Financial Disclosure Solutions
PRONEXUS

Disclosure & IR
Total Solution Company

◆

Providing total solutions leveraging IT expertise and practical knowhow
as a company specialized in supporting corporate disclosure and IR

[Delayed] Performance Review

The Six-Month Earnings Report for the Year Ending March 31, 2017

(From April 1 to September 30, 2016)

PRONEXUS INC.

President and Representative Director

Takeshi Ueno

November 4, 2016

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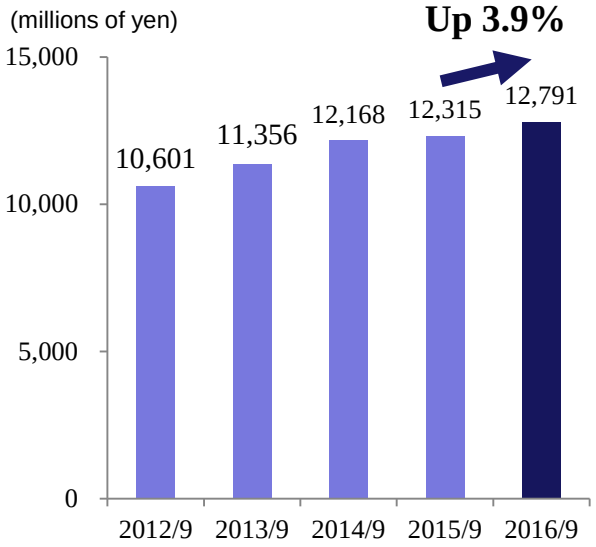
1. Results of Operations for the First Six Months of the Fiscal Year Ending March 31, 2017

Net sales and operating income increase YoY

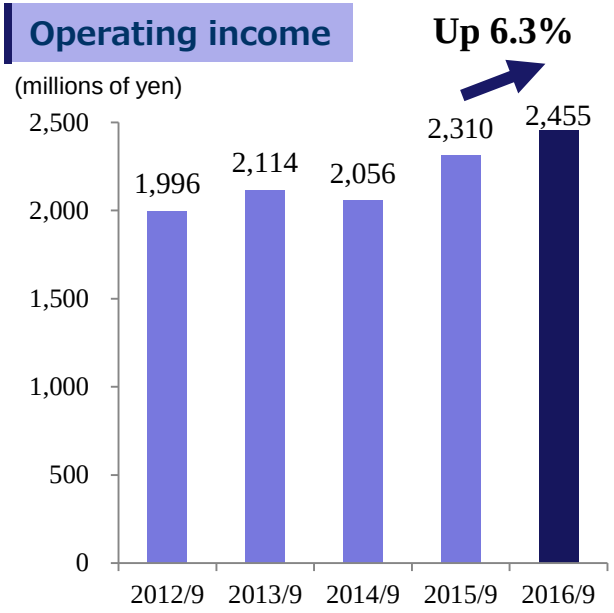
(Units: millions of yen / %)

	1H results for FYE March 2016		1H results for FYE March 2017		YoY change		Compared to initial forecast	
	Amount	Share	Amount	Share	Amount	%	Forecast	%
Net sales	12,315	100.0	12,791	100.0	475	3.9	12,600	1.5
Operating income	2,310	18.8	2,455	19.2	145	6.3	2,350	4.5
Ordinary income	2,353	19.1	2,437	19.1	84	3.6	2,400	1.6
Profit attributable to owners of parent	1,702	13.8	1,642	12.8	(60)	(3.5)	1,680	(2.2)

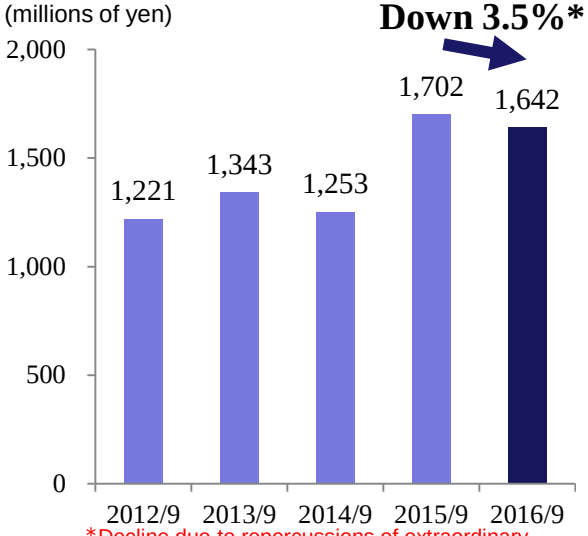
Net sales



Operating income



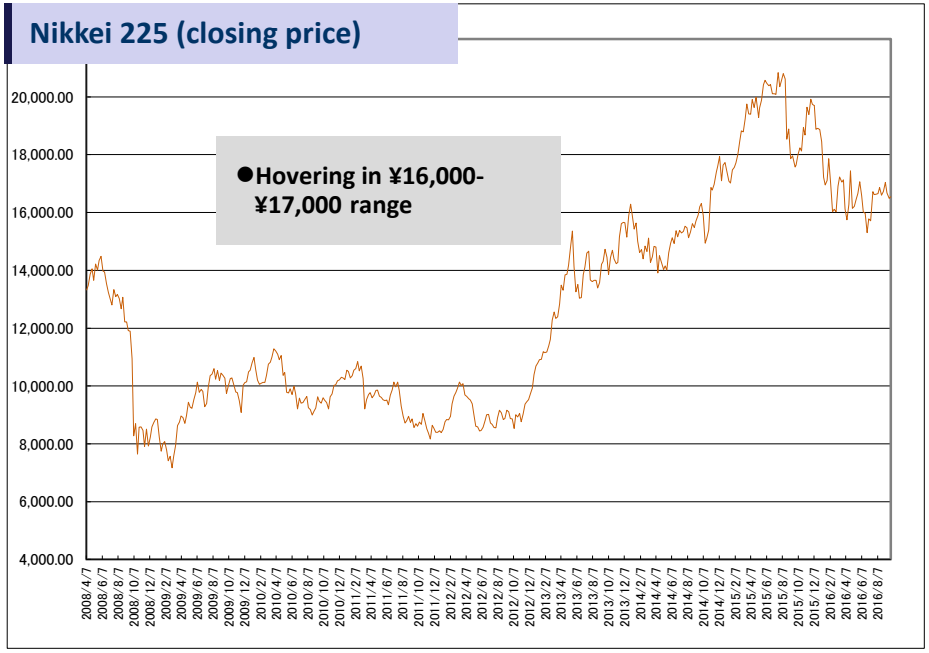
Profit attributable to owners of parent



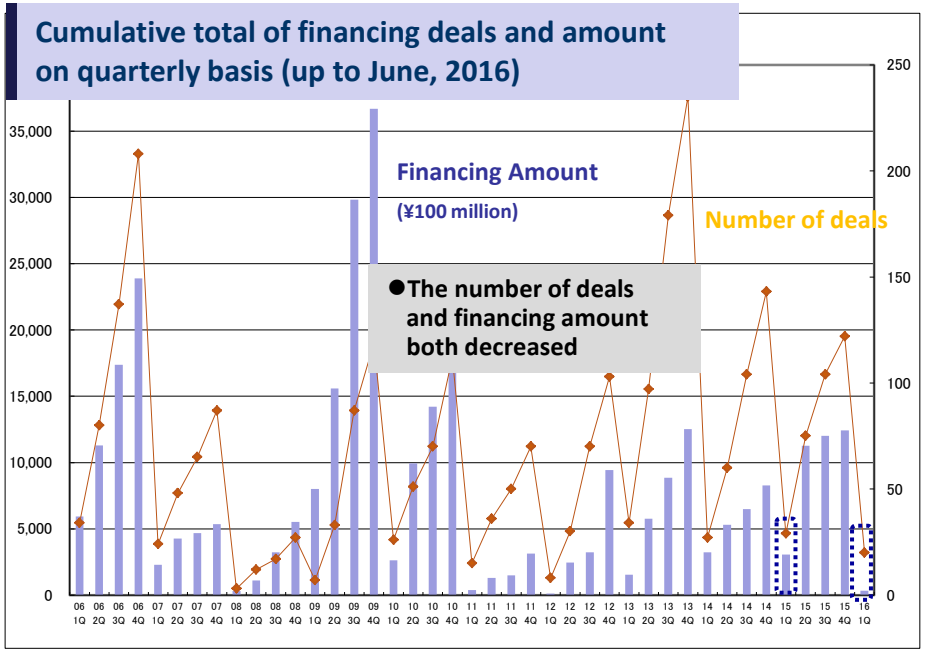
*Decline due to repercussions of extraordinary income recognized in the same period of the previous fiscal year associated with a transfer of non-current assets.

1-2. Market Environment 1: Stock Market-Related

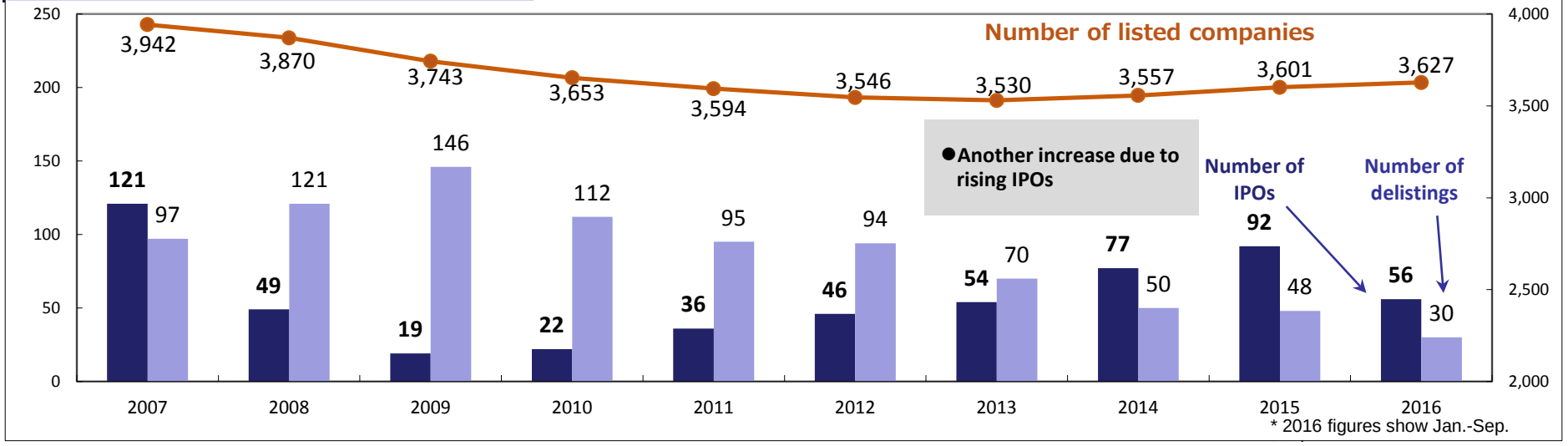
Nikkei 225 (closing price)



Cumulative total of financing deals and amount on quarterly basis (up to June, 2016)

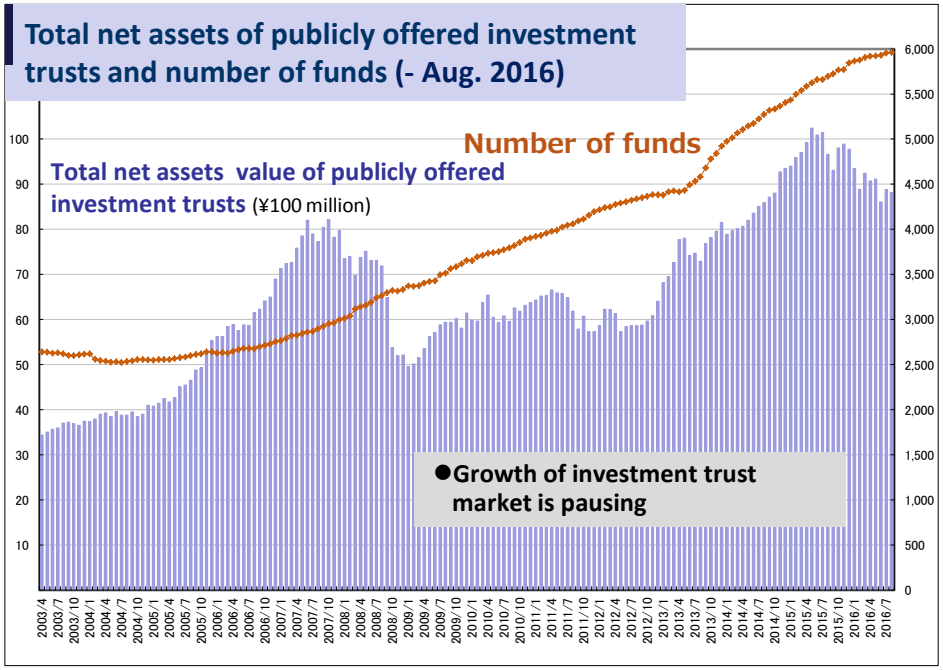


Number of listed companies (calendar year)

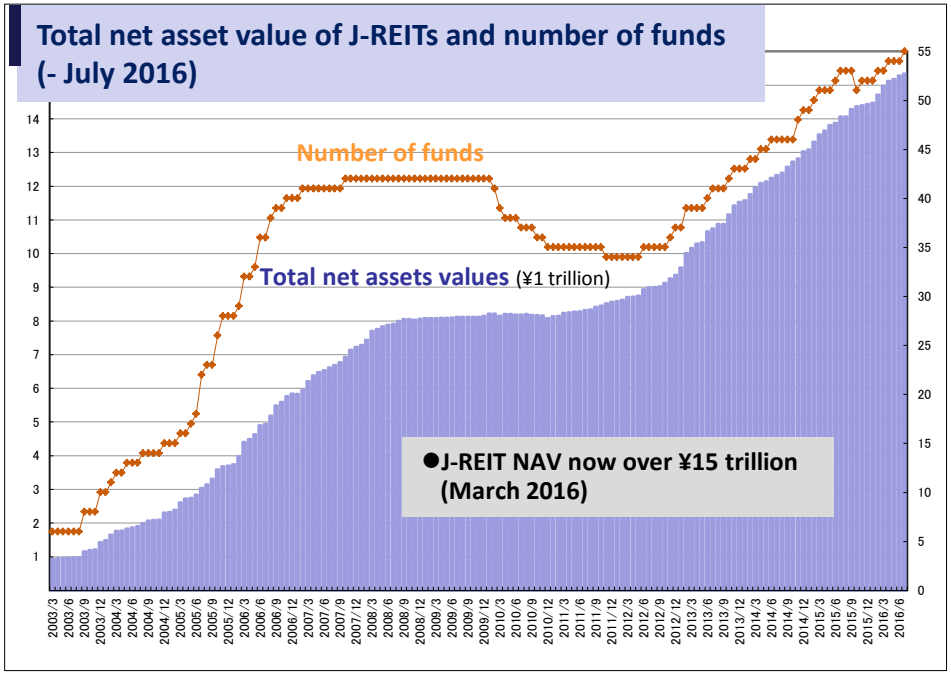


1-2. Market Environment 2: Investment Trust and J-REIT Market-Related

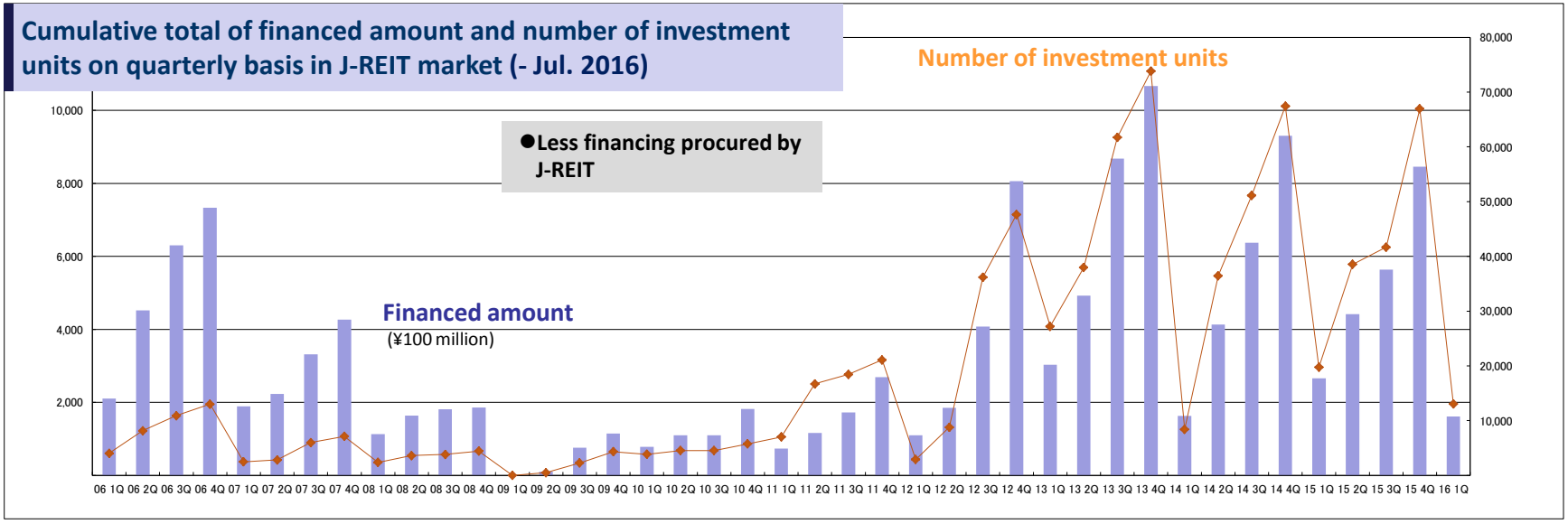
Total net assets of publicly offered investment trusts and number of funds (- Aug. 2016)



Total net asset value of J-REITs and number of funds (- July 2016)



Cumulative total of financed amount and number of investment units on quarterly basis in J-REIT market (- Jul. 2016)



1-3. Sales by Product Area — Composition (YoY Comparison)

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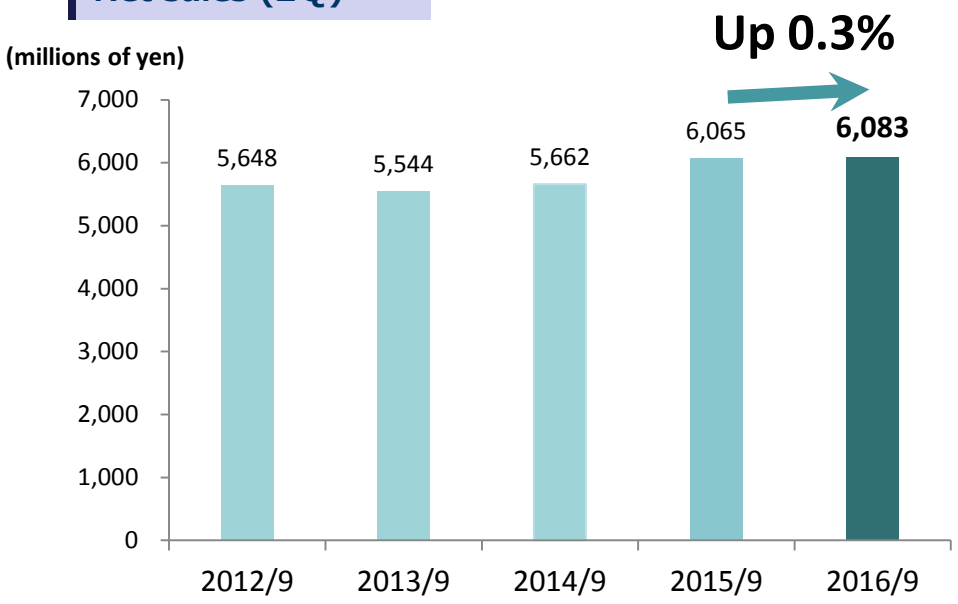
■ Sales exceeded those in 2Q FYE March 2016 in all product areas

(Unit: millions of yen)

	2Q results of FYE March 2016		2Q results of FYE March 2017		YoY change	
	Amount	Share (%)	Amount	Share (%)	Amount	Ratio (%)
Listed companies disclosure-related	6,065	*49.3*	**6,083**	***47.5***	17	0.3
Listed companies IR-related, etc.	2,698	*21.9*	**2,822**	***22.1***	124	4.6
Financial instruments disclosure-related	3,313	*26.9*	**3,628**	***28.4***	315	9.5
Database-related	238	*1.9*	**256**	***2.0***	18	7.6
Total	12,315	*100.0*	**12,791**	***100.0***	475	3.9

■Higher sales on colorization of convocation notices for shareholders' meetings and large-scale IPOs

Net sales (2Q)



▲Positive factors

- The unit price for orders increased due to the colorization of convocation notices for shareholders' meetings by wide range of companies.
- Orders for large-scale IPOs contributed to sales.

▼Negative factors

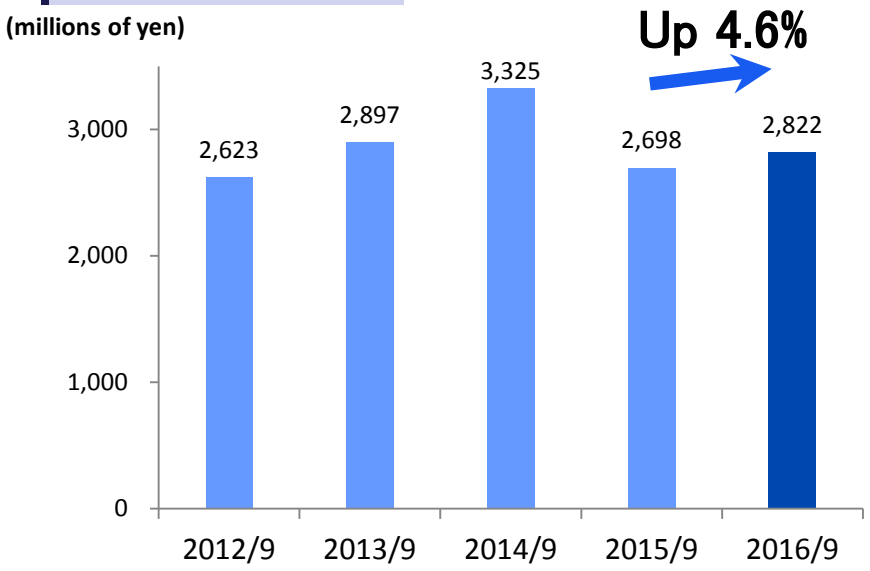
- Sales of finance-related documents declined.
- Spot orders for disclosure support service declined from peak in the previous fiscal year.

* Positive factors outweighed negative factors.

		Net sales	Major factors		
			Order volume	Market share	Prices
Shareholders' meeting-related	Convocation notices for shareholders' meetings/printing of resolution notices, etc.	→	→	→	→
Account settlement-related	Securities reports/earnings reports	→	→	→	→
	Systems related	→	→	→	→
IPO/finance-related	Prospectuses and registration documents	→	→	→	→

■English-language IR, online IR and shareholders' meeting-related sales increased

Net sales (2Q)



▲Positive factors

- Increase in orders for English IR services, online IR service and visual presentation materials for shareholders' meetings backed by enactment of corporate governance code.

▼Negative factors

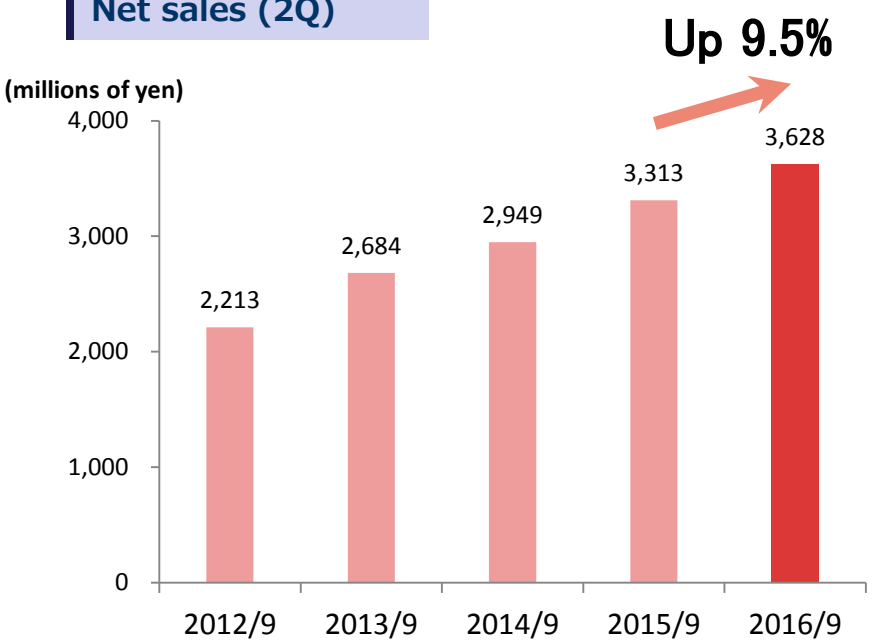
- Decline in advertising

*Decline in 2Q results for FYE March 2016 due to change in scope of consolidation

	Net sales	Major factors		
		Order volume	Market share	Prices
Business reports	→	→	→	→
Online IR services	→	→		→
English-language IR tools	↗	↗	↗	→
Visuals and operational support for shareholders' meetings	→	→	→	→

■Orders for investment trust- and J-REIT-related products and services increased

Net sales (2Q)



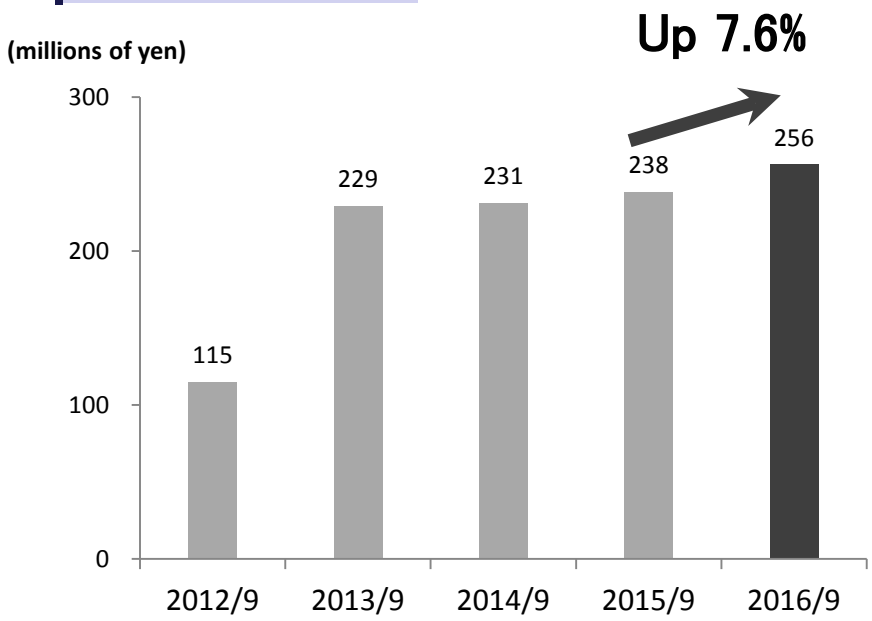
▲Positive factors

- Investment trust-related orders remained at the previous fiscal year's high level.
- Order volume for sales materials, asset management report and online service for investment trust increased.
- J-REIT-related product and services increased due to the steady growth of J-REIT market.

	Net sales	Major factors		
		Order volume	Market share	Prices
Domestic investment trust management company-related	→	→	→	→
J-REIT listed investment trust-related	→	→	→	→
Foreign investment trust management company-related	→	→	→	→
Foreign company-related	→	→	→	→

■Stable contract renewals of main database service for existing clients

Net sales (2Q)

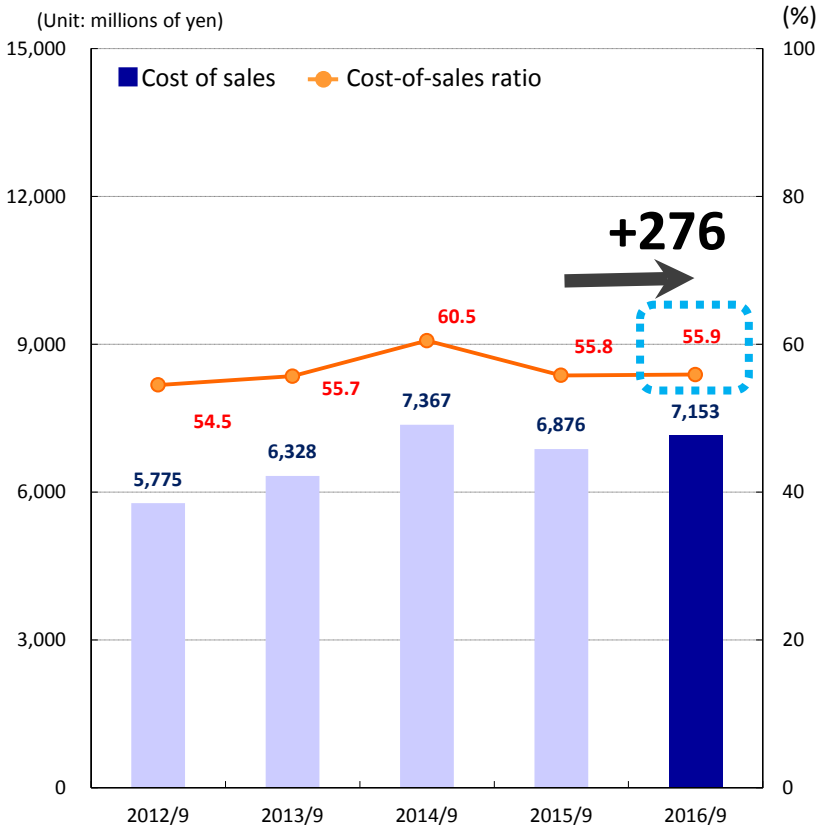


▲Positive factors

- **High rate of contract renewal by existing clients (especially for mainstay “eol” products) and steady new client acquisition based on upgrades such as functional improvements to meet client needs and addition of new content.**

■ Cost of sales ratio rises slightly, SG&A expense ratio dips

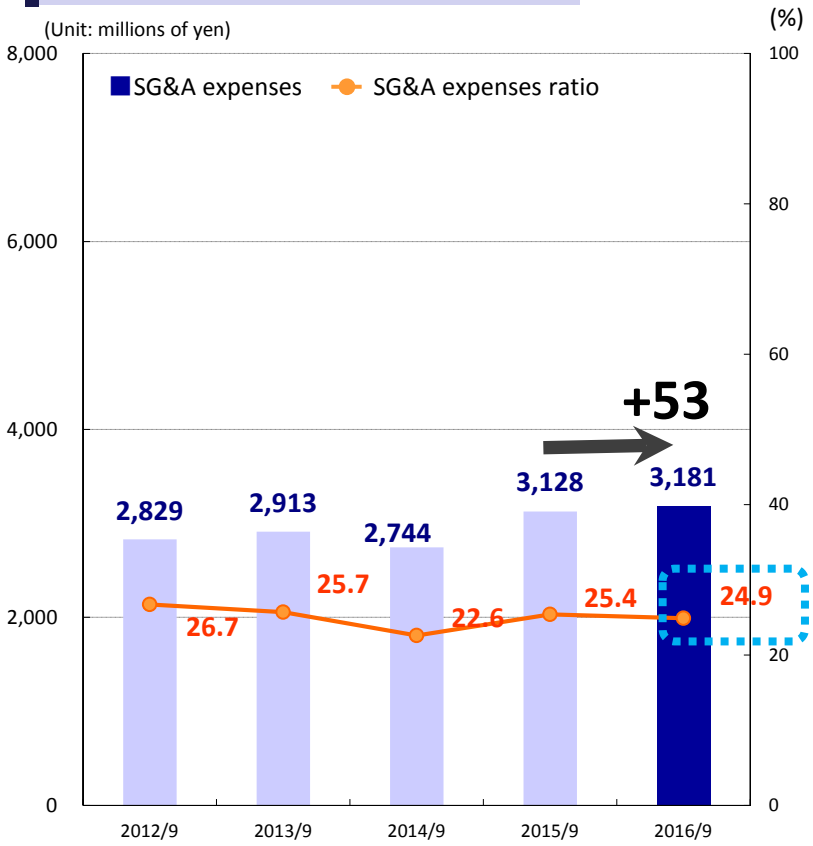
Cost of sales / Cost-of-sales ratio



Cost-of-sales ratio: Up 0.1 ppt YoY

- Increase in outsourced processing costs corresponding to increased orders
- Increase in labor costs associated with strengthening of production system

SG&A expenses / SG&A expense ratio



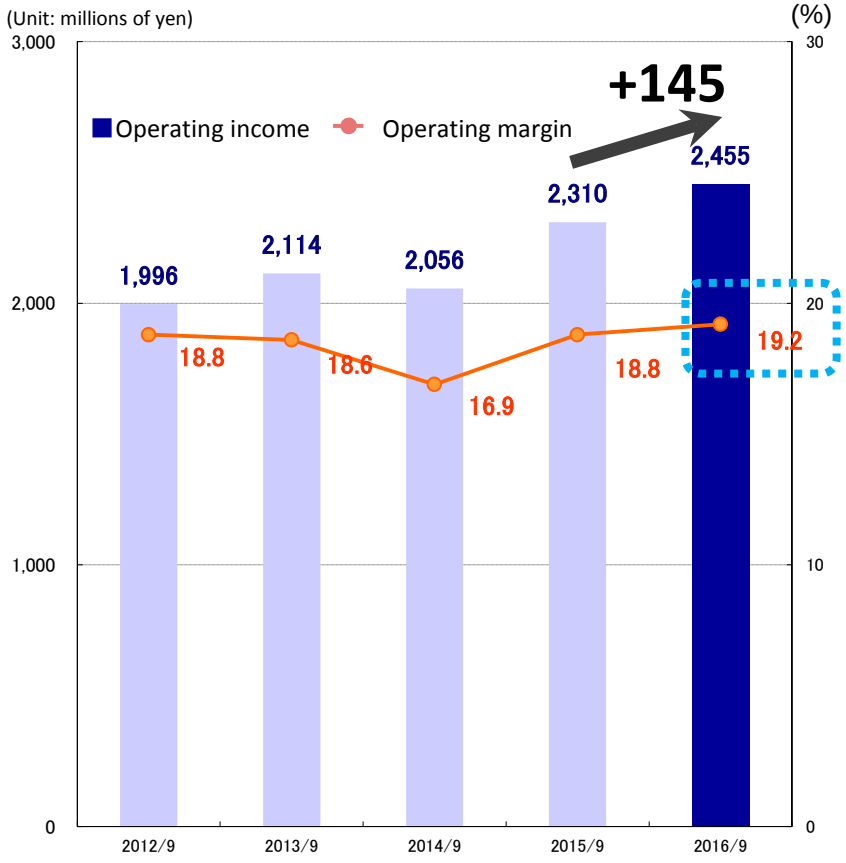
SG&A expense ratio: Down 0.5 ppt YoY

- Increase in personnel and other expenses associated with enhancement of sales structure

1-8. Profitability (2)

■ Operating income and margin improves on higher sales
■ Profit slips due to repercussions of extraordinary income in the previous FY

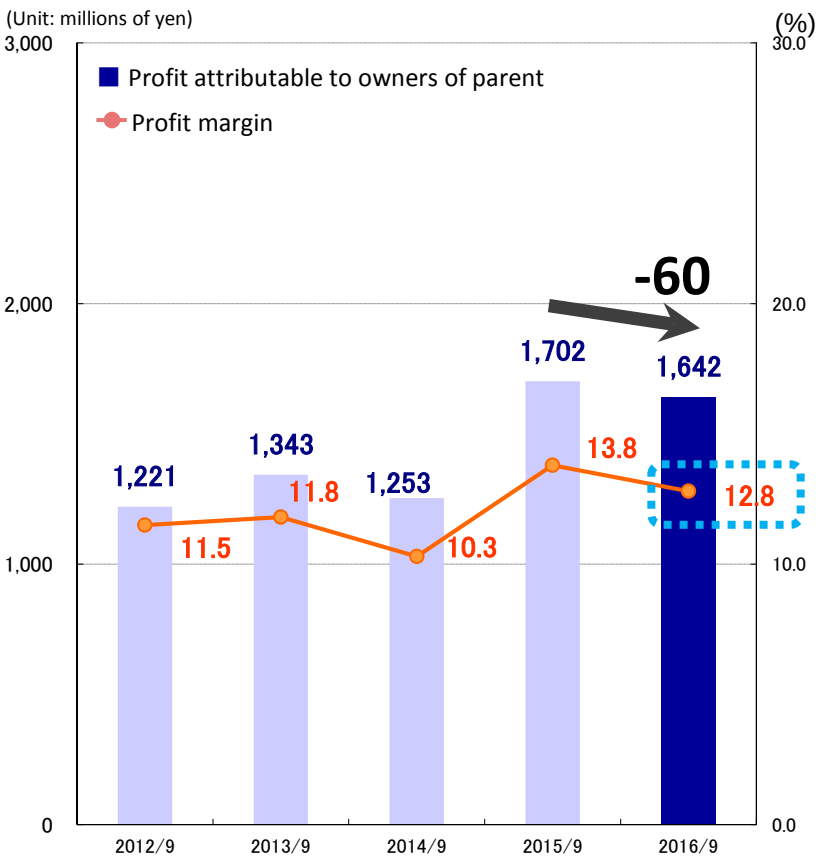
Operating income / Operating margin



Operating margin: Up 0.4 ppt YoY

- Growth in net sales > increase in cost of sales and SG&A expenses

Profit attributable to owners of parent / Profit margin

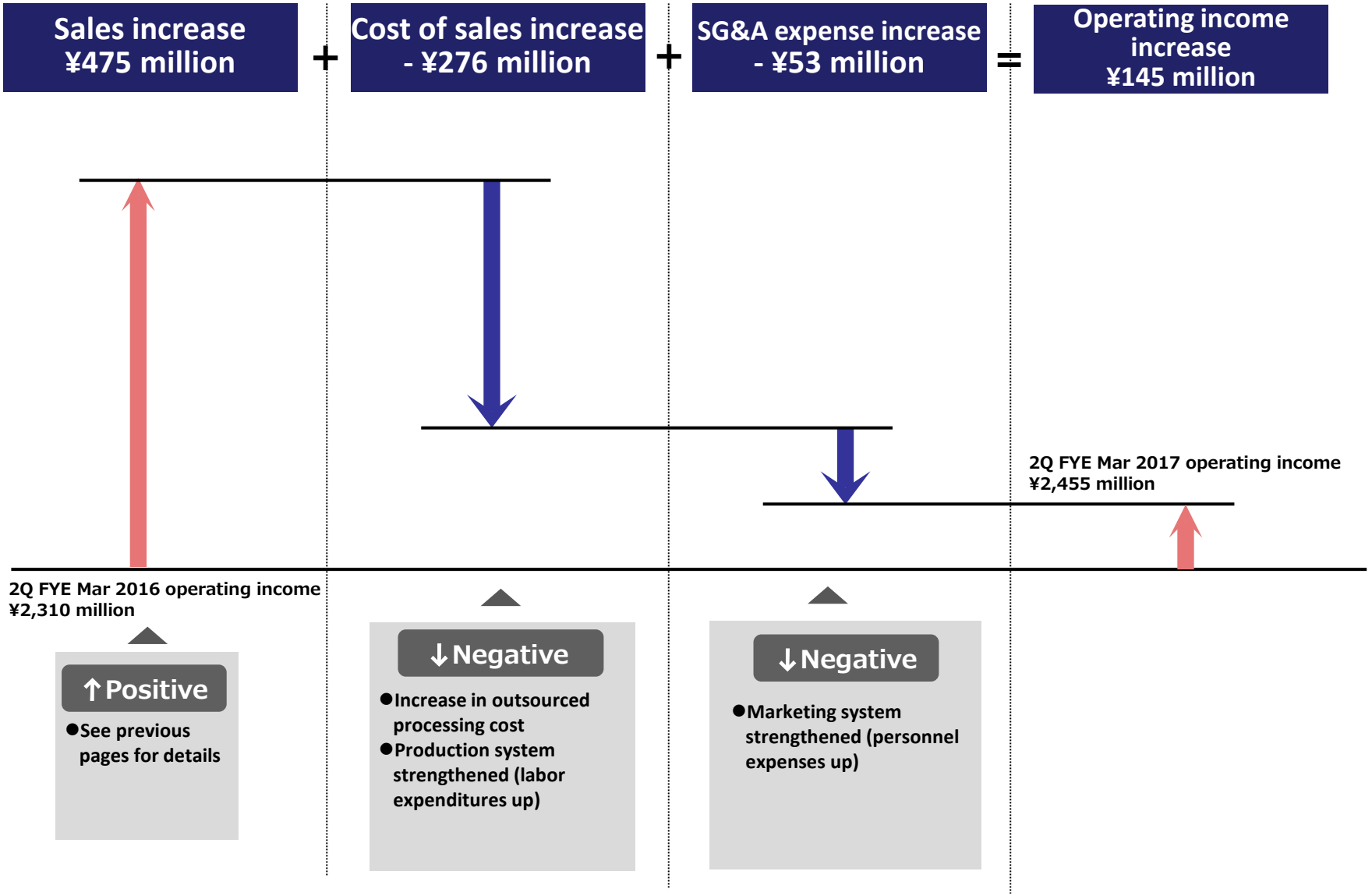


Profit margin: Down 1.0 ppt YoY

- Decline occurred in reaction to extraordinary income from transfer of real estate holdings in the same quarter of the previous year

1-9. Main Positive Earnings Factors in 2Q FYE March 2017

■ Sales up ¥475mn ＞ cost of sales + SG&A expenses up ¥330mn, so operating income rises ¥145mn



1-10. Consolidated Balance Sheets for 2Q FYE March 2017

(Unit: millions of yen)

	FYE March 2016		FYE March 2017	Difference from previous year end	Main reasons for difference
	End 2Q	FY	End 2Q		
Cash and deposits	7,773	7,114	11,814	4,700	
Notes and accounts receivable—trade	1,702	1,938	1,604	-333	
Other	8,075	6,099	3,917	-2,182	Decline in securities (¥2,090 million)
Total current assets	17,550	15,152	17,337	2,185	
Property, plant and equipment	4,166	4,133	4,408	275	Increase in land (¥308 million)
Intangible assets	2,618	2,450	2,296	-154	
Investments and other assets	5,266	5,887	5,038	-849	Decline in investment securities (¥840 million)
Total non-current assets	12,051	12,471	11,743	-727	
Total assets	29,602	27,624	29,081	1,457	
Total liabilities	7,331	6,772	7,066	294	
Capital stock / retained earnings	24,228	23,846	25,136	1,290	Increase: quarterly profit attributable to owners of parent (¥1,642 million) Decrease: Dividend of surplus (¥319 million)
Treasury shares	(2,466)	(3,466)	(3,466)	—	
Total shareholders' equity	21,761	20,379	21,670	1,290	
Total net assets	22,271	20,852	22,014	1,162	
Total liabilities and net assets	29,602	27,624	29,081	1,457	

1-11. Consolidated Statements of Income for 2Q FYE March 2017

(Unit: millions of yen)

	FYE March 2016 results	FYE March 2017 results	YoY change (2Q)	
	2Q	2Q	Amount	%
Net sales	12,315	**12,791**	**475**	**3.9**
Cost of sales	6,876	**7,153**	**276**	
Cost of sales ratio (%)	55.8%	**55.9%**	**0.1ppt**	
Gross profit	5,438	**5,637**	**198**	
Selling, general and administrative expenses	3,128	**3,181**	**53**	
Operating income	2,310	**2,455**	**145**	**6.3**
Operating margin (%)	18.8%	**19.2%**	**0.4ppt**	
Non-operating income	67	**42**	**-25**	
Non-operating expenses	24	**60**	**35**	
Ordinary income	2,353	**2,437**	**84**	**3.6**
Extraordinary income	※ 904	**—**	**-904**	
Extraordinary losses	※ 662	**—**	**-662**	
Profit attributable to owners of parent	1,702	**1,642**	**-60**	**-3.5**

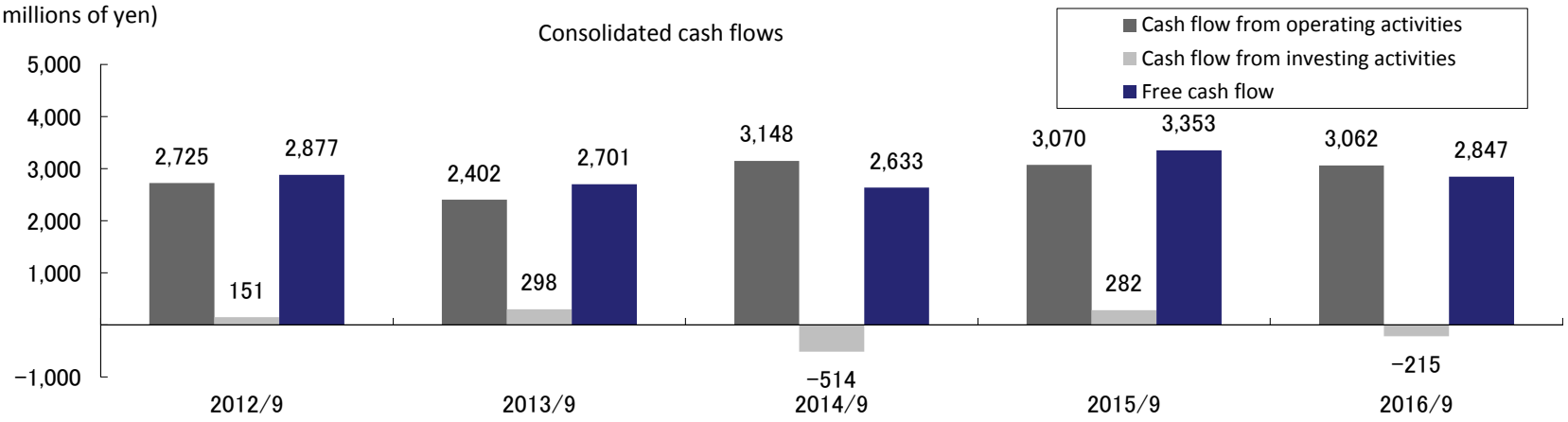
* Breakdown of extraordinary items in 2Q FYE March 2016: Extraordinary income from transfer of non-current assets (land and buildings) was ¥904 million, extraordinary losses were ¥662 million.

1-12. Consolidated Statements of Cash Flows for 2Q FYE March 2017

(Unit: millions of yen)

	2Q results for FYE March 2016	2Q results for FYE March 2017	YoY change	Major factors
Cash flow from operating activities	3,070	**3,062**	**-7** →	
Cash flow from investing activities	282	**(215)**	**-498** →	Proceeds from sale of securities: ¥200mn Proceeds from sale of investment securities: ¥179mn Purchase of property, plant and equipment: ¥367mn Purchase of intangible assets: ¥296mn
Free cash flow	3,353	**2,847**	**-505** →	
Cash flow from financing activities	60	**(293)**	**-353** →	Cash dividends paid: ¥319mn
Net increase (decrease) in cash and cash equivalents	3,416	**2,560**	**-856** →	
Cash and cash equivalents at end of period	13,863	**14,414**	**551** →	

(Unit: millions of yen)



2. Forecast for the Fiscal Year Ending March 31, 2017

2-1. Full Year Forecast for FYE March 2017

■ No change from initial forecast (FYE March 2017 operating income ¥2,350mn, ROE 7.8%)

●P/L summary

(Unit: millions of yen)

	Results for FYE March 2016			Forecasts for FYE March 2017			Difference
	1st half	2nd half	Full year	1st half (results)	2nd half	Full year	Full year
Net sales	12,315	8,655	20,971	12,791	**8,708**	**21,500**	**528**
Cost of sales	6,876	5,603	12,480	7,153	**5,546**	**12,700**	**219**
(Cost of sales ratio)	*55.8%*	*64.7%*	*59.5%*	*55.9%*	***63.7%***	***59.1%***	***-0.4ppt***
Gross profit	5,438	3,052	8,491	5,637	**3,162**	**8,800**	**308**
SG&A expenses	3,128	3,136	6,265	3,181	**3,268**	**6,450**	**184**
Operating income (loss)	2,310	(83)	2,226	2,455	**(105)**	**2,350**	**123**
(Operating margin)	*18.8%*	*(1.0%)*	*10.6%*	*19.2%*	***(1.2%)***	***10.9%***	***0.3ppt***
Ordinary income (loss)	2,353	(97)	2,255	2,437	**(37)**	**2,400**	**144**
Profit (loss) attributable to owners of parent	1,702	(22)	1,680	1,642	**37**	**1,680**	**-0**

Main management indicators targeted

●Management Indicators

	Full year result for FYE March 2016	Full year forecast for FYE March 2017	Difference
R O E	**8.1%**	**7.8%**	**-0.3ppt**

2-2. Factors behind Change in Net Sales by Product Area for FYE March 2017

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Net Sales Forecast by Product Area for FYE March 2017

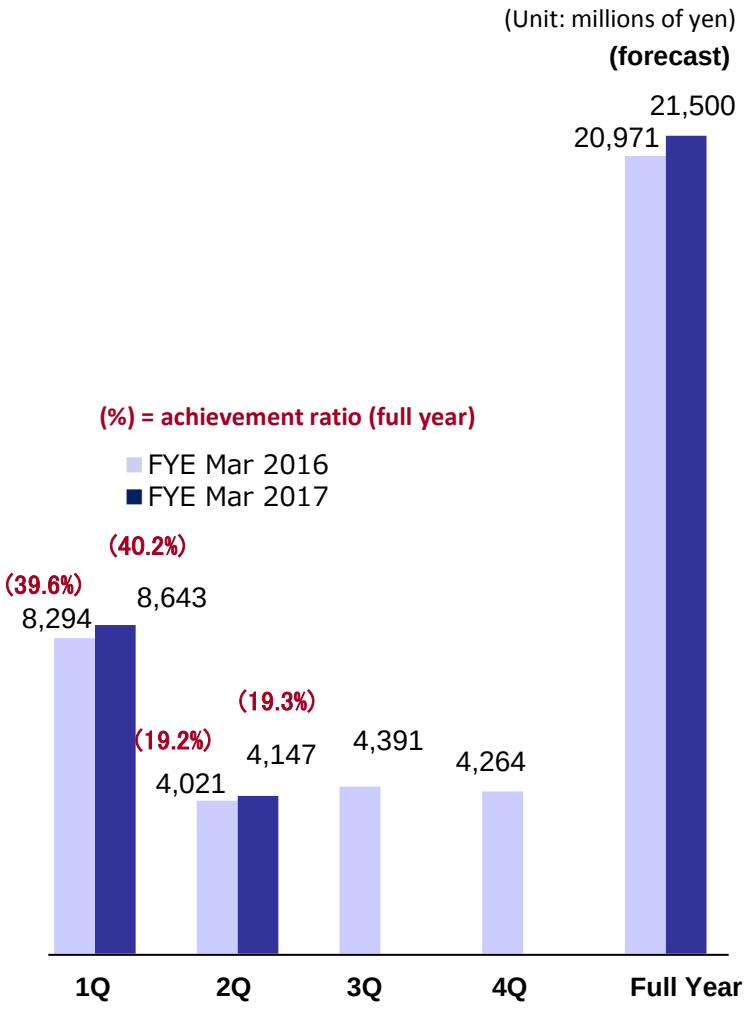
	Results for FYE March 2016			Forecasts for FYE March 2017			Difference
	1st half	2nd half	Full year	1st half (Results)	2nd half	Full year	Full year
Listed companies disclosure-related	6,065	3,059	9,124	6,083	3,097	9,180	56
Listed companies IR-related, etc.	2,698	1,990	4,689	2,822	2,068	4,890	200
Financial instruments disclosure-related	3,313	3,341	6,655	3,628	3,272	6,900	245
Database-related	238	263	502	256	274	530	27
Total	12,315	8,655	20,971	12,791	8,709	21,500	528

Main factors behind the change in net sales

Listed companies disclosure-related	Increase in orders for convocation notices for shareholders' meetings and system services
Listed companies IR-related, etc.	Increase in orders for English-language IR (translation) services and online services
Financial instruments disclosure-related	End of the previous fiscal year's order increase from domestic investment trusts and J-REITs
Database-related	Additions such as sales of eolDB data

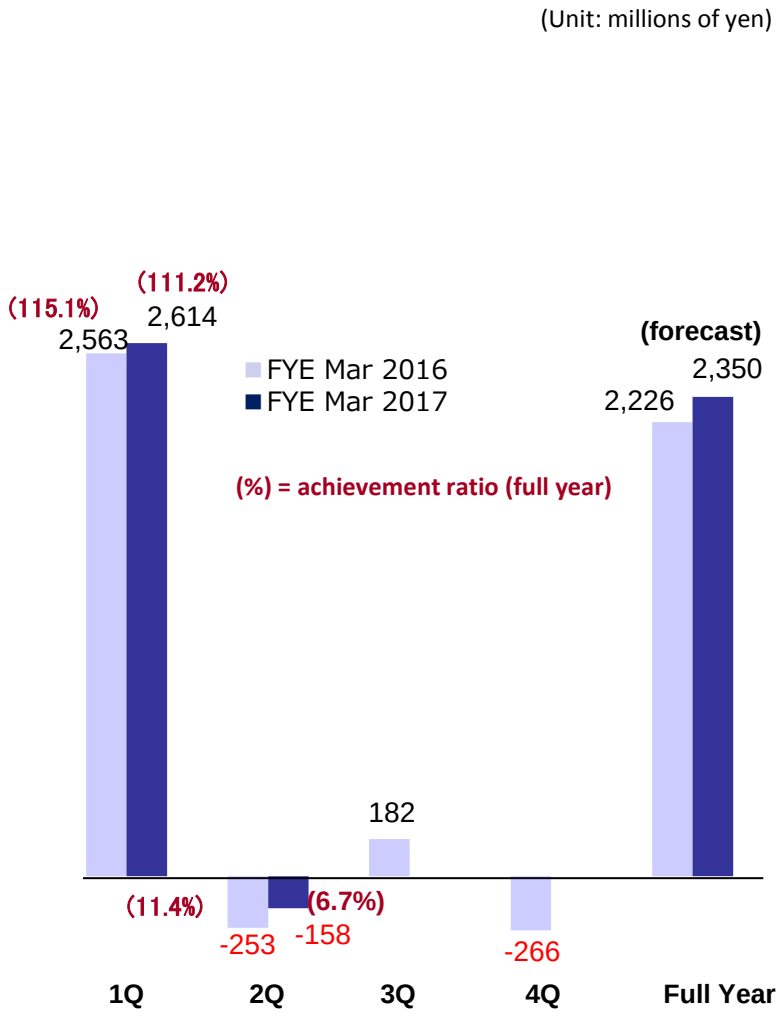
2-3. Net Sales and Operating Income by Quarter

Net sales by quarter



Orders and sales concentrated in 1Q

Operating income by quarter



1Q operating income exceeds that for full year
(Owing to unique seasonal factors in our business)

3. Business Topics

3-1. Full-Fledged Launch of “Smart Convocation” Service

■ “Smart convocation” introduced

Convocation notices for shareholders’ meetings adapted for smartphones in Japan. The first such notice was for Aeon Co., Ltd., and the number of companies using these notices is gradually increasing.

Aeon | CanBas | GREE







■ Media exposure

Nikkei electronic IR Forum

The Forum posted a conversation between Aeon’s Corporate Communications Manager and PRONEXUS’ IR Business Manager



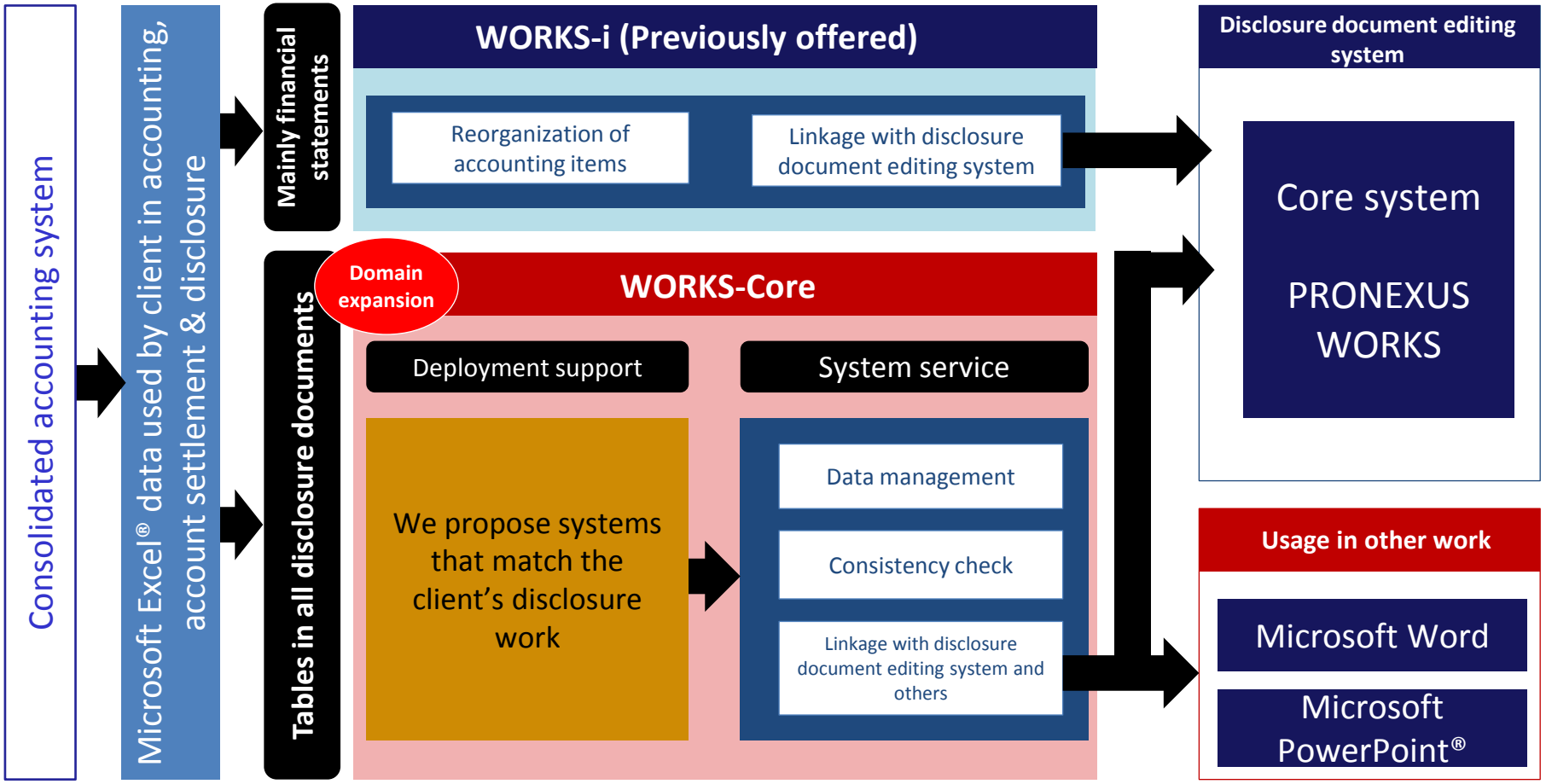
Nikkei Shimbun article

- Apr 23 morning edition
  “Aeon the first company in Japan to convene meeting by smartphone. Exercise of voting rights may follow”
- Sep 14 evening edition
  “GREE and others set up site for smartphone for exercising of voting rights at shareholders’ meeting”

3-2. Disclosure Support Service “WORKS-Core” Is Rolled Out

■ We offer disclosure support services making full use of advanced features in Microsoft Excel®

- Microsoft Excel® data, widely used by listed companies in accounting, account settlement & disclosure, is linked with PRONEXUS WORKS.
- In addition to existing WORKS-I, more extensive table data in PRONEXUS WORKS is updated. Check function for numerical consistency.
- Adopted mainly by large corporations with large-volume disclosure work



*Microsoft Excel and Microsoft PowerPoint are registered trademarks or trademarks of Microsoft Corporation in the USA and other countries.

■ Expansion of ① J-REIT market and ② our service domain

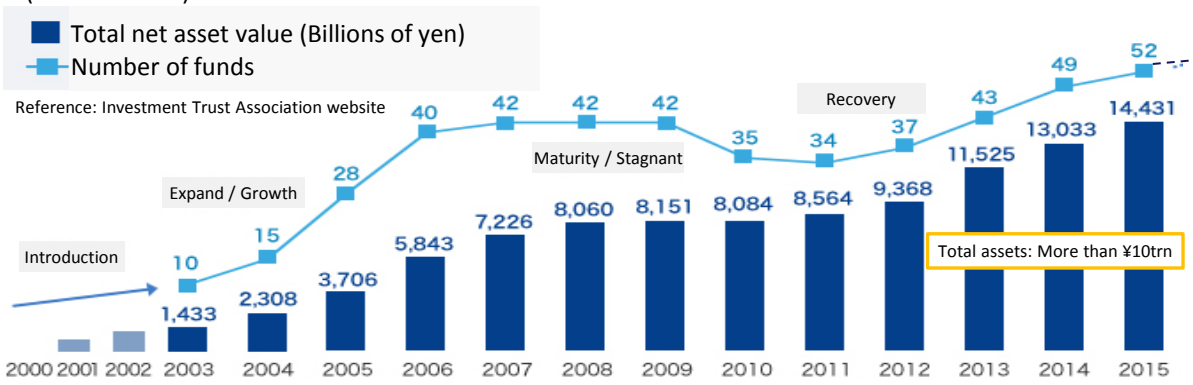
Market growth and our support up to now

■ Thorough support for J-REIT launches

■ Stronger total support centered on disclosure, IR

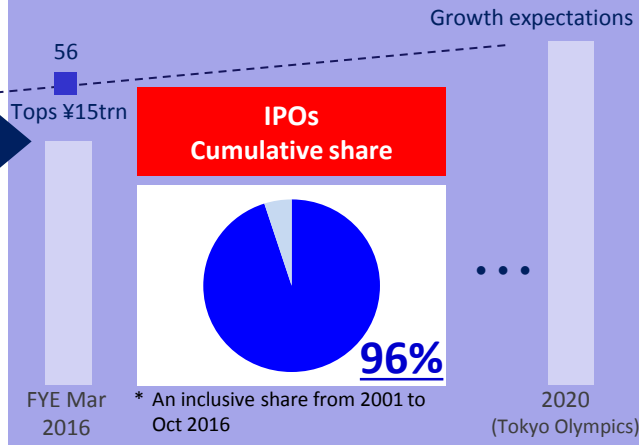
■ Service extension and research of new markets

(J-REIT Market)



① Market expansion

Infrastructure Fund
First ever launched with PRONEXUS support



② Service domain expansion

Debut of J-REIT asset management business support system

PRONEXUS REAMAS
Real Estate Asset Management Assist System

Total support from asset management business operations to disclosure and IR

New support domains

Conventional support domains

Basic data management

Forecast & result management

Preparation of various forms for accounting

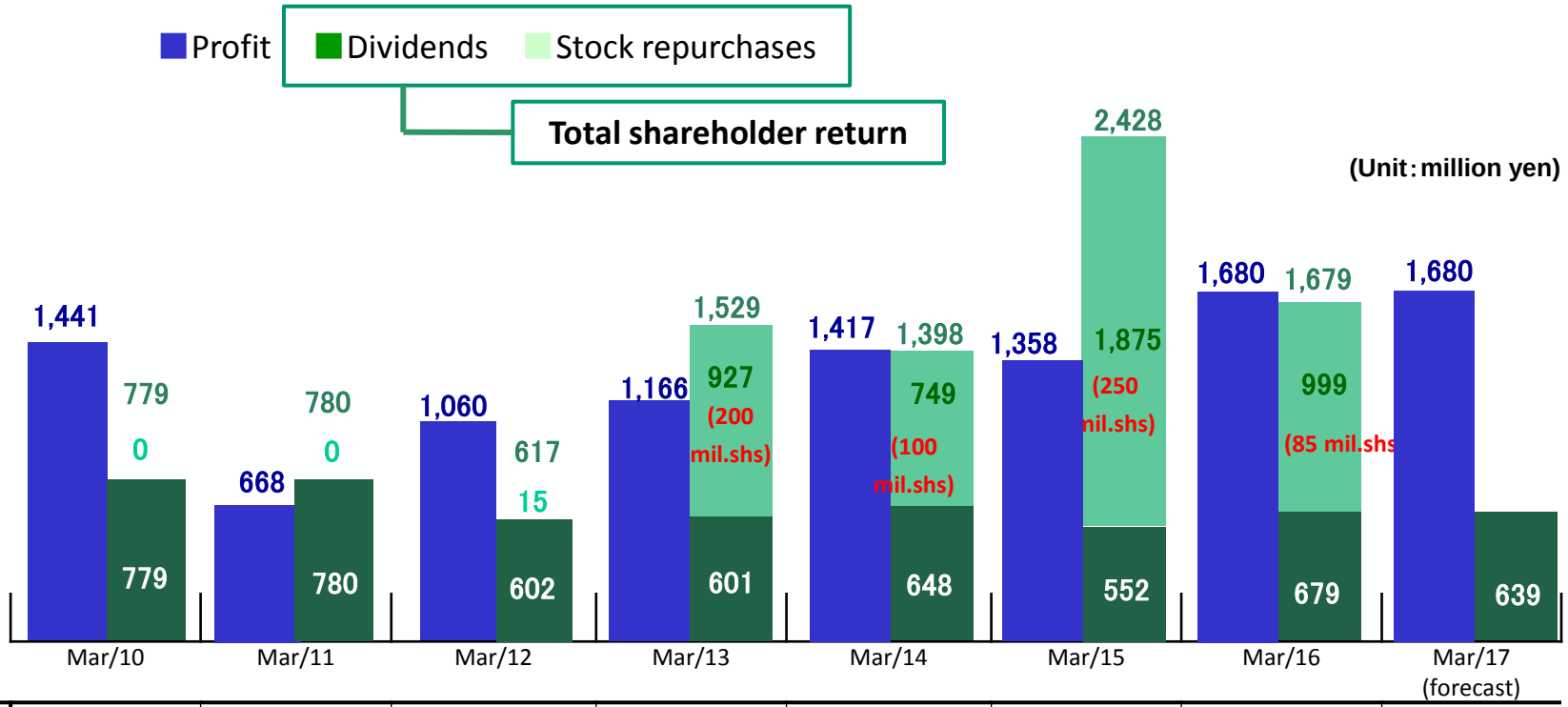
Unified data management by PRONEXUS REAMAS

Smooth coordination for disclosure and IR materials through account and receipt output

4. Stock Price and Shareholder Return

4-1. Shareholder Return over Past Seven Years

■ **Percentage of earnings returned to shareholders has been around 100% over the past four years**



	Mar/10	Mar/11	Mar/12	Mar/13	Mar/14	Mar/15	Mar/16	Mar/17 (forecast)
Dividend payout ratio	54.1%	116.6%	56.8%	51.9%	45.8%	41.2 %	40.9%	38.1%
Annual dividend per share	¥22	¥22 (including ¥2 commemorative dividend)	¥17	¥18	¥20	¥18	¥23 (including ¥3 commemorative dividend)	¥22
Pct. of earnings returned to shareholders	54.1%	116.7 %	58.3%	131.0%	98.7%	178.7%	99.9%	

4-2. Recent Treasury Stock Acquisitions and Cancellations

■**Approx. 6.35 million shares bought back and 5.88 million shares cancelled in 4 years**

	Shares acquired (Thousands of shares)	Acquisition value (Thousands of yen)	Shares cancelled (Thousands of shares)
June 2012	2,000	942,000	2,000
May 2013	1,000	749,000	1,000
July 2014	1,000	799,000	
Nov 2014	1,500	1,075,000	
May 2015			2,880
March 2016	850	999,000	
Total	6,350	4,567,000	5,880

Total number of shares issued as of September 2016
33,444 **thousand shares**

Treasury shares
4,353 **thousand shares (13.0%)**

4-3. Shareholder Benefit Program

■ QUO prepaid cards presented based on the number of years and number of shares owned

(offered to shareholders recorded in the shareholder registry as of March 31 each year who own more than 100 shares)

Number of shares owned \ Number of years owned	Less than 1 year	1 or more years but less than 3 years	3 years or more
100 shares or more	**¥500 QUO prepaid card**	**¥1,000 QUO prepaid card**	**¥1,500 QUO prepaid card**
1,000 shares or more	**¥1,000 QUO prepaid card**	**¥3,000 QUO prepaid card**	**¥5,000 QUO prepaid card**

“Number of years owned” is the number of years that a shareholder with the same shareholder no. is recorded continuously in the shareholder registry.



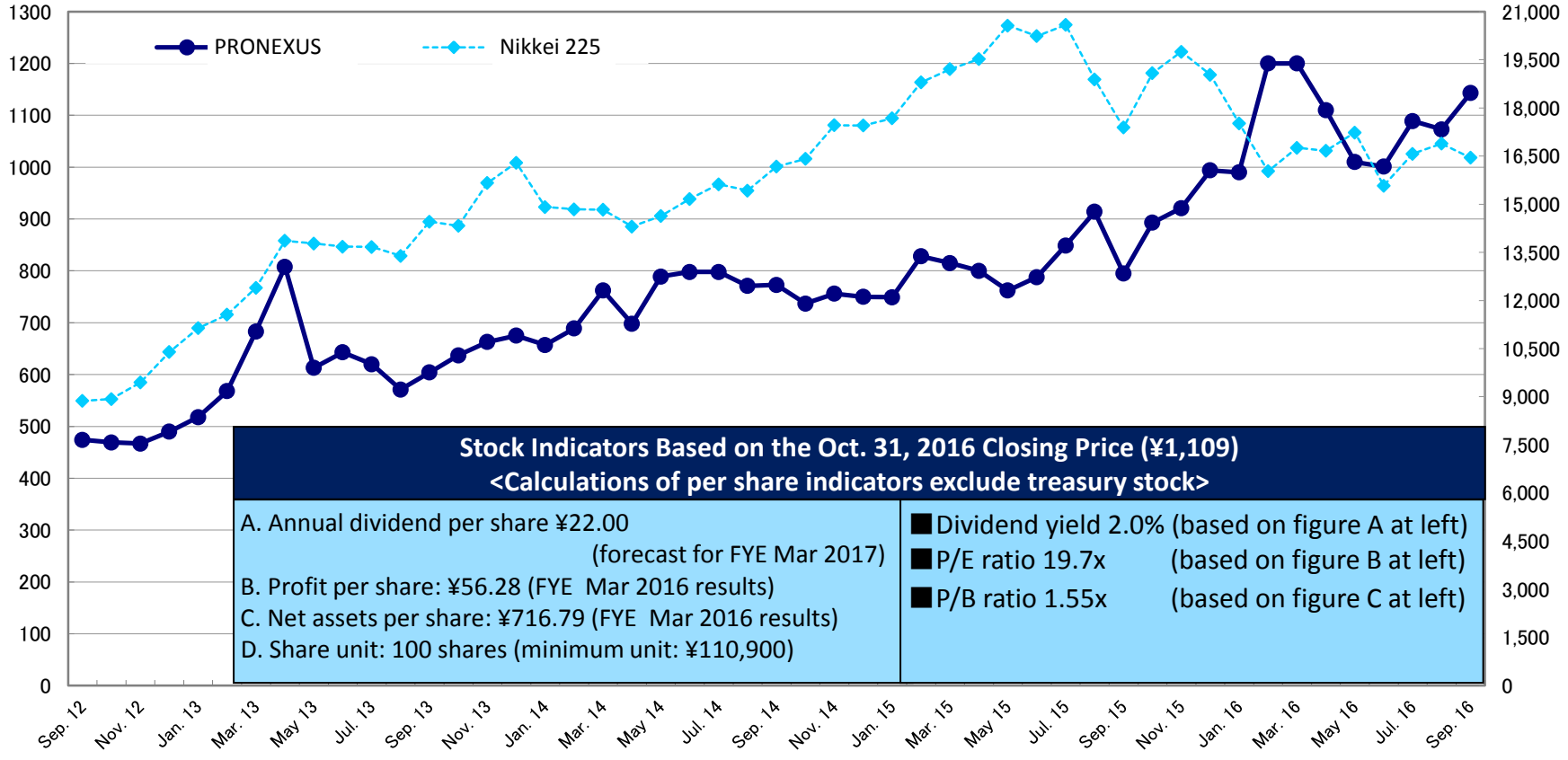






4-4. Stock Price, Trading Volume, and Related Indicators

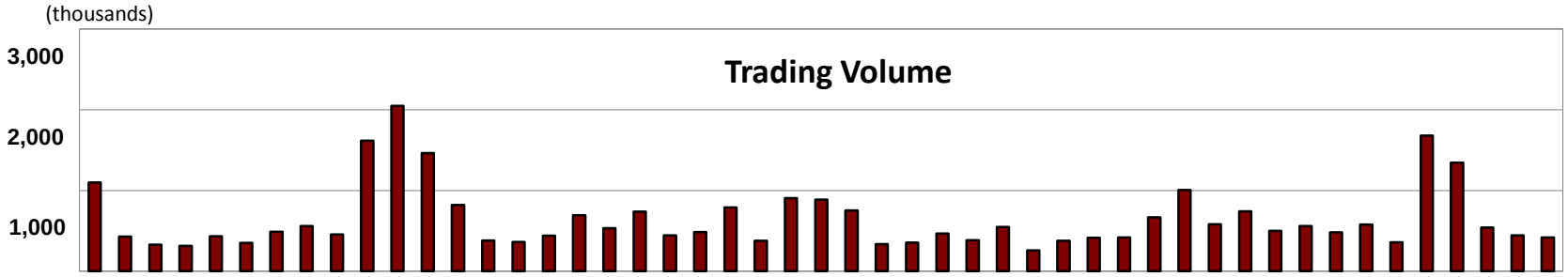
PRONEXUS' stock price changes on monthly closing price basis (yen)



Stock Indicators Based on the Oct. 31, 2016 Closing Price (¥1,109)
<Calculations of per share indicators exclude treasury stock>

A. Annual dividend per share ¥22.00
(forecast for FYE Mar 2017)
B. Profit per share: ¥56.28 (FYE Mar 2016 results)
C. Net assets per share: ¥716.79 (FYE Mar 2016 results)
D. Share unit: 100 shares (minimum unit: ¥110,900)

■Dividend yield 2.0% (based on figure A at left)
■P/E ratio 19.7x (based on figure B at left)
■P/B ratio 1.55x (based on figure C at left)



5. Corporate Profile (Reference)

5-1. Company Data

■ **Founded in 1930, PRONEXUS grew to achieve net sales of ¥20 billion yen, operating income of ¥2 billion yen, and have 1,000 employees**

Founded	December 15, 1930; 2016 was the 86th anniversary
Paid-in Capital	3,058millions of yen(As of September 30, 2016)
Net Sales	20,971millions of yen (consolidated; FYE March 31, 2016)
Operating Income	2,226millions of yen (consolidated; FYE March 31, 2016)
Main Clients	Approximately 2,700 listed companies + approximately 1,100 companies considering an IPO
Number of Employees	1,001 (consolidated; as of September 30, 2016)
Offices	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Plant	Toda City, Saitama Prefecture
Group Companies	● Three consolidated subsidiaries ● Two affiliates under the equity method



Takeshi Ueno
President and Representative Director



Site of the head office (Minato Ward)



Plant (Toda City, Saitama Prefecture)



Data center in the Hokuriku region

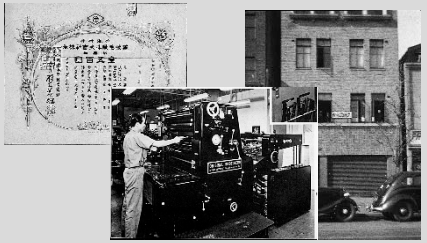
5-2. PRONEXUS' History

■ **Founded as a firm specializing in the printing of securities certificates, PRONEXUS later moved into the disclosure business and has grown into a major corporation that supports disclosure operations with consulting and systems.**

Founded as a firm specializing in the printing of securities certificates

1930 ● Founded as a firm specializing in the printing of securities certificates

1960s ● Became a leader in securities printing



Expanded into disclosure business

1970-1980s ● Expanded into Commercial Code (Companies Act)-related documents business

● Expanded into Securities and Exchange Act (Financial Instruments and Exchange Act)-related documents business

● Expanded into IR-related business

● Expanded into investment trust-related business



Expanded the business base with consulting and system services

1990s ● Responded to major changes in disclosure-related laws

2000s ● Accommodated change to electronic disclosures and developed and grew system services



5-3. Composition of Net Sales

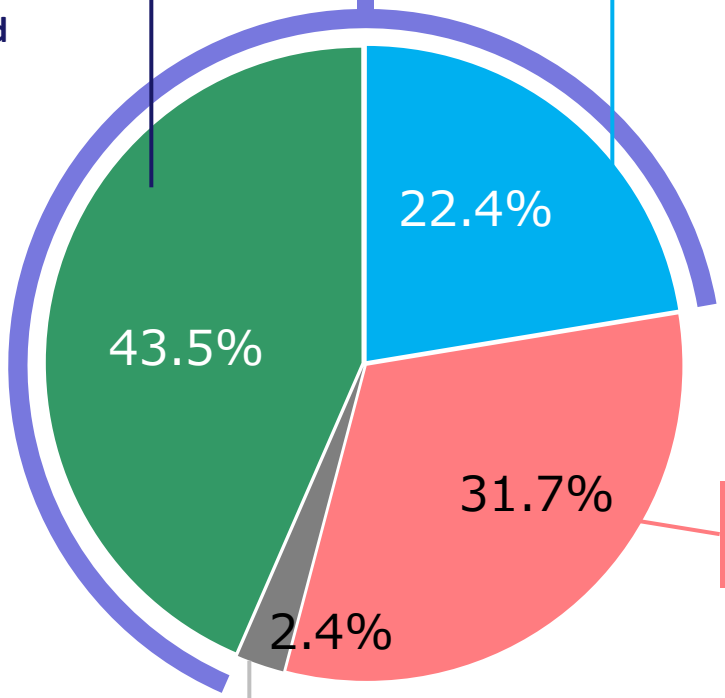
About 70% of sales originate from disclosure and investor relations services for listed companies

Listed companies disclosure-related

- Shareholders' meeting-related
- Account settlement-related

- Account settlement-related system
- Disclosure support system
- Disclosure and accounting information generating system

- IPO / finance-related



Listed companies IR- related, etc.

- Business reports
- IR site building and updating service
- Support for shareholders' meeting (visualization, etc.)
- English-language IR tools
- Public notices, advertising, etc.

Financial instruments disclosure-related

- Disclosure documents and sales tools for investment trusts, J-REITs and foreign securities, etc.

- Investment trust document preparation support systems

- Fund management system for J-REITs

Database-related

- Corporate information databases

Net sales
(FYE March 31, 2016)
20,971 million

Financial Disclosure Solutions PRONEXUS

1. Listed companies disclosure-related

Main clients: Listed companies (accounting / administrative divisions)

Shareholders' meeting-related

■**Support producing shareholders' meeting documents**

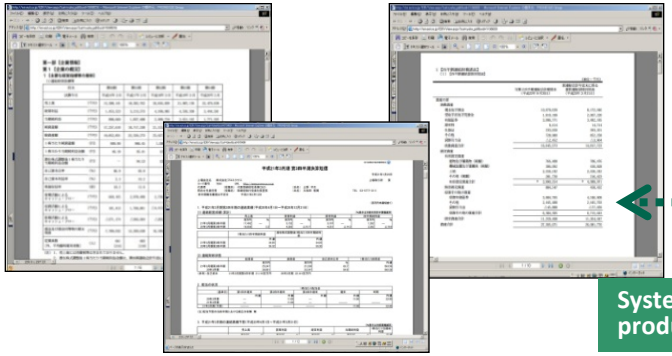
Documents
- Convocation notices for Shareholders' meeting
- Printing of resolution notices
- Voting forms, etc.



Account settlement-related

■**Support producing disclosure documents**

Documents
- Securities reports
- Quarterly reports
- Earnings reports
- Extraordinary reports
- Large shareholding report, etc.



IPO/finance-related

■**IPO support services**

Services
- Provision of information
- Consulting service, etc.

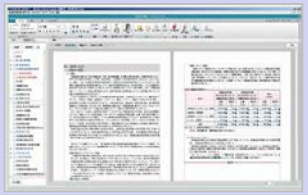
■**Support producing IPO and finance documents**

Documents
- Stock listing applications
- Securities registration statements
- Prospectuses and others



Disclosure and accounting information generating system WORKS-i

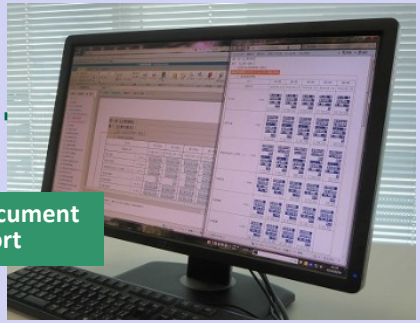
System-based document production support



Disclosure support system

PRONEXUS WORKS

System-based document production support





Financial Disclosure Solutions PRONEXUS

2. Listed companies IR-related, etc.

Main clients: Listed companies (IR departments)

Creation of communication tools

Tools

- Business reports
- Visual convocation notices
- CSR reports
- Integration reports
- Earnings announcements, etc.



English-language IR

Disclosure

- English earning report
- English convocation notices for shareholders' meeting
- English securities report
- English corporate governance reports, etc.

IR

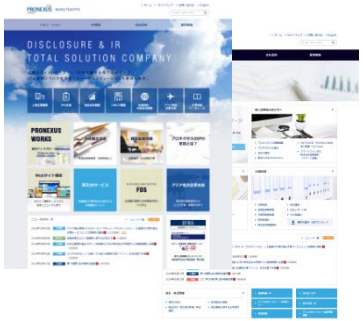
- English earnings announcements
- English websites
- English fact books, etc.



Website production and operation

Website

- Corporate information websites
- IR websites
- CSR websites
- Recruitment websites, etc.



Support for shareholders' meeting

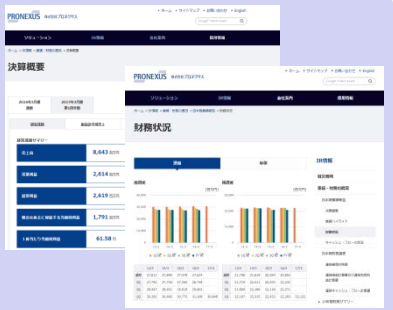
Service

- Venue proposal
- AV arrangement and operation
- Production of business report visuals
- Planning and production of pre-meeting visuals, etc.



Proprietary automatic IR site development/updating support service

E-IR



Tie-ins with Radio Nikkei program "Asazai"

- IR events, seminars



IR consulting

- Support for electronic public notices
- Public notices, advertising

Business seminars



Financial Disclosure Solutions PRONEXUS

3. Financial product disclosure-related

Main clients: Domestic investment trust management companies, listed J-REITs, overseas investment trust management companies, and overseas companies

Investment Trust Company related

Documents
- Securities registration (EDINET documents)
- Prospectuses
- Asset management report
- Sales promotion tool, etc.



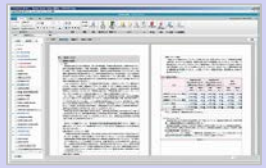
・Website development / operation support, translation services

Investment trust support system

PRONEXUS FUND DOCUMENT SYSTEM



FDS



System-based document production support

PRONEXUS WORKS

J-REIT company-related

Support for management company establishment and IPO



- Prospectuses
- Securities registration
- Newspaper advertisement
- Sales promotion tool, etc.

Support for account settlement, shareholders' meetings, public offerings, etc.
- Securities report
- Earnings report
- Asset management report
- Results briefing material
- Convocation notices for shareholders' meeting
- Voting form, etc.

・Website development / operation support, translation services

J-REIT support system

PRONEXUS REAMAS
Real Estate Asset Management Assist System



System-based document production support



Foreign investment trust / foreign company-related

Documents
- Securities registration (EDINET document)
- Prospectuses
- Asset management report
- Sales promotion tool, etc.

・Website development / operation support, translation services





4. Database-related

Main clients Universities, research institutions, and general business companies

Corporate information databases

eolDB



- Comprehensive distribution of information, mainly on publicly traded companies in Japan (dating back to 1961)

Japanese | English | Chinese

Company Navi

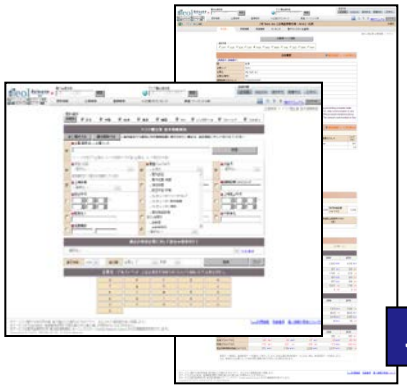




・An information service for career planning, which allows the user to research companies

Japanese

eol Asia One Data



Comprehensive data on listed companies in Asia's main regions
(9 regions, about 12,500 companies)

Japanese | English | Chinese

DataFeeds

Timely distribution of needed information.
Support for database operation.

Japanese

BenchMark

Analysis of one's own company compared to other companies. Corporate information comparison service.

Japanese

LionShares

Support for overseas IR activities. Foreign investors database service.

Japanese

■ We support a variety of work, centered on disclosure and IR, through four functions

Main clients

Listed companies	Investment trust companies	J-REITs	Overseas investment trust management companies, and overseas companies

Customers' work that we address

- Operation and management
- Sales promotion and marketing
- IPOs, financing, and fund establishment
- (Account settlement) ⇒ Disclosure, Shareholders' meeting-related
- IR

Four functions that we provide

PRONEXUS

Support by consulting	Support by System	Security support	Customer support
• Information, seminars • Guidebooks • Legal checks • Q & A	• Disclosure support system • Investment trust support system • Asset management and operation support system	• Infrastructure to maintain confidentiality • Information security system • Insider information management structure	• Two agent support system • Customer support center • Technical support center • ISO certification

Financial Disclosure Solutions
PRONEXUS

PRONEXUS INC.