal year-end. The main components included an increase due to the recording of 2,074 million yen in profit attributable to owners of parent, an increase due to the recording of 295 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 65.9%.

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

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

During the first six months of the fiscal year ending March 31, 2024, both revenue and profits exceeded the consolidated earnings forecasts.

At the same time, due to uncertainties such as the implementation of the system for the electronic provision of convocation notices of general meetings of shareholders, no changes have been made to 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 September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	7,574,004	11,005,278
Trade and other receivables	3,122,537	2,506,825
Other financial assets	1,883,697	1,895,021
Inventories	601,723	515,148
Other current assets	352,299	402,383
Total current assets	13,534,261	16,324,656
Non-current assets		
Property, plant and equipment	4,349,871	4,397,434
Right-of-use assets	2,930,134	2,750,649
Goodwill	5,140,687	5,144,251
Intangible assets	2,992,012	2,998,581
Investment property	186,322	186,322
Investments accounted for using equity method	900,821	899,639
Other financial assets	5,863,264	6,303,600
Deferred tax assets	956,474	871,694
Other non-current assets	64,380	59,368
Total non-current assets	23,383,964	23,611,539
Total assets	36,918,225	39,936,195

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	116,540	172,085
Lease liabilities	771,299	747,598
Trade and other payables	1,744,201	1,136,581
Income taxes payable	504,767	1,096,338
Contract liabilities	719,178	1,465,218
Other current liabilities	2,765,632	3,314,477
Total current liabilities	6,621,617	7,932,298
Non-current liabilities		
Borrowings	378,010	344,740
Lease liabilities	2,070,057	1,927,166
Retirement benefit liability	2,686,459	2,656,187
Provisions	219,391	219,593
Other non-current liabilities	506,549	507,167
Total non-current liabilities	5,860,466	5,654,853
Total liabilities	12,482,083	13,587,151
Equity		
Share capital	3,058,651	3,058,651
Capital surplus	4,688,104	4,688,104
Treasury shares	(2,269,465)	(2,269,512)
Other components of equity	1,064,206	1,358,740
Retained earnings	17,853,844	19,468,937
Total equity attributable to owners of parent	24,395,339	26,304,920
Non-controlling interests	40,803	44,125
Total equity	24,436,142	26,349,044
Total liabilities and equity	36,918,225	39,936,195

(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 six months ended September 30, 2022	First six months ended September 30, 2023
Revenue	16,018,222	17,715,863
Cost of sales	(9,554,077)	(10,515,809)
Gross profit	6,464,145	7,200,055
Selling, general and administrative expenses	(3,778,219)	(4,199,872)
Other income	34,559	42,915
Other expenses	(22,523)	(13,785)
Operating profit	2,697,962	3,029,312
Finance income	41,227	29,252
Finance costs	(1,977)	(18,381)
Share of profit of investments accounted for using equity method	18,729	18,719
Profit before tax	2,755,941	3,058,902
Income tax expense	(889,256)	(981,323)
Profit	1,866,685	2,077,580
Profit attributable to		
Owners of parent	1,863,524	2,074,258
Non-controlling interests	3,162	3,321
Profit	1,866,685	2,077,580
Earnings per share		
Basic earnings per share (Yen)	73.05	81.31
Diluted earnings per share (Yen)	—	—

(Condensed quarterly consolidated statement of comprehensive income)

(Thousands of yen)

	First six months ended September 30, 2022	First six months ended September 30, 2023
Profit	1,866,685	2,077,580
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(223,631)	265,965
Share of other comprehensive income of investments accounted for using equity method	(955)	3,992
Total of items that will not be reclassified to profit or loss	(224,586)	269,958
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	17,760	24,576
Total of items that may be reclassified to profit or loss	17,760	24,576
Other comprehensive income, net of tax	(206,827)	294,534
Comprehensive income	1,659,859	2,372,113
Comprehensive income attributable to		
Owners of parent	1,656,869	2,368,792
Non-controlling interests	2,990	3,321
Comprehensive income	1,659,859	2,372,113

(3) Condensed quarterly consolidated statement of changes in equity

First six months ended September 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				17,932	(224,586)	(206,655)
Total comprehensive income	—	—	—	17,932	(224,586)	(206,655)
Purchase of treasury shares			(103)			—
Dividends						—
Changes in ownership interest in subsidiaries		(6,530)				—
Total transactions with owners	—	(6,530)	(103)	—	—	—
Balance as of September 30, 2022	3,058,651	4,688,104	(2,269,465)	54,382	680,672	735,054

	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	1,863,524	1,863,524	3,162	1,866,685
Other comprehensive income		(206,655)	(172)	(206,827)
Total comprehensive income	1,863,524	1,656,869	2,990	1,659,859
Purchase of treasury shares		(103)		(103)
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)	(491,309)	1,768	(489,541)
Balance as of September 30, 2022	18,373,785	24,586,128	37,426	24,623,554

First six months ended September 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				24,576	269,958	294,534
Total comprehensive income	—	—	—	24,576	269,958	294,534
Purchase of treasury shares			(46)			—
Dividends						—
Total transactions with owners	—	—	(46)	—	—	—
Balance as of September 30, 2023	3,058,651	4,688,104	(2,269,512)	66,385	1,292,355	1,358,740

	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	2,074,258	2,074,258	3,321	2,077,580
Other comprehensive income		294,534		294,534
Total comprehensive income	2,074,258	2,368,792	3,321	2,372,113
Purchase of treasury shares		(46)		(46)
Dividends	(459,165)	(459,165)		(459,165)
Total transactions with owners	(459,165)	(459,211)	—	(459,211)
Balance as of September 30, 2023	19,468,937	26,304,920	44,125	26,349,044

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

No items to report