

September 13, 2024

Consolidated Financial Results for the First Nine 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 of dividend payment: –	
Supplementary documents for quarterly results: None	
Quarterly results briefing: None	

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending October 31, 2024 (November 1, 2023 to July 31, 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
July 31, 2024	2,443	27.5	158	–	1,592	-64.6	412	-56.1
July 31, 2023	1,915	-3.1	-237	–	4,499	–	941	–

(Note) Comprehensive income First nine months ended July 31, 2024: 1,343 million yen (-71.0%)
First nine months ended July 31, 2023: 4,635 million yen (–%)

	Profit per share	Diluted profit per share
Nine months ended	Yen	Yen
July 31, 2024	37.80	–
July 31, 2023	86.18	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
July 31, 2024	13,011	11,236	49.2
October 31, 2023	11,978	10,066	50.1

(Reference) Equity As of July 31, 2024: 6,405 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	3,100	14.2	-120	–	–	–	–	–

(Notes) Revisions to the forecast of results since most recent announcement: Yes

- For details of revisions to the consolidated financial results forecasts, please refer to “Notice on Revisions to the Full-Year Business Results Forecasts” (September 13, 2024).
- 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) Significant changes in the scope of consolidation during the period: 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 (3) Notes to Quarterly Consolidated Financial Statements (Notes to particular accounting treatments concerning preparation of quarterly consolidated financial statements)” on page 7 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 July 31, 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 July 31, 2024: 276,106 shares

As of October 31, 2023: 276,106 shares

(iii) Average number of shares issued during the period

Nine months ended July 31, 2024: 10,919,494 shares

Nine months ended July 31, 2023: 10,919,494 shares

* Quarterly review of these quarterly consolidated financial statements by certified public accountants or audit corporations: None.

* 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. Overview of Operating Results, etc. (3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements” on page 3 of the Supplementary Information.

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1. Overview of Operating Results, etc.

Overview of Operating Results, etc.

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

(1) Overview of Operating 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 1,631 million yen in the first nine months under review 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 nine months under review, the Company recorded net sales of 2,443 million yen (up 27.5% year on year) and an operating profit of 158 million yen (an operating loss of 237 million yen a year ago). Ordinary profit stood at 1,592 million yen (down 64.6% year on year). Profit attributable to owners of parent came to 412 million yen (down 56.1%).

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

(2) Overview of Financial Position

(Assets)

Net assets at the end of the first nine months under review totaled 13,011 million yen, an increase of 1,033 million yen from the end of the previous fiscal year.

Current assets increased 347 million yen from the end of the previous fiscal year, to 6,520 million yen. This was primarily attributable to an increase of 600 million yen in cash and deposits, which was partly offset by decreases in accounts receivable – trade and contract assets of 90 million yen, advances paid of 71 million yen and prepaid expenses of 68 million yen.

Non-current assets increased 686 million yen from the end of the previous fiscal year, to 6,491 million yen. This was attributable primarily to an increase of 751 million yen in investment securities.

(Liabilities)

Liabilities at the end of the first nine months under review totaled 1,775 million yen, a decrease of 135 million yen from the end of the previous fiscal year.

Current liabilities decreased 8 million yen from the end of the previous fiscal year, to 911 million yen. This was mainly due to a decrease in accrued expenses of 173 million yen, despite an increase in current portion of long-term borrowings of 151 million yen.

Non-current liabilities declined 127 million yen from the end of the previous fiscal year, to 864 million yen. This chiefly reflects a decrease of 124 million yen in long-term borrowings.

(Net assets)

Net assets at the end of the first nine months under review totaled 11,236 million yen, an increase of 1,169 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 412 million yen in retained earnings due to the posting of profit attributable to owners of parent, and 739 million yen in non-controlling interests.

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

Consolidated results forecasts for the fiscal year ending October 31, 2024 have been revised. This mainly reflects the solid sales trend in the Company's fixed-fee consulting services and the Group companies' consulting services for business corporations which surpassed the initial projections and the decrease in sales that was smaller than the initial projections in the Company's pay-per-performance consulting business.

For details, please see the Notice on Revisions to the Full-Year Business Results Forecasts released today (September 13, 2024).

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 nine-month period (As of July 31, 2024)
Assets		
Current assets		
Cash and deposits	5,404,432	6,004,472
Accounts receivable - trade, and contract assets	457,156	366,929
Other	311,305	148,955
Total current assets	6,172,895	6,520,357
Non-current assets		
Property, plant and equipment	50,308	40,384
Intangible assets		
Goodwill	276,790	253,724
Software	19,661	12,793
Other	26	26
Total intangible assets	296,478	266,544
Investments and other assets		
Investment securities	5,224,645	5,975,822
Other	233,728	208,590
Total investments and other assets	5,458,373	6,184,412
Total non-current assets	5,805,160	6,491,341
Total assets	11,978,055	13,011,698
Liabilities		
Current liabilities		
Accounts payable - trade	85,270	42,987
Current portion of bonds payable	80,000	40,000
Current portion of long-term borrowings	67,700	219,200
Accounts payable - other	125,886	83,086
Accrued expenses	298,177	124,794
Accrued consumption taxes	95,858	62,710
Income taxes payable	79,239	195,010
Provision for bonuses	54,847	100,940
Other	33,101	42,633
Total current liabilities	920,081	911,363
Non-current liabilities		
Long-term borrowings	956,300	831,800
Retirement benefit liability	14,273	13,993
Asset retirement obligations	15,038	15,069
Deferred tax liabilities	5,669	3,350
Total non-current liabilities	991,280	864,213
Total liabilities	1,911,362	1,775,576
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	4,031,851	4,031,851
Retained earnings	2,707,481	3,120,224
Treasury shares	-762,824	-762,824
Total shareholders' equity	5,986,507	6,399,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,720	6,335
Total accumulated other comprehensive income	10,720	6,335
Share acquisition rights	50,108	71,927
Non-controlling interests	4,019,356	4,758,607
Total net assets	10,066,692	11,236,121
Total liabilities and net assets	11,978,055	13,011,698

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

(Quarterly consolidated statement of income)

(First nine-month period)

(Unit: Thousand yen)

	First nine-month period of the previous fiscal year (from November 1, 2022 to July 31, 2023)	First nine-month period (from November 1, 2023 to July 31, 2024)
Net sales	1,915,712	2,443,117
Cost of sales	1,362,500	1,495,438
Gross profit	553,212	947,679
Selling, general and administrative expenses	790,814	788,923
Operating profit (loss)	-237,602	158,755
Non-operating income		
Interest income	24	33
Gain on investments in investment partnerships	4,987,671	1,631,320
Miscellaneous income	1,431	11,187
Total non-operating income	4,989,127	1,642,541
Non-operating expenses		
Interest expenses	2,546	3,151
Interest expenses on bonds	80	40
Investment partnership management expenses	249,256	205,215
Miscellaneous losses	610	339
Total non-operating expenses	252,493	208,746
Ordinary profit	4,499,031	1,592,550
Extraordinary income		
Gain on sale of businesses	215,089	—
Total extraordinary income	215,089	—
Profit before income taxes	4,714,120	1,592,550
Income taxes	87,014	244,689
Profit	4,627,105	1,347,861
Profit attributable to non-controlling interests	3,686,073	935,117
Profit attributable to owners of parent	941,032	412,743

(Quarterly consolidated statement of comprehensive income)
(First nine-month period)

(Unit: Thousand yen)

	First nine-month period of the previous fiscal year (from November 1, 2022 to July 31, 2023)	First nine-month period (from November 1, 2023 to July 31, 2024)
Profit	4,627,105	1,347,861
Other comprehensive income		
Valuation difference on available-for-sale securities	8,163	-4,385
Total other comprehensive income	8,163	-4,385
Comprehensive income	4,635,269	1,343,476
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	949,195	408,358
Comprehensive income attributable to non-controlling interests	3,686,073	935,117

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to 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 nine 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.

(Notes to 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.

(Notes in the case of significant changes in shareholders equity)

Not applicable.

(Note regarding going concern assumptions)

Not applicable.

(Notes to quarterly consolidated statement of cash flows)

No quarterly cash flow statement was prepared for the first nine months under review. Depreciation (including depreciation on intangible assets excluding goodwill) and the amount of amortization of goodwill for the first nine months under review are as follows.

(Unit: Thousand yen)

	First nine-month period of the previous fiscal year (from November 1, 2022 to July 31, 2023)	First nine-month period (from November 1, 2023 to July 31, 2024)
Depreciation	21,059	27,375
Amortization of goodwill	23,065	23,065