

June 14, 2024

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending October 31, 2024 (Japanese GAAP)

Company name: Prored Partners Co., Ltd.	Stock exchange listing: TSE Prime Market
Securities code: 7034	URL: https://www.prored-p.com/
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Scheduled date for filing of securities report: June 14, 2024	
Scheduled date of dividend payment: –	
Supplementary documents for quarterly results: Yes	
Quarterly results briefing: Yes (for institutional investors and analysts)	

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Six Months of the Fiscal Year Ending October 31, 2024 (November 1, 2023 to April 30, 2024)

(1) Consolidated business results (Percentages below represent increases (decreases) from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
April 30, 2024	1,794	31.8	270	–	1,662	-65.0	481	-46.7
April 30, 2023	1,361	-8.8	-98	–	4,746	4,645.1	902	517.1

(Note) Comprehensive income First six months ended April 30, 2024: 1,338 million yen ((70.4)%)
First six months ended April 30, 2023: 4,697 million yen (–%)

	Profit per share	Diluted profit per share
Six months ended	Yen	Yen
April 30, 2024	44.09	–
April 30, 2023	82.64	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
April 30, 2024	13,227	11,359	48.9
October 31, 2023	11,978	10,066	50.1

(Reference) Equity As of April 30, 2024: 6,474 million yen As of October 31, 2023: 5,997 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2023	–	0.00	–	0.00	0.00
Fiscal year ending October 31, 2024	–	0.00			
Fiscal year ending October 31, 2024 (Forecast)			–	0.00	0.00

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

3. Forecast for Consolidated Financial Results for the Fiscal Year Ending October 31, 2024 (November 1, 2023 to October 31, 2024) (Percentages below represent increases (decreases) from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full Year	2,546	-6.2	-917	–	–	–	–	–

(Note) Revisions to the forecast of results since most recent announcement: None

The Company does not forecast a specific ordinary profit figure or figures for profit items below ordinary profit, due to the difficulty of reasonably predicting the timing and amount of accruals for profit and loss caused by the management of the investment limited partnership in which the Company invests.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): None
 New: None Excluded: None

- (2) Application of particular accounting treatment concerning preparation of quarterly financial statements: Yes
 (Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Application of particular accounting treatments concerning preparation of quarterly consolidated financial statements)” on page 8 of the Supplementary Information.

- (3) Changes in accounting policies, accounting estimates and restatement
 (i) Changes in accounting policies associated with revision of accounting standards: None
 (ii) Changes in accounting policies other than (i): None
 (iii) Changes in accounting estimates: None
 (iv) Restatement: None

- (4) Number of shares outstanding (common stock)
 (i) Number of shares outstanding (including treasury shares)
 As of April 30, 2024: 11,195,600 shares
 As of October 31, 2023: 11,195,600 shares
 (ii) Number of treasury shares at the end of the period
 As of April 30, 2024: 276,106 shares
 As of October 31, 2023: 276,106 shares
 (iii) Average number of shares issued during the period
 Six months ended April 30, 2024: 10,919,494 shares
 Six months ended April 30, 2023: 10,919,494 shares

* Quarterly financial results are outside the scope of the quarterly review by certified public accountants or audit corporations.

* Explanations and other special notes concerning the appropriate use of business results forecasts
 (Notes on forward-looking statements)

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors. For assumptions underlying the forecasts and notes regarding the use of the forecasts, please refer to “1. Qualitative Information on Financial Results for the First Six Months Ended April 30, 2024 (3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements” on page 3 of the Supplementary Information.

(How to obtain supplementary documents for quarterly results and details of the results briefing)

The Company will hold an online results briefing for institutional investors and analysts on Friday, June 14, 2024 using its web meeting system. The Company will post the details of the results briefing on its website as soon as it has been held.

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1. Qualitative Information on Financial Results for the First Six Months Ended April 30, 2024

The forward-looking statements made below are forecasts determined by the Group at the end of the first six months under review.

(1) Explanation Regarding Business Results

The Group sought to grow its consulting business, in which it provides pay-per-performance cost management consulting, where it has had one of the strongest track records in Japan.

The business environment for the consulting business remains challenging, given greater than expected difficulty in reducing cost due to inflation. On the other hand, demand for cost management and various types of support for corporate activities that are difficult to provide in the performance-based model remains high. To meet such demand, the Company began providing a service in the fixed-fee consulting services domain aimed at establishing a new service model in which an investment phase is established before the fee-based contract. The Group will work to return the consulting business to a growth track by revitalizing the pay-per-performance cost management consulting business and offering more fixed-fee consulting services.

The Group also recorded a gain on investment partnerships of 1,531 million yen as a result of the management of an investment limited partnership (Dolphin No. 1 Fund and Inflexion II SP) in which the Group has an investment.

As a result, in the first six months under review, the Company recorded net sales of 1,794 million yen (up 31.8% year on year) and an operating profit of 270 million yen (an operating loss of 98 million yen a year ago). Ordinary profit stood at 1,662 million yen (down 65.0% year on year). Profit attributable to owners of parent came to 481 million yen (down 46.7%). Segment information is not shown because the Group's operations are limited to the single segment of the consulting business.

(2) Explanation Regarding Financial Position

(i) Assets, liabilities and net assets

(Assets)

Net assets at the end of the first six months under review totaled 13,227 million yen, an increase of 1,249 million yen from the end of the previous fiscal year.

Current assets increased 539 million yen from the end of the previous fiscal year, to 6,712 million yen. This is primarily due to increase of 751 million yen in cash and deposits, despite decreases of 92 million yen in advances paid, 57 million yen in prepaid expenses, and 28 million yen in income taxes refund receivable.

Non-current assets increased 709 million yen from the end of the previous fiscal year, to 6,515 million yen. This was attributable primarily to an increase of 751 million yen in investment securities.

(Liabilities)

Liabilities at the end of the first six months under review totaled 1,868 million yen, an increase of 42 million yen from the end of the previous fiscal year.

Current liabilities increased 29 million yen from the end of the previous fiscal year, to 949 million yen. This was largely due to an increase of 178 million yen in income taxes payable, despite a decrease of 112 million yen in accrued expenses.

Non-current liabilities declined 72 million yen from the end of the previous fiscal year, to 918 million yen. This chiefly reflects a decrease of 69 million yen in long-term borrowings.

(Net assets)

Net assets at the end of the first six months under review totaled 11,359 million yen, an increase of 1,292 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 481 million yen in retained earnings due to the posting of profit attributable to owners of parent, and 798 million yen in non-controlling interests.

(ii) Cash flows

Cash and cash equivalents (net cash) during the six months ended April 30, 2024 increased by 751 million yen from the previous consolidated fiscal year, to 6,156 million yen.

Cash flows and the factors contributing to them during the six months ended April 30, 2024 were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 96 million yen. This was largely attributable to profit before income taxes of 1,662 million yen, despite a gain on investments in investment partnerships of 1,534 million yen.

(Cash flows from investing activities)

Net cash provided by investing activities was 776 million yen. This was mainly due to 886 million yen spent on the purchase of investment securities, 1,364 million yen in proceeds from the sale of investment securities and 298 million yen in proceeds from distributions from investment partnerships.

(Cash flows from financing activities)

Net cash used in financing activities was 121 million yen. This was mainly attributable to proceeds from share issuance to non-controlling shareholders of 938 million yen, and 1,052 million yen in dividends paid to non-controlling interests.

(3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements

Business results forecasts for the fiscal year ending October 31, 2024 remain unchanged from the consolidated business results forecasts announced on December 15, 2023.

Results forecasts are prepared based on the information available to the Company at the present moment, and actual results may differ from forecasts due to various future factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousand yen)

	Previous fiscal year (As of October 31, 2023)	First six-month period (As of April 30, 2024)
Assets		
Current assets		
Cash and deposits	5,404,432	6,156,085
Accounts receivable - trade, and contract assets	457,156	434,112
Other	311,305	122,366
Total current assets	6,172,895	6,712,564
Non-current assets		
Property, plant and equipment	50,308	42,873
Intangible assets		
Goodwill	276,790	261,413
Software	19,661	17,325
Other	26	26
Total intangible assets	296,478	278,765
Investments and other assets		
Investment securities	5,224,645	5,976,167
Other	233,728	217,328
Total investments and other assets	5,458,373	6,193,495
Total non-current assets	5,805,160	6,515,134
Total assets	11,978,055	13,227,698
Liabilities		
Current liabilities		
Accounts payable - trade	85,270	64,063
Current portion of bonds payable	80,000	40,000
Current portion of long-term borrowings	67,700	169,400
Accounts payable - other	125,886	87,254
Accrued expenses	298,177	185,365
Accrued consumption taxes	95,858	69,769
Income taxes payable	79,239	257,751
Provision for bonuses	54,847	35,503
Other	33,101	40,568
Total current liabilities	920,081	949,676
Non-current liabilities		
Long-term borrowings	956,300	886,600
Retirement benefit liability	14,273	13,993
Asset retirement obligations	15,038	15,058
Deferred tax liabilities	5,669	3,273
Total non-current liabilities	991,280	918,925
Total liabilities	1,911,362	1,868,601
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	4,031,851	4,031,851
Retained earnings	2,707,481	3,188,889
Treasury shares	-762,824	-762,824
Total shareholders' equity	5,986,507	6,467,916
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,720	6,189
Total accumulated other comprehensive income	10,720	6,189
Share acquisition rights	50,108	67,450
Non-controlling interests	4,019,356	4,817,540
Total net assets	10,066,692	11,359,096
Total liabilities and net assets	11,978,055	13,227,698

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly consolidated statement of income)

(First six-month period)

(Unit: Thousand yen)

	First six-month period of the previous fiscal year (from November 1, 2022 to April 30, 2023)	First six-month period (from November 1, 2023 to April 30, 2024)
Net sales	1,361,413	1,794,369
Cost of sales	920,459	977,293
Gross profit	440,953	817,076
Selling, general and administrative expenses	539,493	546,196
Operating profit (loss)	-98,539	270,880
Non-operating income		
Interest income	221	26
Gain on investments in investment partnerships	4,975,363	1,534,951
Miscellaneous income	1,293	3,060
Total non-operating income	4,976,878	1,538,038
Non-operating expenses		
Interest expenses	1,796	1,995
Interest expenses on bonds	80	40
Investment partnership management expenses	129,859	143,673
Miscellaneous losses	470	254
Total non-operating expenses	132,207	145,963
Ordinary profit	4,746,132	1,662,955
Profit before income taxes	4,746,132	1,662,955
Income taxes	56,085	269,472
Profit	4,690,046	1,393,482
Profit attributable to non-controlling interests	3,787,616	912,074
Profit attributable to owners of parent	902,429	481,408

(Quarterly consolidated statement of comprehensive income)

(First six-month period)

(Unit: Thousand yen)

	First six-month period of the previous fiscal year (from November 1, 2022 to April 30, 2023)	First six-month period (from November 1, 2023 to April 30, 2024)
Profit	4,690,046	1,393,482
Other comprehensive income		
Valuation difference on available-for-sale securities	7,720	-4,531
Total other comprehensive income	7,720	-4,531
Comprehensive income	4,697,766	1,388,951
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	910,150	476,876
Comprehensive income attributable to non-controlling interests	3,787,616	912,074

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	First six-month period of the previous fiscal year (from November 1, 2022 to April 30, 2023)	First six-month period (from November 1, 2023 to April 30, 2024)
Cash flows from operating activities		
Profit before income taxes	4,746,132	1,662,955
Depreciation	14,021	18,884
Amortization of goodwill	15,377	15,377
Share-based payment expenses	27,090	17,342
Increase (decrease) in provision for bonuses	83,611	-19,343
Interest income	-221	-26
Interest expenses	1,876	2,035
Loss (gain) on investments in investment partnerships	-4,975,363	-1,534,951
Subsidy income	-273	-138
Decrease (increase) in trade receivables	101,616	23,044
Decrease (increase) in inventories	450	942
Decrease (increase) in prepaid expenses	-15,839	57,244
Increase (decrease) in accounts payable - trade	42,706	-21,206
Increase (decrease) in accounts payable - other	-118,240	-38,632
Increase (decrease) in accrued expenses	-36,152	-112,861
Increase (decrease) in accrued consumption taxes	-15,661	-26,088
Increase (decrease) in advances received	-2,164	11,482
Increase (decrease) in deposits received	19,151	-3,957
Other, net	-73,391	115,582
Subtotal	-185,273	167,683
Interest received	221	26
Subsidies received	273	138
Interest paid	-1,876	-1,985
Income taxes refund (paid)	13,678	-69,125
Net cash provided by (used in) operating activities	-172,976	96,737
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,472	-433
Purchase of intangible assets	-115	-2,242
Purchase of investment securities	-597,210	-886,200
Proceeds from distributions from investment partnerships	37,840	298,180
Proceeds from sale of investment securities	5,365,005	1,364,538
Other, net	-1,350	2,962
Net cash provided by (used in) investing activities	4,802,698	776,805
Cash flows from financing activities		
Proceeds from long-term borrowings	264,000	42,000
Repayments of long-term borrowings	-22,600	-10,000
Redemption of bonds	-40,000	-40,000
Proceeds from share issuance to non-controlling shareholders	278,136	938,959
Dividends paid to non-controlling interests	-4,162,871	-1,052,850
Net cash provided by (used in) financing activities	-3,683,334	-121,890
Net increase (decrease) in cash and cash equivalents	946,386	751,652
Cash and cash equivalents at beginning of period	4,729,774	5,404,432
Cash and cash equivalents at end of period	5,676,160	6,156,085

(4) Notes to Quarterly Consolidated Financial Statements

(Note regarding going concern assumptions)

Not applicable.

(Application of particular accounting treatments concerning preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company calculates tax expenses by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to profit before income taxes for the fiscal year including the first six months under review, excluding certain consolidated subsidiaries. However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used. Income taxes - deferred is included in income taxes.

(Segment information, etc.)

Segment information

Segment information is not shown because the Group's operations are limited to the single segment of the consulting business.

(Significant subsequent events)

Not applicable.