

June 14 2022

## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending October 31, 2022 (Japanese GAAP)

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 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, 2022 (November 1, 2021 to April 30, 2022)

(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, 2022	1,492	(26.8)	119	(79.4)	100	(79.5)	146	(60.6)
April 30, 2021	2,041	–	580	–	489	–	371	–

(Note) Comprehensive income First six months ended April 30, 2022: 30 million yen (-90.4%)  
 First six months ended April 30, 2021: 313 million yen (–%)

	Earnings per share		Diluted earnings per share	
Six months ended	Yen		Yen	
April 30, 2022	13.39		–	
April 30, 2021	33.18		33.11	

### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of April 30, 2022	9,517		8,184		65.0	
As of October 31, 2021	8,892		7,860		67.9	

(Reference) Equity As of April 30, 2022: 6,185 million yen As of October 31, 2021: 6,039 million yen

### 2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen				
Fiscal year ended October 31, 2021	–	0.00	–	0.00	0.00
Fiscal year ending October 31, 2022	–	0.00			
Fiscal year ending October 31, 2022 (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, 2022 (November 1, 2021, to October 31, 2022) (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		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	2,515	(31.0)	(248)	–	(460)	–	(226)	–	(20.71)

(Note) 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” (June 14, 2022).

\* 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: Yes  
(ii) Changes in accounting policies other than (i): None  
(iii) Changes in accounting estimates: None  
(iv) Restatement: None  
(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 8 of the Supplementary Information.
- (4) Number of shares outstanding (common stock)  
(i) Number of shares outstanding (including treasury stock)  
As of April 30, 2022: 11,195,600 shares  
As of October 31, 2021: 11,195,600 shares  
(ii) Number of treasury stock at the end of the period  
As of April 30, 2022: 276,106 shares  
As of October 31, 2021: 276,069 shares  
(iii) Average number of shares issued during the period  
Six months ended April 30, 2022: 10,919,500 shares  
Six months ended April 30, 2021: 11,194,631 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, 2022 (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 Tuesday, June 14, 2022 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, 2022

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

During the first six months under review, the Japanese economy continued to face challenging conditions, with inflation reaching its highest level in 40 years as the Corporate Goods Price Index compiled by the Bank of Japan jumped 10.0% in April from a year earlier and with restraints on economic activity and people's movement due to COVID-19 still having a noticeable impact.

In this business environment, the Company sought to grow the business of pay-per-performance cost management consulting, where it has had one of the strongest track records in Japan. Since the previous fiscal year, it has also begun full-fledged investment in the development of Pro-Sign, the Company's original DX platform.

First, in the pay-per-performance cost management business, the Company steadily strengthened its customer base by continuously increasing the number of corporate customers and raising the percentage of companies of the size particularly targeted by the Company (medium-sized and large companies with net sales of 10 billion yen or more and less than 500 billion yen) to approximately 80% of all customers. Moreover, the revision of the fee system adopted in January 2020 made steady progress. These factors suggest that the business foundation to drive sustainable growth of revenue from the Company's consulting business is being put in place.

However, given that recent dramatic price increases have made it difficult to make initially anticipated cost reductions and that net sales from customers' industries affected severely by the COVID-19 pandemic were below the initial plan, the business environment remains challenging.

The Company considers that potential demand for pay-per-performance cost management, in which the Company has strengths, is still high and its market position is strong. The Company will return the business to a growth track at an early stage by instituting strategies such as accelerating the achievement of sales leads and expanding new business domains.

In the Pro-Sign business, which is expected to serve as a new source of growth, 355 companies had completed installation by April 30, 2022, which marks the end of the second quarter. Based on the current fast pace of introduction, the Company considers that the probability of starting to charge service fees in the current fiscal year and turning a profit in the medium term has increased and consequently recorded as an asset (software and software in progress) the Pro-Sign development expenses that had been posted since the third quarter of the previous fiscal year. The Business Spend Management domain, which is the focus of Pro-Sign, is rapidly proliferating globally, and as the pioneer in this field, the Company will continue to focus on active business development to become the leader in the Japanese market, which is still in its infancy.

As a result, operating results for the first six months under review recorded net sales of 1,492 million yen, operating profit of 119 million yen, ordinary profit of 100 million yen and profit attributable to owners of parent of 146 million yen. 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 9,517 million yen, an increase of 624 million yen from the end of the previous fiscal year.

Current assets decreased 93 million yen from the end of the previous fiscal year, to 5,311 million yen. This is primarily due to declines of 261 million yen in accounts receivable - trade and contract assets, 46 million yen in work in process, 43 million yen in suspense payments and 33 million yen in advances paid, despite an increase of 285 million yen in cash and deposits.

Non-current assets increased 718 million yen from the end of the previous fiscal year, to 4,206 million yen. This was

attributable primarily to an increase of 390 million yen in investment securities and an increase of 303 million yen in software in progress.

(Liabilities)

Liabilities at the end of the first six months under review totaled 1,332 million yen, an increase of 301 million yen from the end of the previous fiscal year.

Current liabilities decreased 27 million yen from the end of the previous fiscal year, to 790 million yen. This is mainly due to decreases of 58 million yen in accounts payable - trade and 23 million yen in advances received, despite an increase of 63 million yen in income taxes payable.

Non-current liabilities rose 328 million yen from the end of the previous fiscal year, to 542 million yen. This was mainly attributable to a decrease of 40 million yen in bonds payable, despite an increase of 369 million yen in long-term borrowings.

(Net assets)

Net assets at the end of the first six months under review totaled 8,184 million yen, an increase of 323 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 146 million yen in retained earnings due to the posting of profit attributable to owners of parent, and 177 million yen in non-controlling interests.

(ii) Cash flows

Cash and cash equivalents (net cash) during the six months ended April 30, 2022 increased by 285 million yen from the previous consolidated fiscal year, to 4,851 million yen.

Cash flows and the factors contributing to them during the six months ended April 30, 2022 were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 350 million yen. This was mainly attributable to a decrease 261 million yen in trade receivables and 100 million yen in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was 688 million yen. Main factors include 385 million yen in purchase of investment securities and 374 million yen in purchase of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities was 622 million yen. This was mainly attributable to proceeds from long-term borrowings of 382 million yen and proceeds from the issuing of shares to non-controlling shareholders of 293 million yen, as well as the redemption of bonds of 40 million yen and repayments of long-term borrowings of 12 million yen.

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

Business conditions for the Company became more severe, reflecting adverse conditions due to the pressure of inflation which continued to rise as in the first three-month period

In light of the recent dramatic increase in prices and lower than planned net sales from customers' industries affected severely by the recent COVID-19 pandemic, the Company revised its consolidated net sales forecast for the fiscal year ending October 31, 2022.

For details, please see the Notice on Revisions to the Full-Year Business Results Forecasts released today (June 14, 2022).

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, 2021)	First six-month period (As of April 30, 2022)
Assets		
Current assets		
Cash and deposits	4,566,793	4,851,965
Accounts receivable - trade, and contract assets	650,228	388,605
Other	187,695	70,445
Total current assets	5,404,717	5,311,015
Non-current assets		
Property, plant and equipment	79,248	70,971
Intangible assets		
Goodwill	338,299	322,922
Software	71,982	112,829
Software in progress	243,634	546,754
Other	26	26
Total intangible assets	653,943	982,532
Investments and other assets		
Investment securities	2,559,608	2,950,134
Other	194,839	202,427
Total investments and other assets	2,754,448	3,152,561
Total non-current assets	3,487,640	4,206,066
Total assets	8,892,357	9,517,082
Liabilities		
Current liabilities		
Accounts payable - trade	74,340	16,300
Current portion of bonds payable	80,000	80,000
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	25,200	25,200
Accounts payable - other	148,620	151,339
Accrued expenses	228,381	221,474
Accrued consumption taxes	33,727	37,092
Income taxes payable	36,378	99,945
Provision for bonuses	11,271	11,684
Other	80,417	47,638
Total current liabilities	818,337	790,675
Non-current liabilities		
Bonds payable	160,000	120,000
Long-term borrowings	25,600	395,000
Retirement benefit liability	12,966	12,270
Asset retirement obligations	14,955	14,976
Total non-current liabilities	213,522	542,246
Total liabilities	1,031,860	1,332,922
Net assets		
Shareholders' equity		
Share capital	2,025,925	2,025,925
Capital surplus	2,015,925	2,015,925
Retained earnings	2,760,265	2,906,502
Treasury shares	(762,779)	(762,824)
Total shareholders' equity	6,039,337	6,185,528
Non-controlling interests	1,821,160	1,998,631
Total net assets	7,860,497	8,184,160
Total liabilities and net assets	8,892,357	9,517,082

(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, 2020 to April 30, 2021)	First six-month period (from November 1, 2021 to April 30, 2022)
Net sales	2,041,619	1,492,658
Cost of sales	756,384	676,552
Gross profit	1,285,234	816,106
Selling, general and administrative expenses	704,809	696,930
Operating profit	580,425	119,175
Non-operating income		
Interest income	54	22
Government subsidies received	2,000	—
Gain on investments in investment partnerships	—	91,144
Miscellaneous income	1,912	1,597
Total non-operating income	3,967	92,764
Non-operating expenses		
Interest expenses	799	282
Interest expenses on bonds	160	120
Loss on investments in investment partnerships	22,051	—
Investment partnership management expenses	71,803	100,786
Commission expenses	—	10,200
Miscellaneous losses	358	528
Total non-operating expenses	95,172	111,918
Ordinary profit	489,220	100,021
Extraordinary income		
Gain on sale of non-current assets	154	—
Total extraordinary income	154	—
Profit before income taxes	489,374	100,021
Income taxes	175,528	69,941
Profit	313,846	30,079
Loss attributable to non-controlling interests	(57,606)	(116,156)
Profit attributable to owners of parent	371,453	146,236

(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, 2020 to April 30, 2021)	First six-month period (from November 1, 2021 to April 30, 2022)
Profit	313,846	30,079
Comprehensive income	313,846	30,079
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	371,453	146,236
Comprehensive income attributable to non-controlling interests	(57,606)	(116,156)



### (3) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	First six-month period of the previous fiscal year (from November 1, 2020 to April 30, 2021)	First six-month period (from November 1, 2021 to April 30, 2022)
Cash flows from operating activities		
Profit before income taxes	489,374	100,021
Depreciation	41,085	21,672
Amortization of goodwill	15,377	15,377
Increase (decrease) in provision for bonuses	(415)	412
Interest income	(54)	(22)
Government subsidies received	(2,000)	—
Interest expenses	959	402
Loss (gain) on investments in investment partnerships	22,051	(91,144)
Loss (gain) on sale of property, plant and equipment	(154)	—
Decrease (increase) in trade receivables	(2,698)	261,622
Decrease (increase) in inventories	39,420	46,930
Decrease (increase) in prepaid expenses	(24,825)	(22,409)
Increase (decrease) in accounts payable - trade	(8,023)	(58,039)
Increase (decrease) in accounts payable - other	(3,755)	24,107
Increase (decrease) in accrued expenses	(40,845)	(6,906)
Increase (decrease) in accrued consumption taxes	(25,787)	3,364
Increase (decrease) in advances received	(1,742)	(23,319)
Other, net	(35,179)	94,888
Subtotal	462,786	366,956
Interest received	54	22
Subsidies received	—	647
Interest paid	(959)	(402)
Government subsidies received	2,000	—
Income taxes paid	(165,490)	(16,901)
Net cash provided by (used in) operating activities	298,392	350,321
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(10,965)	(7,855)
Proceeds from sale of property, plant and equipment	154	—
Purchase of intangible assets	(4,000)	(374,770)
Purchase of investment securities	(153,236)	(385,701)
Proceeds from distributions from investment partnerships	—	86,514
Payments of leasehold deposits	(57,803)	—
Proceeds from refund of leasehold and guarantee deposits	—	1,179
Other, net	(7,500)	(7,500)
Net cash provided by (used in) investing activities	(233,351)	(688,133)
Cash flows from financing activities		
Proceeds from long-term borrowings	—	382,000
Repayments of long-term borrowings	(12,600)	(12,600)
Redemption of bonds	(40,000)	(40,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,768	—
Proceeds from share issuance to non-controlling shareholders	267,793	293,627
Other, net	—	(45)
Net cash provided by (used in) financing activities	216,961	622,982
Net increase (decrease) in cash and cash equivalents	282,002	285,171
Cash and cash equivalents at beginning of period	5,952,812	4,566,793
Cash and cash equivalents at end of period	6,234,815	4,851,965

#### (4) Notes to Quarterly Consolidated Financial Statements

(Note regarding going concern assumptions)

Not applicable.

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

Not applicable.

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

The Company calculates tax expenses by rationally estimating the effective tax rate after applying tax effect accounting to profit before income taxes in the consolidated fiscal year that includes the six months under review and multiplying profit before income taxes by the estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") and related measures at the beginning of the first quarter. Accordingly, the Company recognizes amounts expected to be received in exchange for promised goods or services as revenue at the point where control over the goods and services is transferred to the customer. As a result, the Company changed the way it recognizes revenue from consulting projects. Previously, the Company used the percentage-of-completion method for projects where the outcome of the contract could be estimated reliably and the completed contract method for other contracts. Under the new method, for a performance obligation satisfied at a point in time, the Company recognizes revenue on completion of the acceptance inspection while for a performance obligation satisfied over time, the Company measures progress towards the complete satisfaction of the performance obligation and recognizes revenue over time based on such progress. When the Company cannot reasonably measure progress towards the complete satisfaction of the performance obligation but the cost of fulfilling the performance obligation is expected to be recovered, the Company recognizes revenue using the cost recovery method.

As a result, both net sales and cost of sales for the first six months under review increased 17,848 thousand yen respectively. However, there is no impact on operating profit, ordinary profit, and profit before taxes.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the first quarter are adjusted in retained earnings at the beginning of the first quarter, and the new accounting policy is applied from this initial balance but there is no impact on the initial balance of retained earnings.

With the application of the Revenue Recognition Accounting Standard, accounts receivable - trade posted under current assets on the consolidated balance sheet of the previous fiscal year is included in accounts receivable - trade and contract assets starting in the first three months of the fiscal year. According to the transitional measures prescribed in paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company did not implement a reclassification that reflects the new method for presenting the results of the previous consolidated fiscal year.

In addition, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenues arising in relation to contracts with customers for the six-month period of the previous fiscal year is not stated.

(Application of accounting standard for fair value measurement, etc.)

The Group decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) at the beginning of the first three months of the fiscal year under review. Accordingly it decided to continue to adopt the new accounting policies specified in the Fair Value Accounting Standard and other standards according to the transitional measures prescribed in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). Application of this standard has no material impact.

(Additional information)

(Accounting estimates connected to the spread of COVID-19 infections)

With respect to the assumptions accounting estimates for the impact of COVID-19 infections, there are no material differences with the content stated in the (Additional information) section for the previous consolidated fiscal year of statutory financial report.

(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.