

Prored Partners

Prored Partners Co., Ltd.

Presentation Materials on Financial Results for Second Quarter FY October 31, 2020

Tokyo Stock Exchange First Section (Securities Code: 7034)

FY2020 2Q Financial Result

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FY2020 2Q Financial Result

1. Financial Results for Second Quarter FY October 31, 2020

Performance Highlights

Prored Partners

Business environment

The need for consulting services (esp. for cost management) continues to trend upward because of uncertainty about the direction of the economy due to the spread of COVID-19.

Performance

Sales	1.76 billion yen	Vs. prior year	+ 32.3%
Operating income	774 million yen	Vs. prior year	+ 26.3%

Performance highlights

<Profitability>

- Increase in sales: Increase in the number of engagements from client introductions and inbound inquiries
- Net sales and operating Income were generally at the planned levels due to the initially planned projects producing sufficient results

<Costs>

- Increase in personnel expenses: Expansion of existing services focused on cost management and aggressive human resources investments to develop new consulting services. As a result, performance-based hiring fees and personnel expenses increased.
- Sales commissions up due to higher sales

Summary of Income Statement

Prored Partners

Both sales and income were generally at the planned levels due to being able to steadily complete projects.

(unit: million yen)

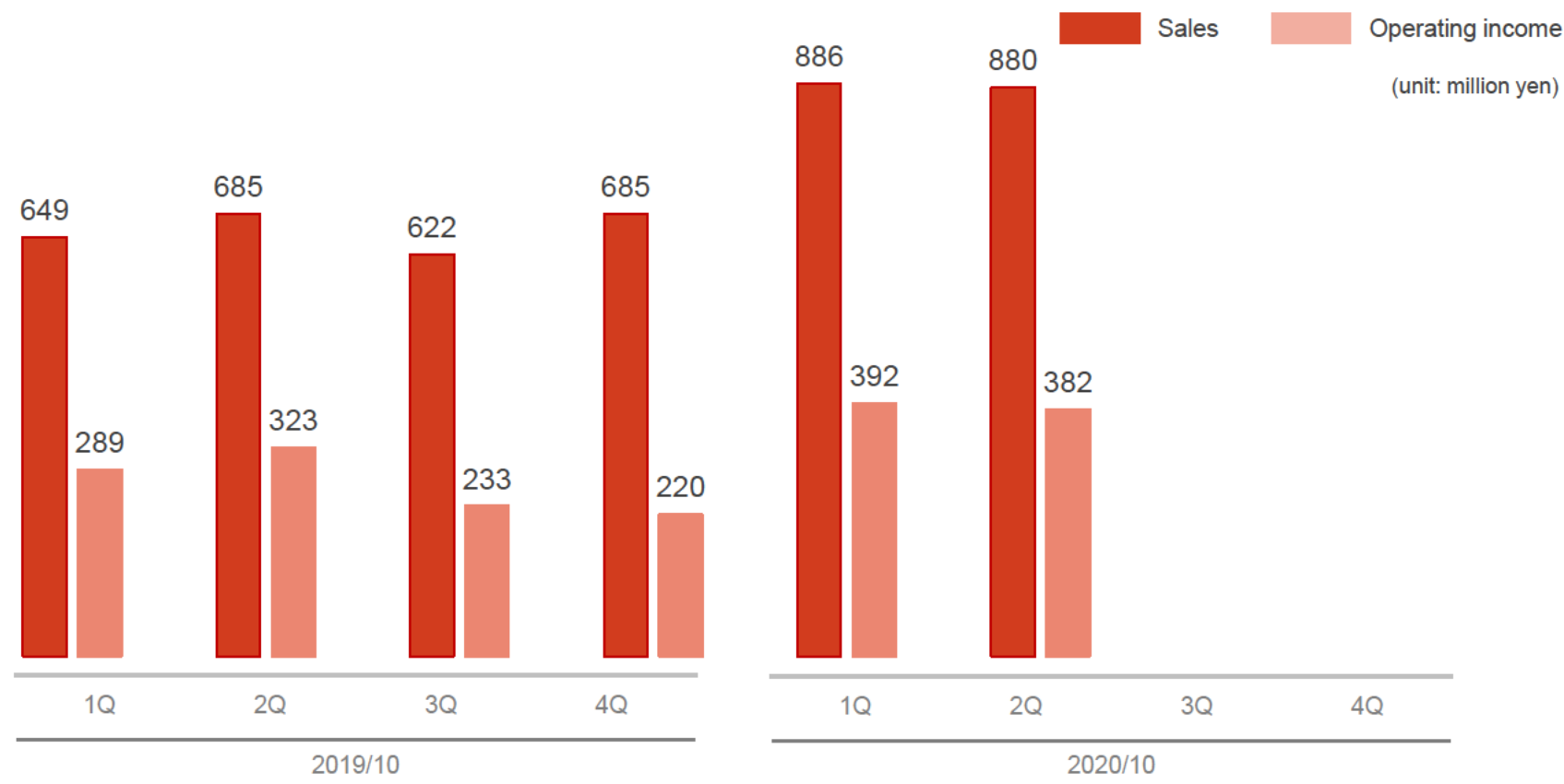
	FYE October 2018 (actual)	FYE October 2019 2Q (actual)	FYE October 2019 (actual)	FY October 2020 2Q (actual)	Percent change From 2Q FY2019 (%)	FY October 2020 (forecast)	Achievement rate (%)
Sales	1,651	1,334	2,641	1,766	+32.3%	3,468	50.9%
Cost of sales	379	271	595	431	+59.1%	-	-
Cost rate	23.0%	20.3%	22.5%	24.4%		-	-
Gross margin	1,272	1,063	2,046	1,334	+25.5%	-	-
Gross margin ratio	77.0%	79.7%	77.5%	75.5%		-	-
Selling, general and administrative expenses	657	450	980	560	+26.7%	-	-
Selling and administration expense ratio	39.8%	33.8%	37.1%	31.7%		-	-
Operating income	614	612	1,065	774	+24.8%	1,235	62.7%
Operating margin	37.2%	45.9%	40.3%	43.8%		35.6%	-
Recurring profit	591	595	1,046	745	+25.2%	1,233	60.4%
Profit before income taxes	591	595	1,046	745	+25.2%	-	-
Net profit	380	413	682	516	+24.9%	766	67.5%

Quarterly Trend in Sales and Operating Income

Prored Partners

These increased significantly year on year due to improvements in productivity resulting from members hired in the previous year becoming capable workers in the first and second quarters.

Performance-based consulting that improves the precision of consulting was steadily instilled, and both sales and profits were strong.

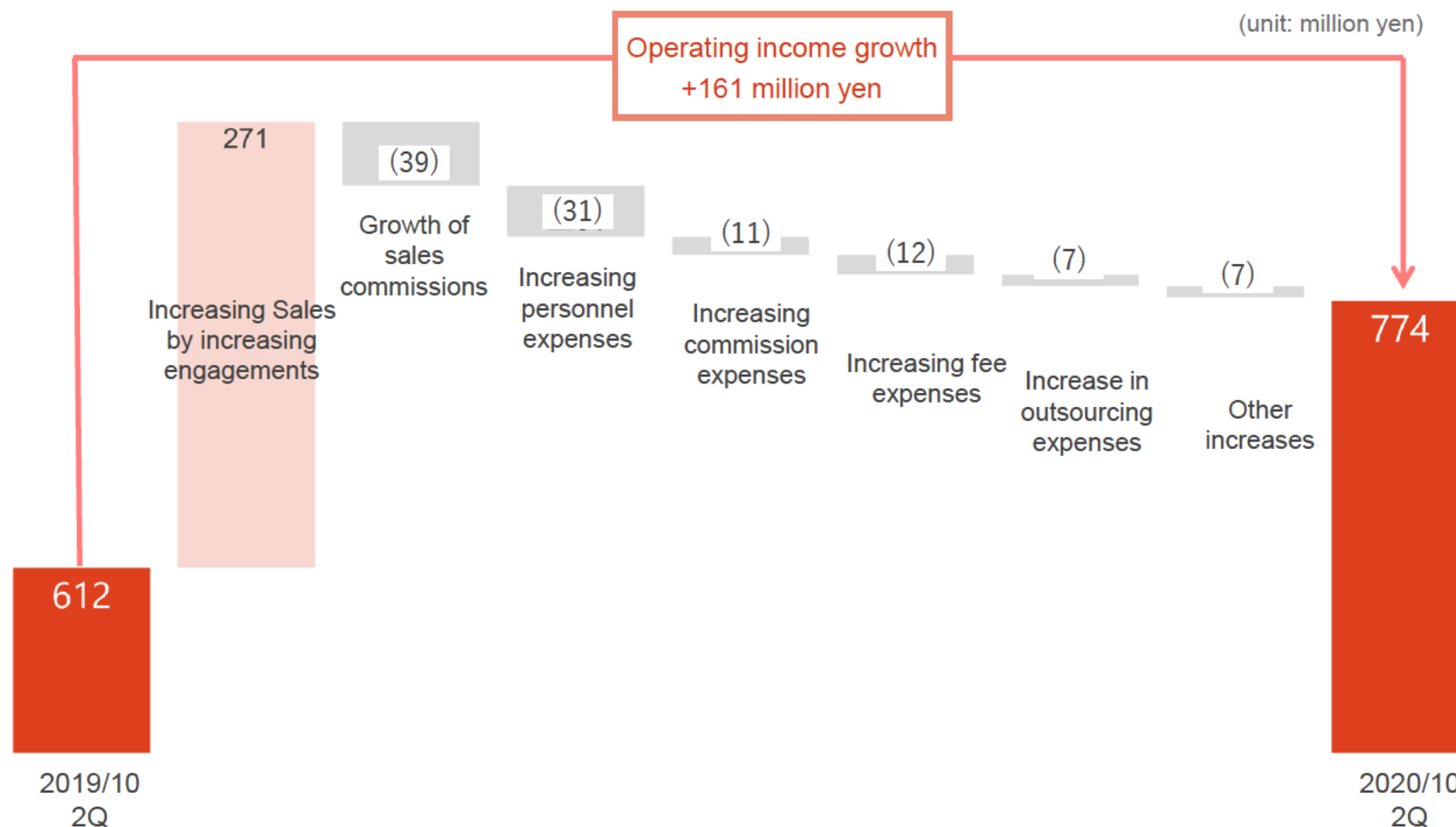


Operating Income Fluctuation Analysis

Prored Partners

As a result of increased sales, the costs for aggressive human resources investments and sales strengthening were managed.

Operating income achieved a substantial increase in profit.



Balance Sheet Summary

Prored Partners

Procurement of approximately 1.8 billion yen in funding was completed due to the completion of the exercise of MS warrants in February 2020.

Performance was also steady, ensuring a high short-term liquidity ratio and equity ratio.

(unit: million yen)

	FYE October 2019	FY October 2020 2Q	Change
Current assets	4,471	6,661	2,190
Cash and cash equivalents	4,154	5,941	1,787
Accounts receivable	277	674	397
Other	38	45	7
Fixed assets	247	316	69
Property, plant and equipment	50	47	(3)
Intangible fixed assets	5	13	8
Investments and other assets	191	255	63
Total assets	4,718	6,977	2,259

	FYE October 2019	FY October 2020 2Q	Change
Current liabilities	689	716	27
Accounts payable - trade	17	19	2
Trade payables	58	122	64
Accrued expenses	163	138	(25)
Accrued income taxes, etc.	285	247	(38)
Other	166	190	24
Fixed liabilities	358	318	(40)
Bonds payable	320	280	(40)
Asset retirement obligations	38	38	0
Equity	3,670	5,942	2,272
Share capital	1,140	2,017	877
Capital surplus	1,130	2,007	877
Retained earnings	1,399	1,916	517
Total liabilities and equity	4,718	6,977	2,259

Topics - Change to TSE First Section

April 28, 2020

Listing changed to First Section of the Tokyo Stock Exchange

The changing of listing to the First Section of the Tokyo Stock Exchange will lead to greater social trust and recognition, and it is believed that this will contribute to additional expansion of business and further enhancement of corporate value.

We will continue to have a greater awareness of our social responsibility and endeavor to realize a world of "value" = "consideration" and ask for your ongoing support.

Progress of Priority Strategy

2. Progress of FY2020 Priority Strategy

FY2020 Priority Strategy

Expand scope of services to areas with bigger market potential and enhance service menu.

1

Orders and sales grow from reinforcing personnel

- Augment direct sales
- Expand sales channels to PE and partners
- More consultants, higher productivity

2a

Expand service area

Focus on the cost management field, which has large market potential

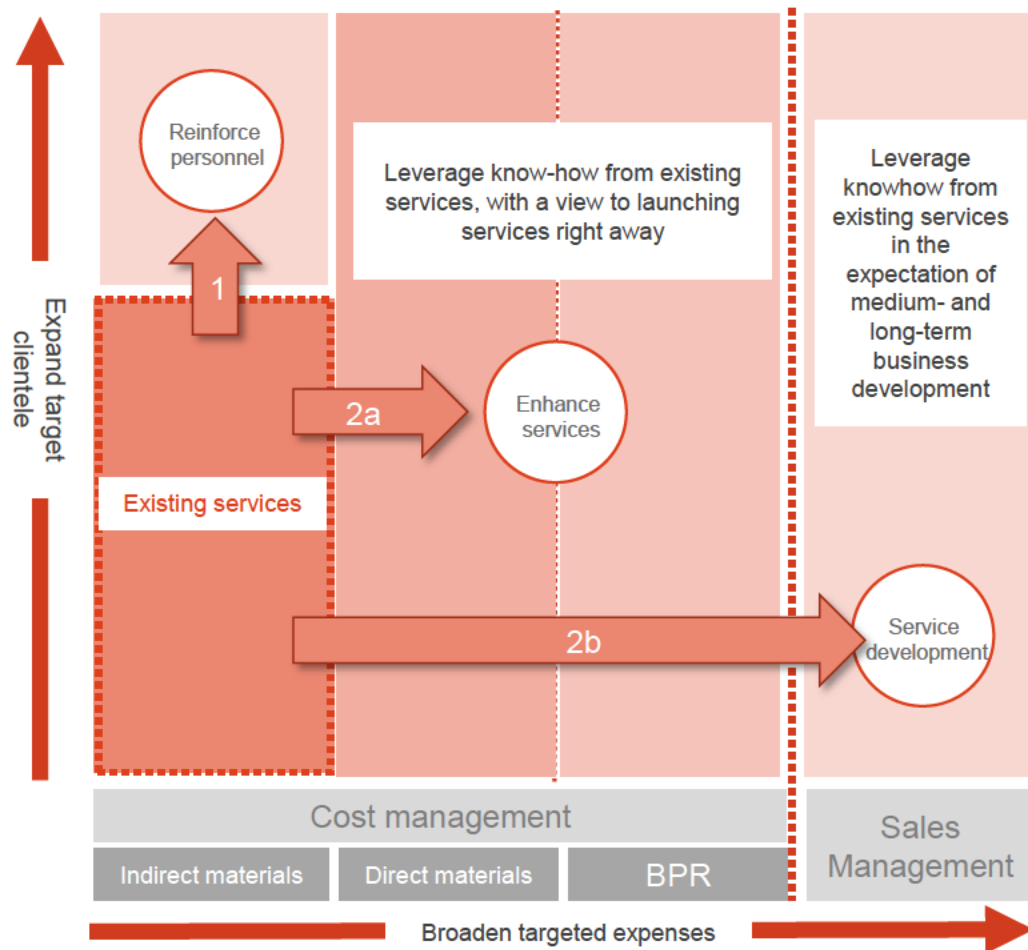
- Direct materials
- BPR

2

2b

Focus on marketing areas with high potential

- Sales Management



Progress Report on Strategic Priorities for FYE October 31, 2020 - Details

Prored Partners

Implemented both sales and consulting measures in an aim for continuous growth.
Completed the investigation and drafting phases (fixed fees) for all new business areas.
Moving forward, producing the anticipated results in the result measurement phase will be important.

Progress to date

Next steps

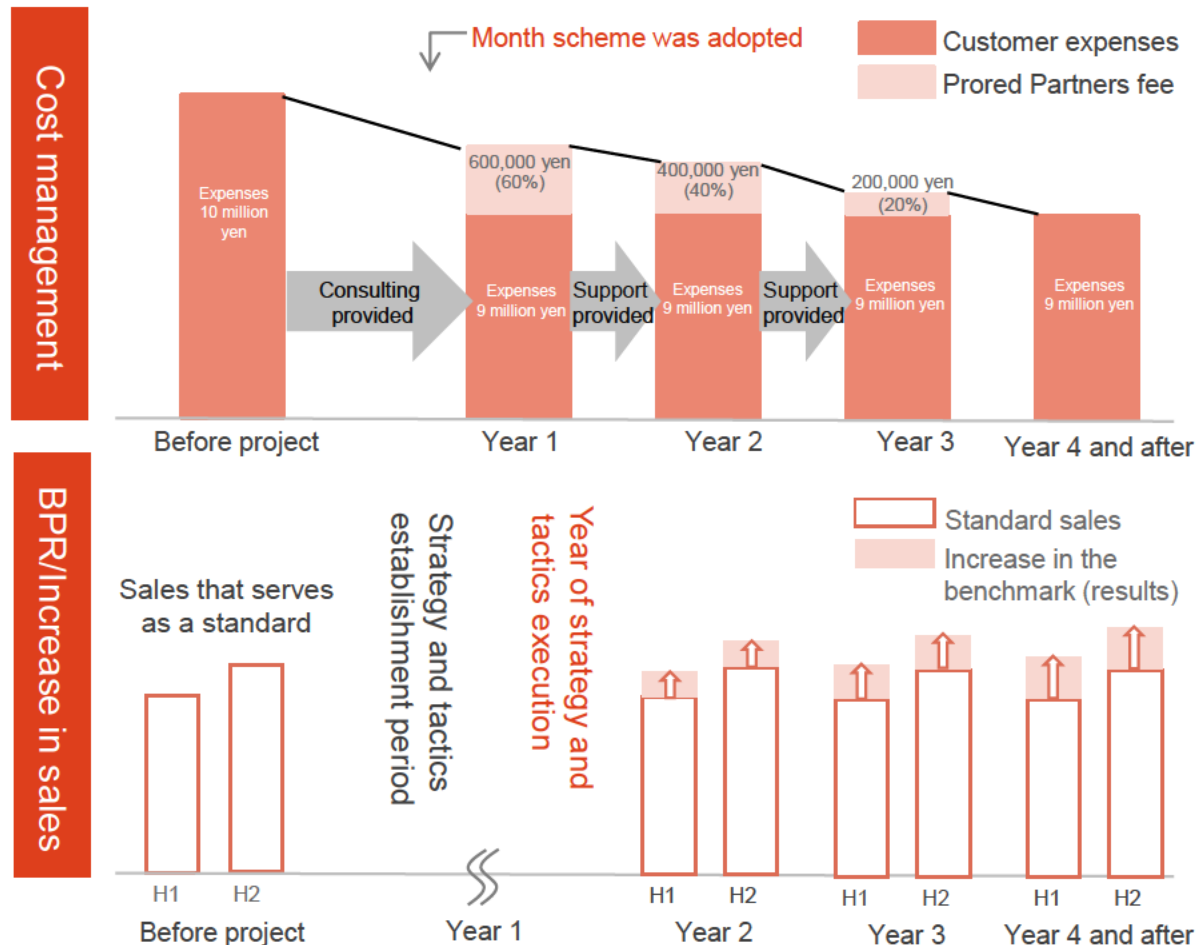
1	Orders and sales grow from reinforcing personnel	Expand sales channels to PE and partners	<ul style="list-style-type: none"> • Create organized sales systems with corporate partners (financial institutions) • Send direct mail to targets to promote direct sales 	<ul style="list-style-type: none"> • Increase introductions from corporate partners • Send ongoing direct mail • Implement approaches to those who react to direct mail and inbound inquiries
2	Expand service area  Aim to achieve sales of around 1 billion yen in three years for new business areas	2a Direct materials	<ul style="list-style-type: none"> • Complete consulting engagements for management of direct materials costs and investigation/design phase (construction industry) 	<ul style="list-style-type: none"> • Complete contracted projects (performance-based fees) • Streamline project expertise
		2a BPR	<ul style="list-style-type: none"> • Consulting engagements for operational improvements (retail industry, manufacturing industry) • Complete investigative analysis and drafting phases of contracted projects 	<ul style="list-style-type: none"> • Complete contracted projects (performance-based fees) • Streamline project expertise • Establish team structure capable of responding to multiple engagements
		2b Sales Management (Increase in sales)	<ul style="list-style-type: none"> • Consulting engagements geared to sales growth and pricing strategy formulation (manufacturing industry and service industry) • Complete investigative analysis and drafting phases of contracted projects 	<ul style="list-style-type: none"> • Complete contracted projects (performance-based fees) • Streamline project expertise • Establish team structure capable of responding to multiple engagements

Although the recording timing is later for fees in new business areas, the leverage is high

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Although the recording timing will be later due to the measuring of results for BPR and marketing, it is a framework under which fees will be higher proportional to results over the medium to long term.

Differences in the fee system for cost management and for BPR/Sales Management



Fee system

Of the 3 years of successful results due to the consulting, **about 1/3 is received as the Prored Partners fee**. In many cases, the fee is received in installments over 3 years.

Example to the left: If there was an annual decrease of 1 million yen due to the cost management (expenses go down from 10 million yen to 9 million yen)

Fee system

The benchmark that serves as the standard (such as quarterly sales or gross profit) is compared after the execution of strategy and tactics proposed by Prored Partners, **and the Prored Partners fee is 40% to 80% of the results recognized or the increase in the benchmark**. The amount of the Prored Partners fee is proportional to the level of results.

Impact of the Spread of COVID-19 on Our Business and Strategy

3. Impact of the Spread of COVID-19 on Our Business and Strategy

Measures to Address the Spread of COVID-19

Place the highest priority on the safety and peace of mind of employees, and crease a business continuity system by establishing a swift and flexible working environment with an eye to the new normal.

Office measures

- Promotion of remote work throughout the entire company. All employees (including dispatched workers) worked remotely under the declaration of the state of emergency
- Subsidies were provided for the cost of purchasing supplies and establishing communications environments for setting up work-from-home environments
- Use of digitization service for contracts and invoices, etc.
- Conducting company briefings and interviews online
- Restriction of unnecessary and non-urgent business trips
- Halt increase in office floor space and consider work-from-home allowance

Sales and field measures

- Promotion of web conferencing in sales meetings
- Migration of various seminars to Web-based seminars
 - Compared to 45 people participating in the immediately preceding group seminar, the maximum number of 50 people participated in Web-based seminars
- Promotion of projects using Web conferencing systems and communication via e-mail and telephone
 - Almost no impact on consulting services themselves because various databases have been established and internal systems for working at home have already been created



As in other companies, the measures required to address COVID-19 have been implemented.
As a result, work efficiency was significantly improved

Impact of the Spread of COVID-19 on the Company's Business

Although the number of inquiries is increasing, the number of new visits decreased due to the request to refrain from going out and voluntary restraints and cancellations of seminars and events. This is currently being addressed by increasing Web meetings.

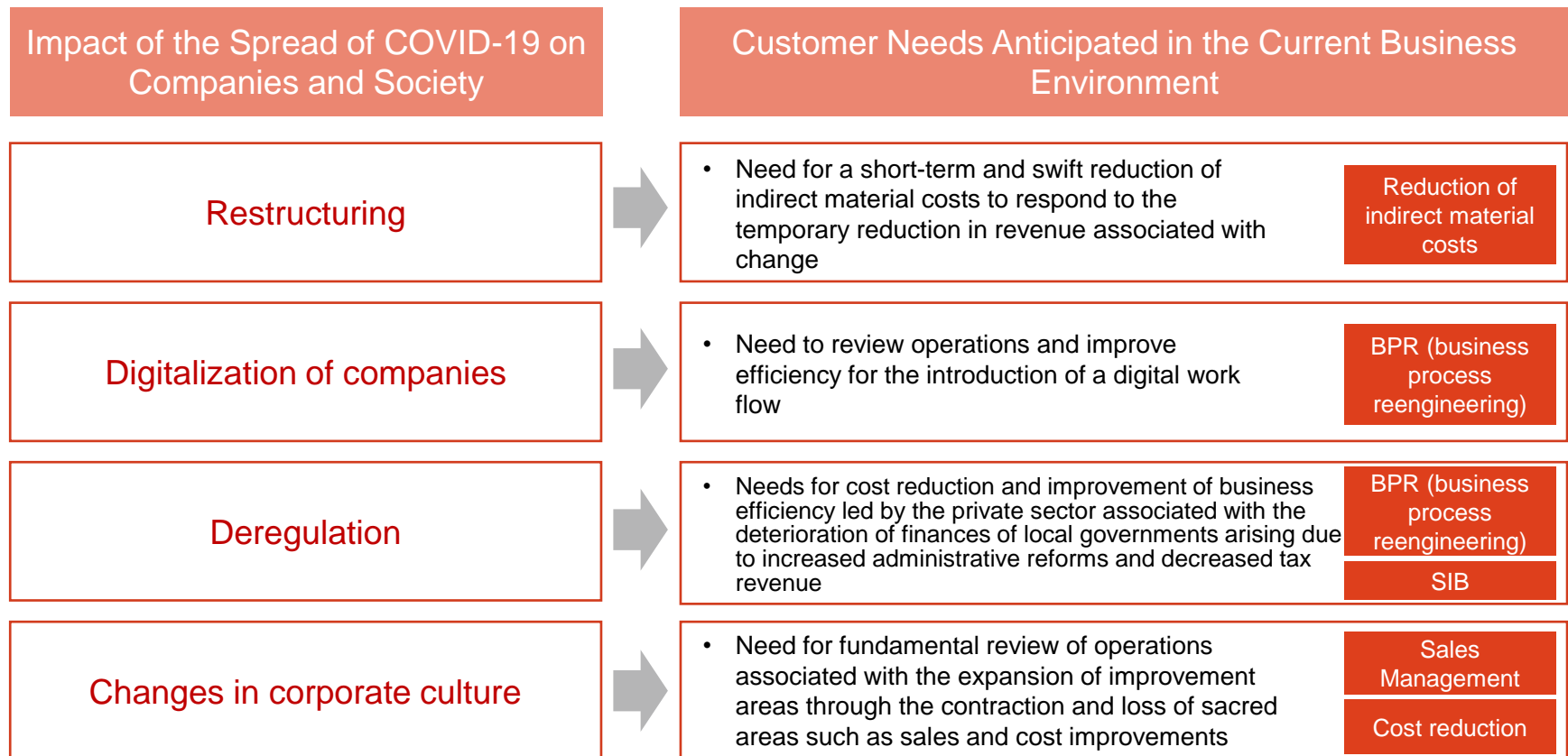
	Status of Operations	Anticipated Impact on Performance and Countermeasures
Orders Initial visit Conclusion of consulting service agreement	Some impact Negative aspect <ul style="list-style-type: none"> Decrease in the number of new visits decreased due to the request to refrain from going out and cancellations Positive aspects <ul style="list-style-type: none"> Companies that had already been visited concluded contracts through Web meetings, increasing the rate of orders received Increase in strong inbound inquiries 	<p>When viewing the total impact, the number of new contracts is expected to decrease slightly, but there are substantial positive aspects in the medium- to long term.</p> <p>Web tools and videoconferencing systems, etc. have become widespread among clients, resulting in increased efficiency of corporate sales.</p>
Provision of services Due Diligence Consulting	Almost no impact <ul style="list-style-type: none"> Digitalization has progressed in many client companies, and there was almost no impact on the Prored's due diligence services due to smooth exchanges of data There was almost no impact on consulting services themselves because detailed data collection, analysis and review were performed within the company to make proposals 	<ul style="list-style-type: none"> A telework environment has been established within the company Improvements are being made to the communication environment as the same time as further enhancement of security because exchanges of data are central in the telework environment
Recording of sales Results/Fee	Some impact <ul style="list-style-type: none"> Time is required for internal approval and coordination due to the impact of COVID-19, and there are some cases where the finalization of the timing of performance-based fees cannot be controlled 	<p>Delays occur in the timing of finalization of results due to the client's circumstances, and this results in delays in the months in which sales are recorded compared to initial plans. The number of projects accepted in April decreased by approximately 20% compared to March</p>

Recognition of Changes in Customer Needs in an Environment Affected by the Spread of COVID-19

We recognize that the spread of COVID-19 has brought about changes and growth in companies and society,

(1) restructuring, (2) digitalization of companies, (3) deregulation and (4) changes in corporate culture (more flexible responses)

There are heightened needs for cost reductions and corporate investment in the short term, and needs for strong support for business growth and SIB projects due to expansion of deregulation in the medium and long term.

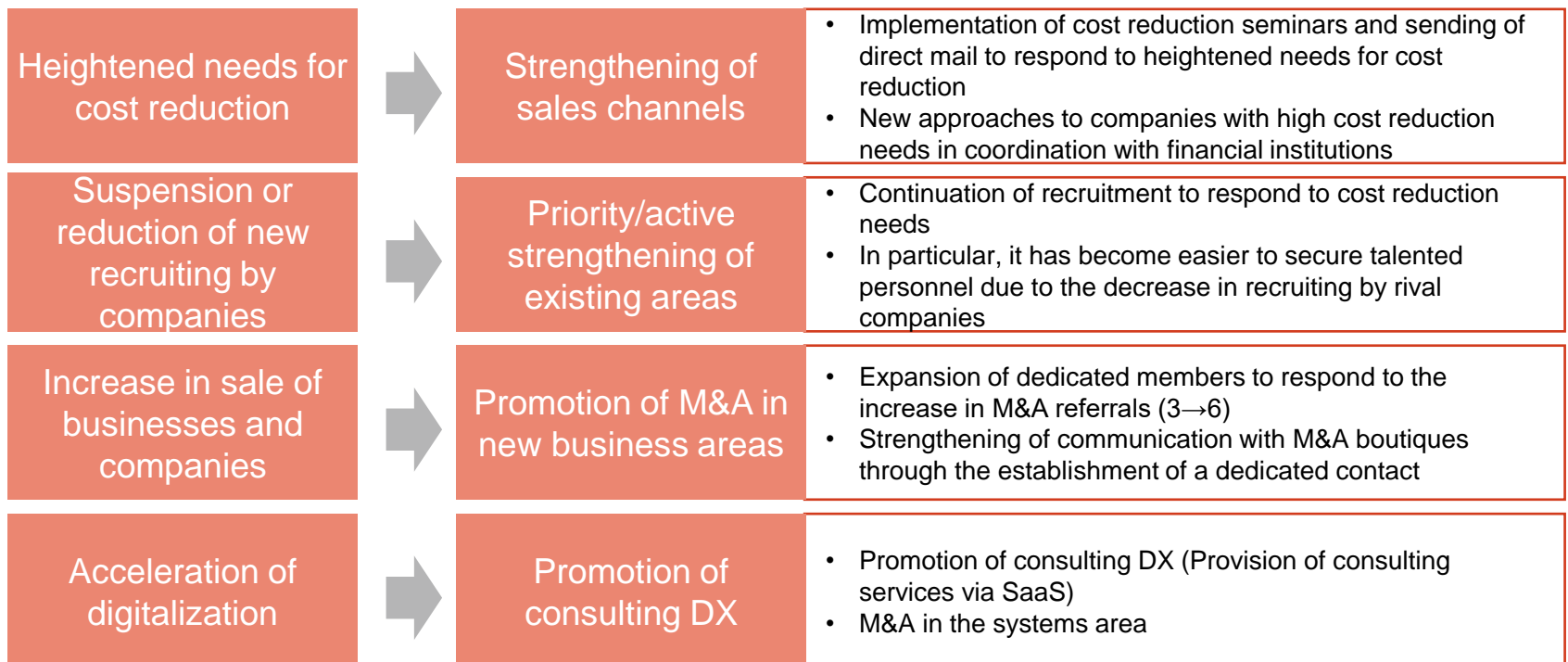


Prored's Business Strategy to respond to the COVID-19 Environment

Prored also aims to maintain and expand business through a variety of measures in the post-COVID-19 business environment.

In the short term we will strengthen sales and delivery capabilities in cost reduction areas, and also actively reinforce other areas.

Business Strategy to respond to the Current Environment



Growth Potential and Strategy

4. Growth Potential and Strategy

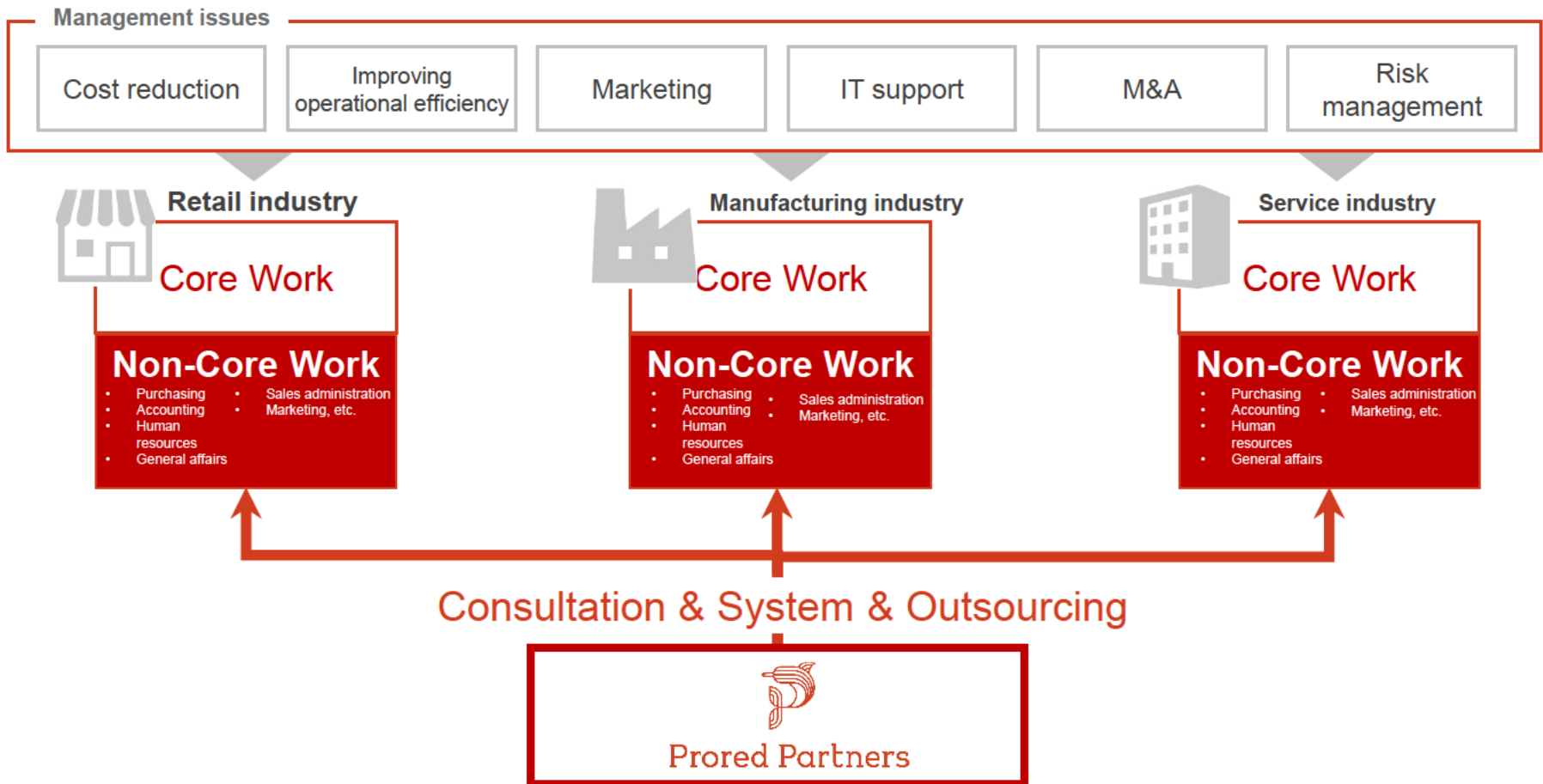
Vision Aimed for by Prored

- Outsourcer That Supports Medium Sized Firms -

Prored Partners

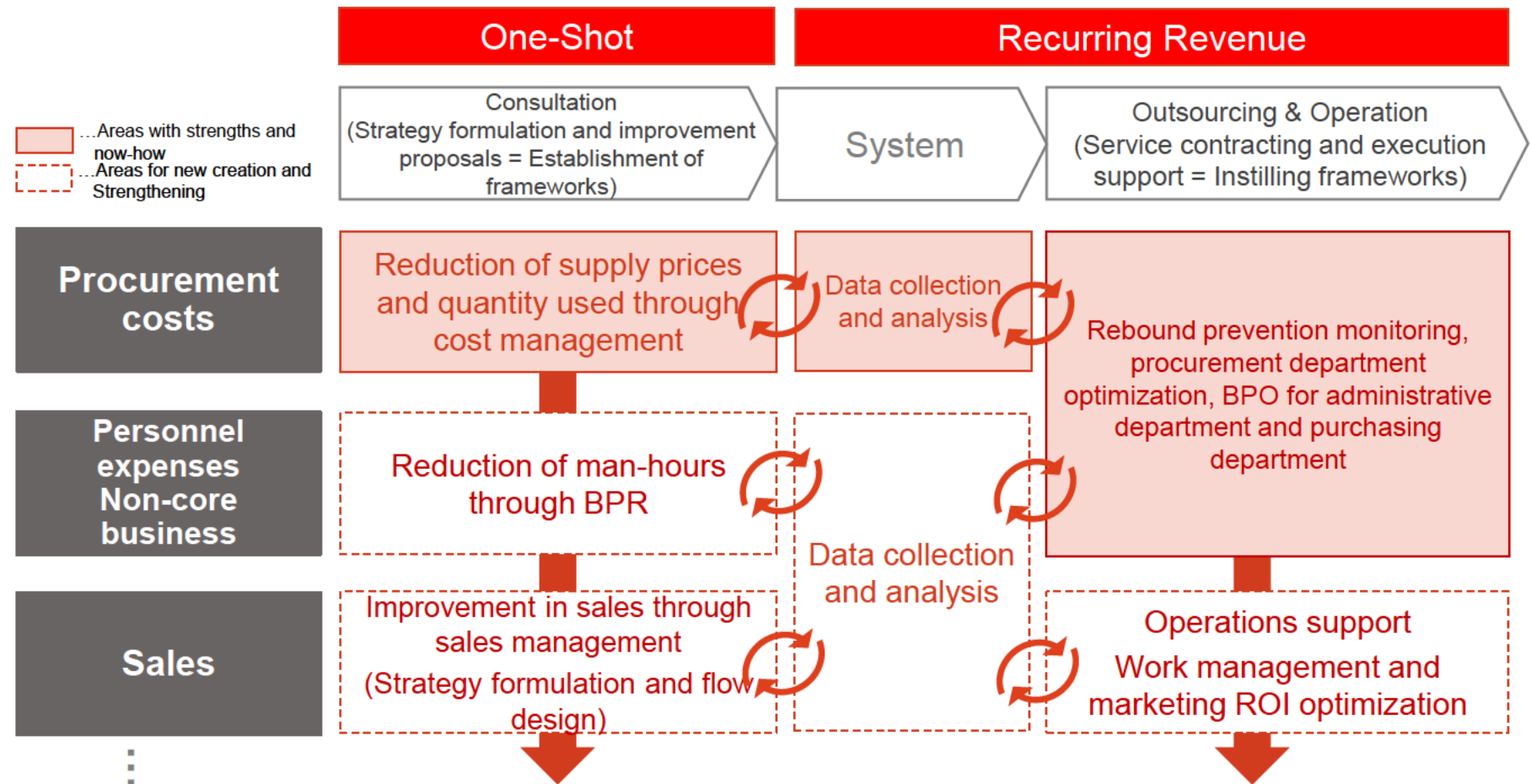
Support structure building so the client can focus on core operations through one-stop service for consulting, systems, and BPO.

Establish a position as the main partner for supporting medium to large-sized firms.



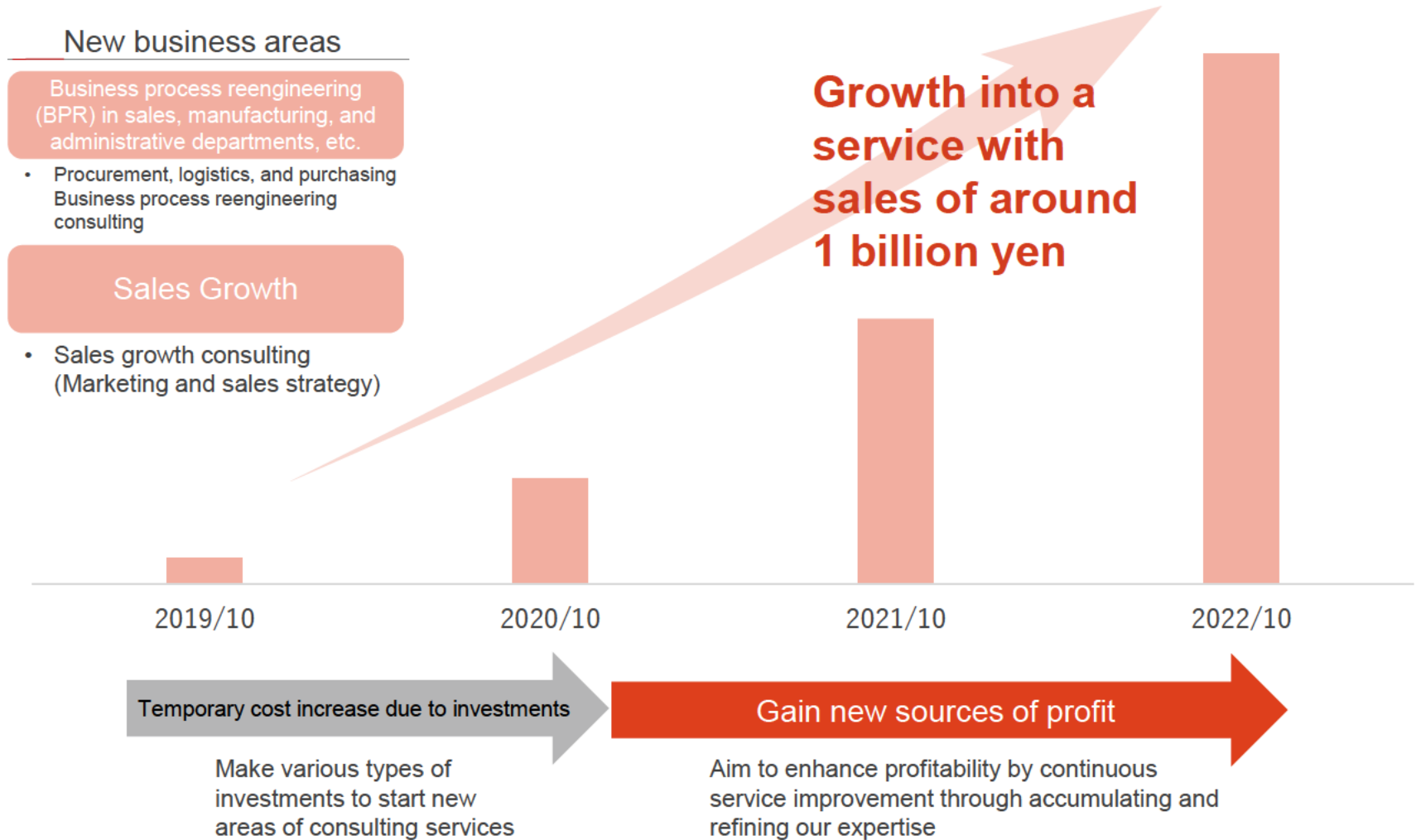
Expand consulting service areas, and achieve mutual complementation of core business

Take advantage of performance-based model strengths and know-how for procurement costs, create new performance-based models, and expand consulting service areas. Achieve mutual complementation of core business through the combination of differing business models.



Consulting Business - Focus on Growth in New Business Areas

Aim to develop new business areas into a service that achieve sales of around 1 billion yen by 2022.

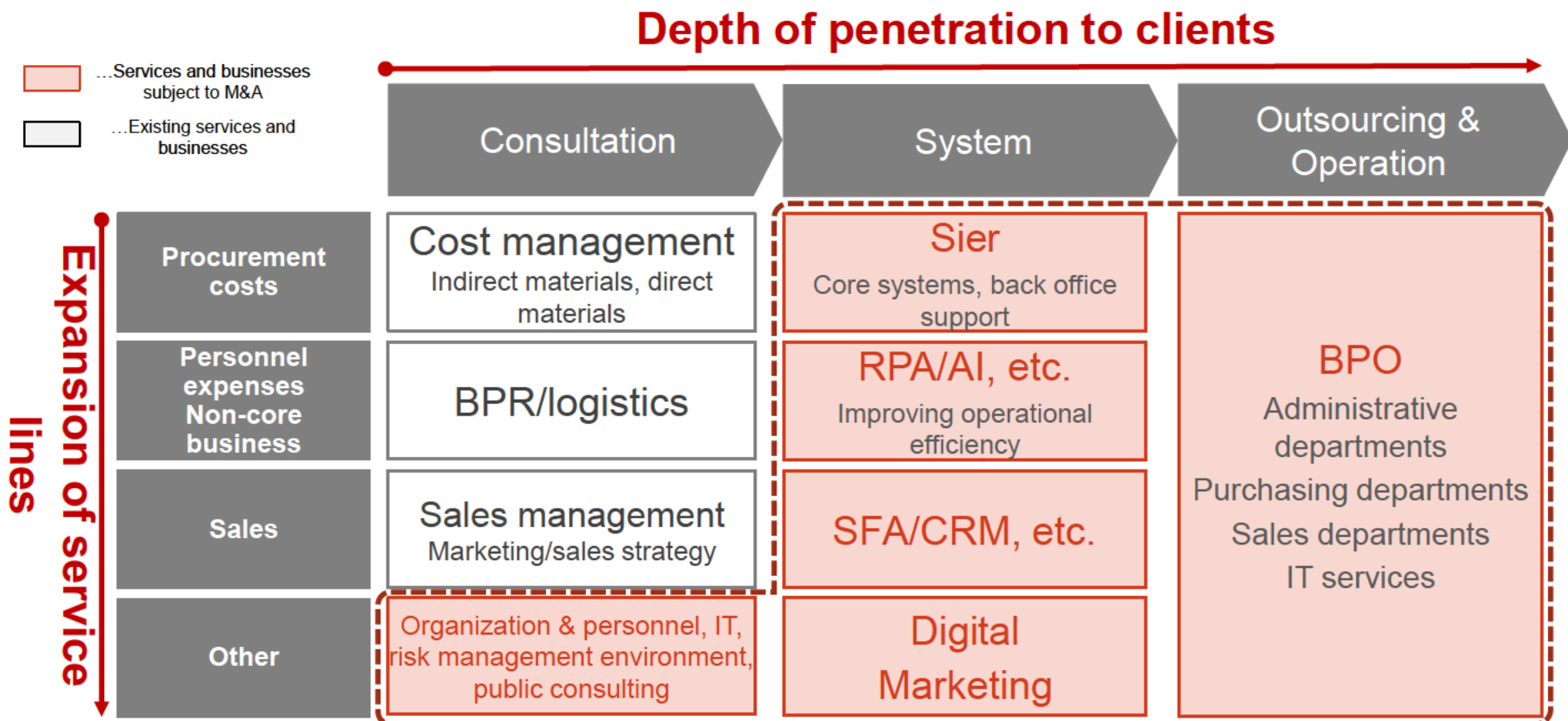


Expand consulting service areas, and achieve mutual complementation of core business

Actively use M&As as business investments

Develop the structures required for achieving the target of M&As for a total of around 20 billion yen over three years.

Mainly covering systems area and outsourcing.



Policies in M&A

Our policies in M&A involve selecting investments by placing the highest priority on the synergy effects with our business and the expansion of services.

Specific M&A Policies

(1) Same size of customer base as Prored

- Customer sales of 1 to 500 billion yen
- Target customers with comparatively high difficulty of customer sales

(2) Extensive customer database

- Possession of purchasing/procurement, sales/customer and personnel/labor data, and other data not in circulation in the market

(3) Product and service synergies

- High affinity with expense items handled in Prored's cost management

(4) IT engineers functioning in system development

- Accomplishments in service digitalization, and possession of many IT engineers with the skills required to conduct in-house development

(5) Possession of subscription-based services

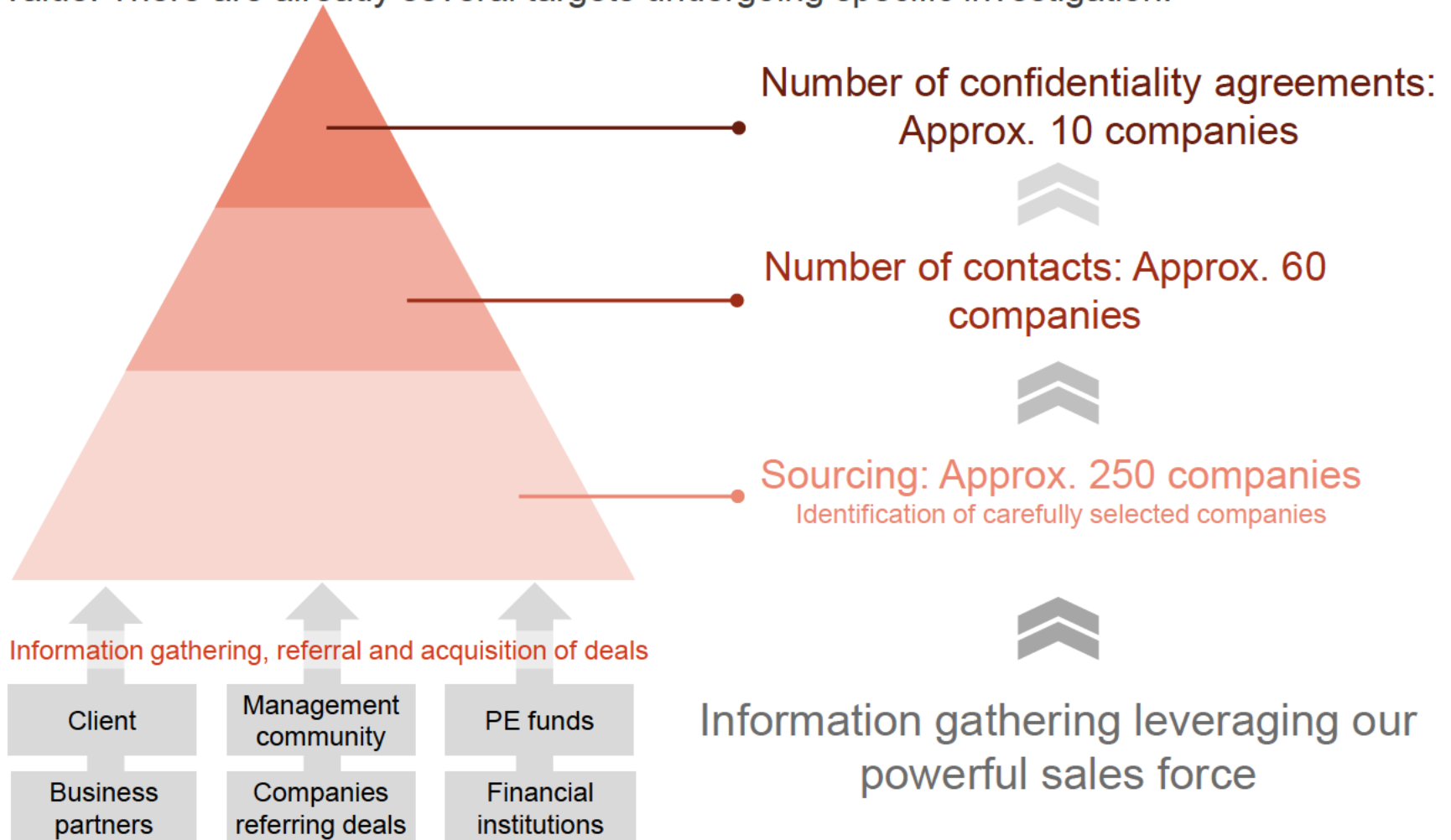
- Possession of BtoB cloud systems, particularly systems accumulating activity data such as SFA and CRM

(6) Strengthening of existing business

- Possessing services competing with Prored's cost management

Progress in M&A Consideration

Using our sales force and our advance due diligence know-how and analysis capabilities developed through consulting, we select M&A targets with a high probability of increasing value. There are already several targets undergoing specific investigation.



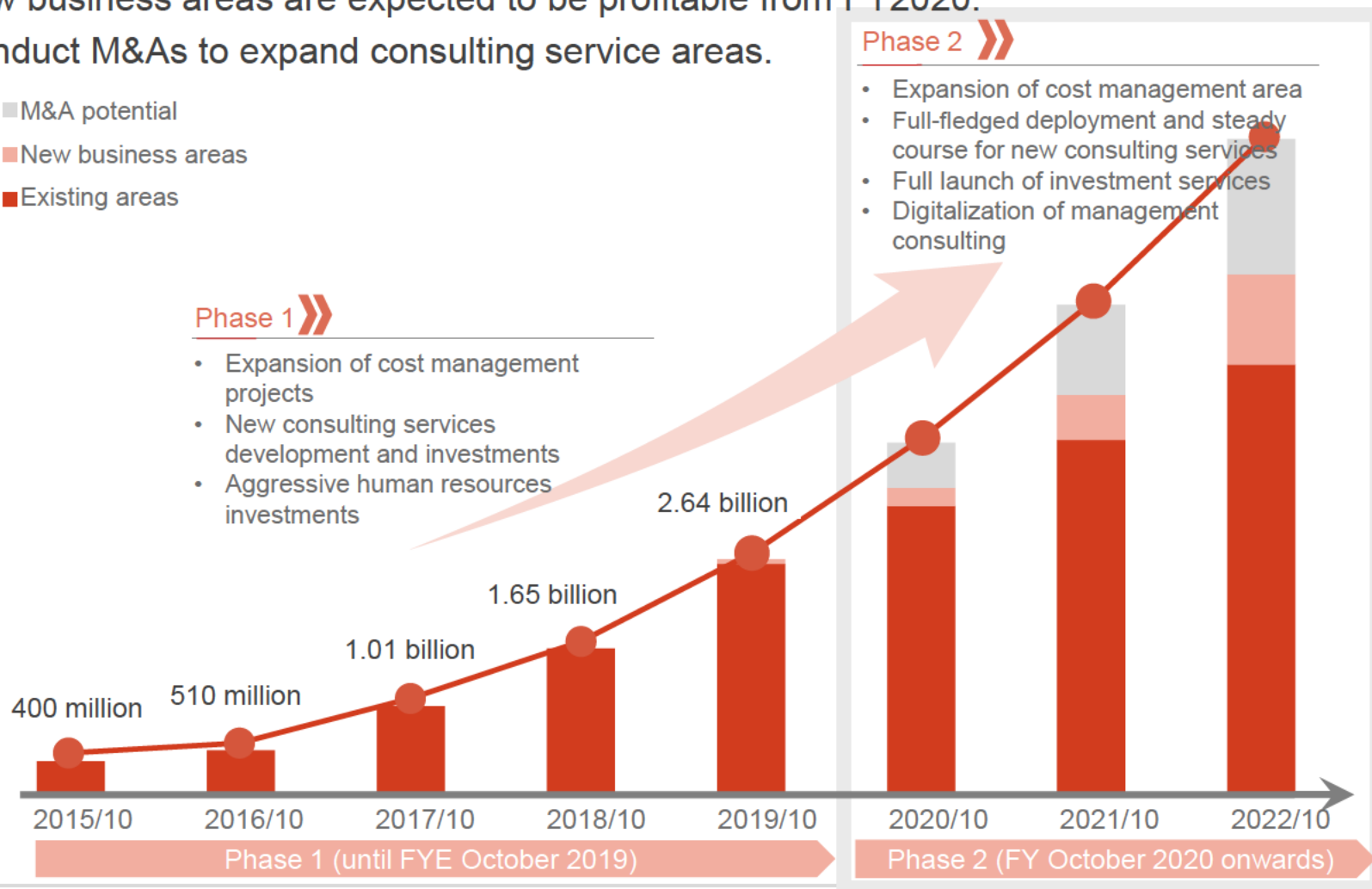
Future Growth Image - Further Growth While Maintaining High Earnings

In existing areas, sales growth of approximately 30% every fiscal years and operating margin of at least 30% overall have been set as targets

New business areas are expected to be profitable from FY2020.

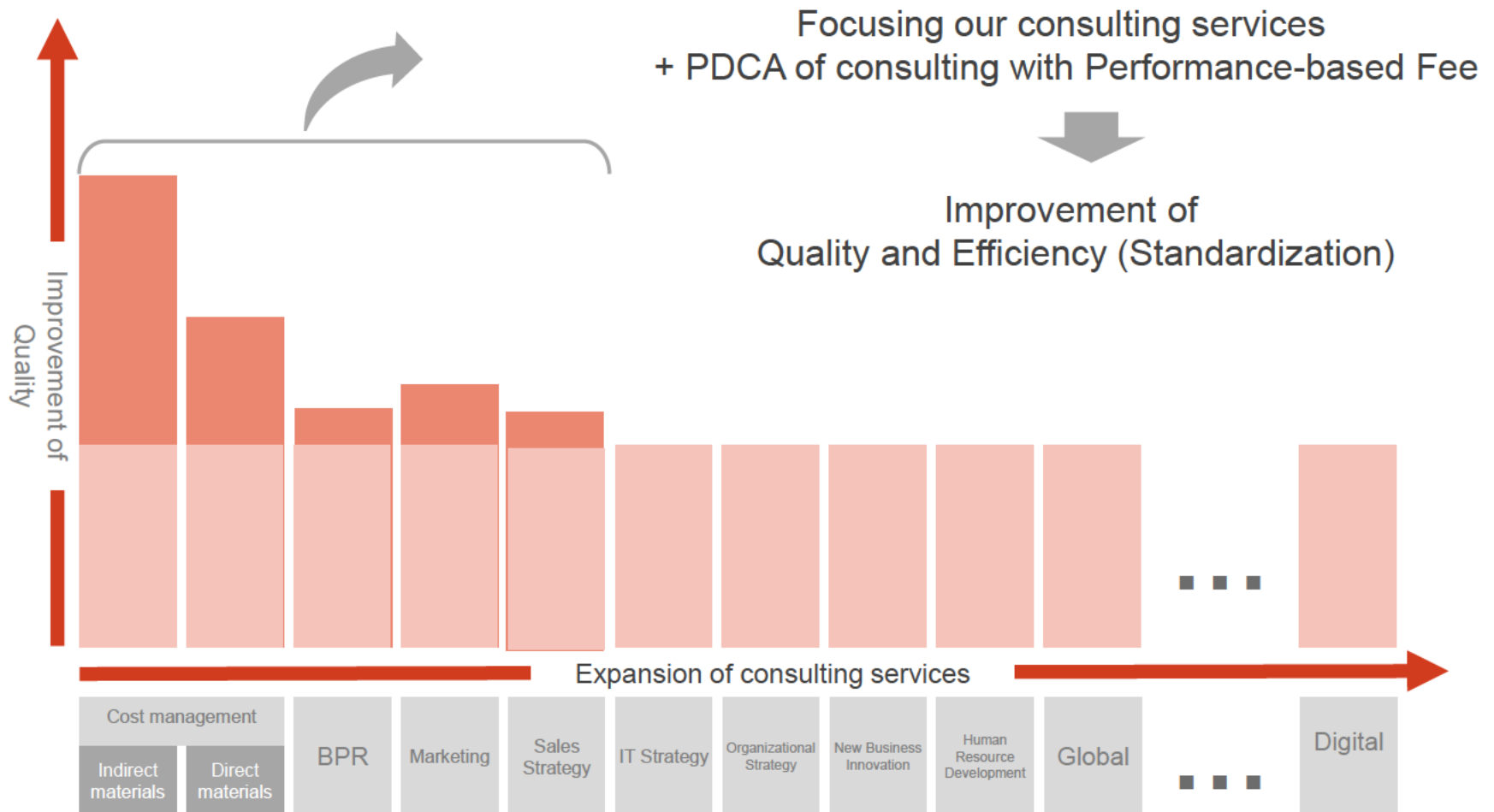
Conduct M&As to expand consulting service areas.

- M&A potential
- New business areas
- Existing areas



Appendix
Appendix

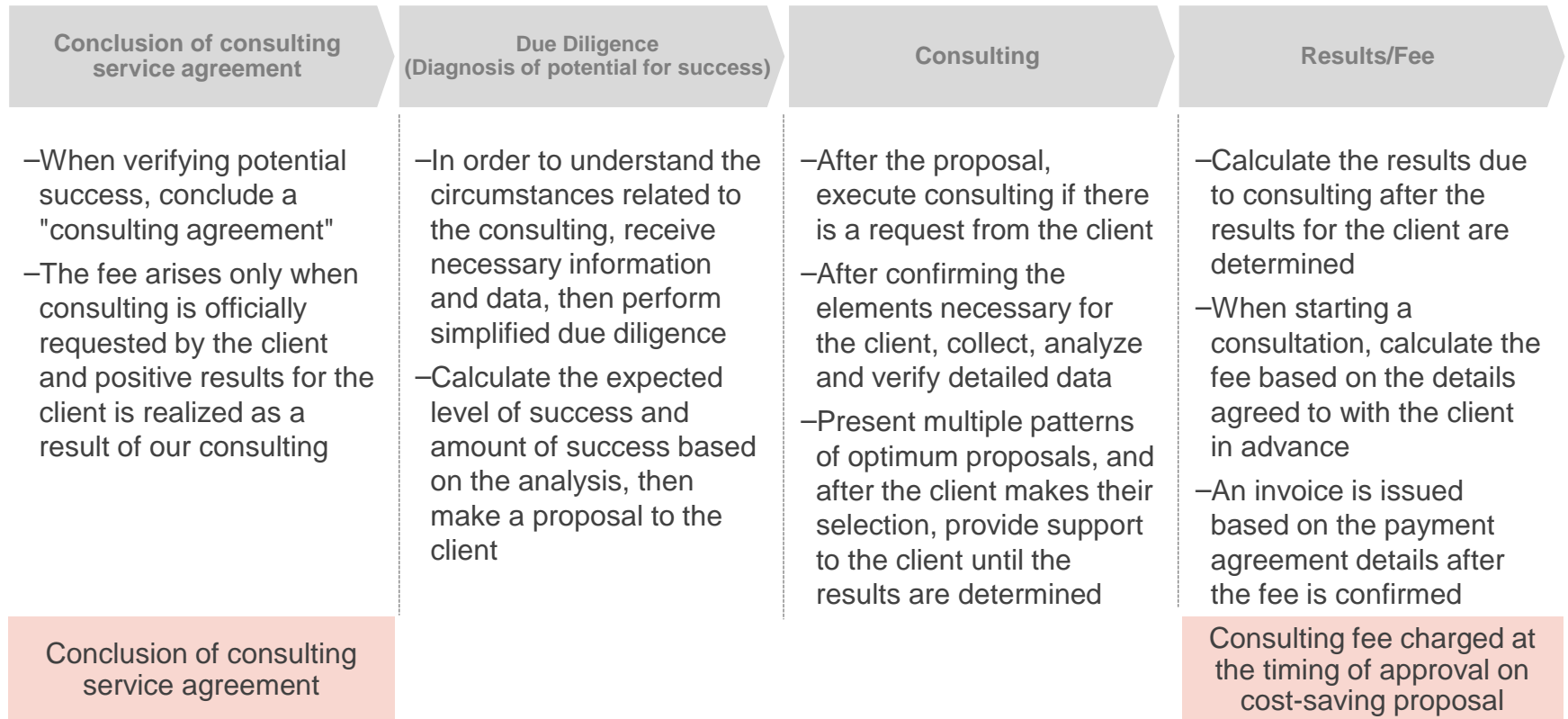
- We concentrate on large areas of the market in our consulting services
- Focusing on their area and brush up service quality, we promote differentiation from other consulting firms



Consulting flow is well-established on our primary services Prored Partners

Consulting flow

1. Conclude the consulting service agreement
2. Perform due diligence
3. Perform consulting, if the client is interested in the details of the results
4. Receive the fee, if we successfully finish the consulting service

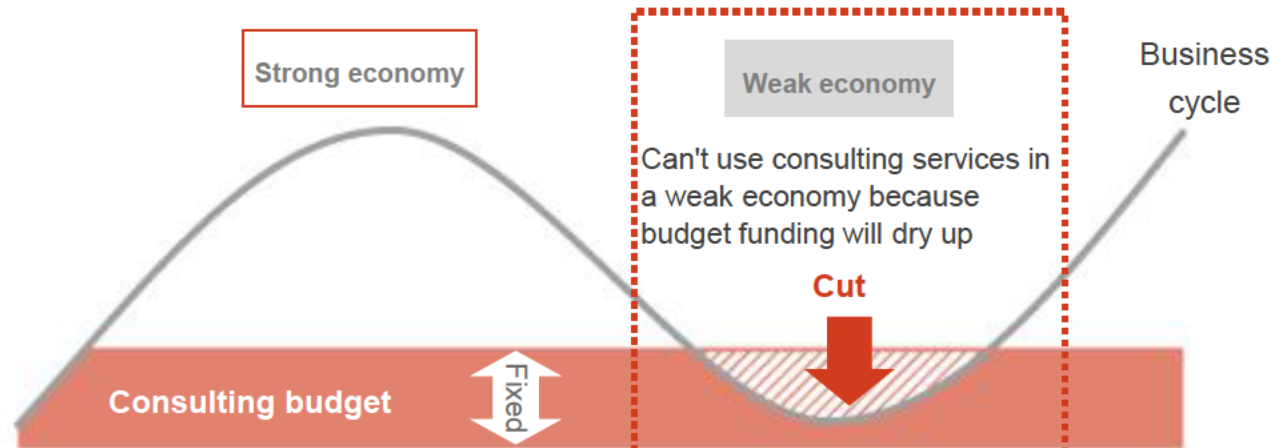


Characteristics of Performance-based Fees: Strengths in Times of Economic Uncertainty

Performance-based fees are not as sensitive to economic cycles because they can be implemented without a dedicated budget

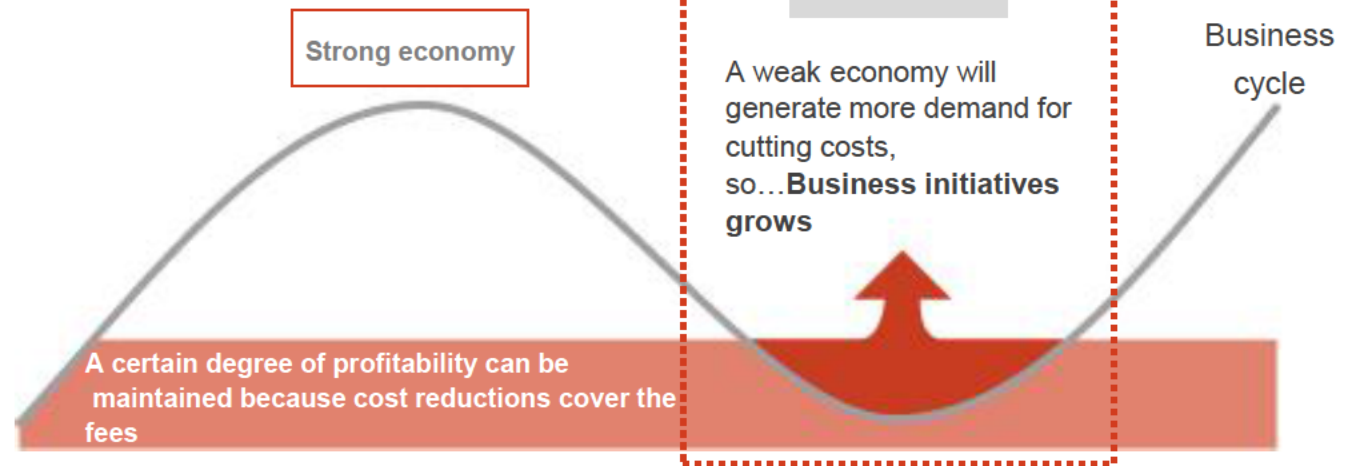
Fixed fees

Fixed-fee consulting works when the economy is good and there is a budget for consulting, but it does not work in an economic downturn because consulting budgets will disappear



Performance-based fees















Performance-based consulting fees are reliable because they do not require budgeting, as they are paid from cost reductions, even during economic downturns



Potential Market for Cost Management

Prored Partners

Aim to develop and expand new customers in each market while improving the quality of consulting for cost management

		Number of companies			Sales (yen)		
		Number of Prored Partners customers	Total number of companies	Ratio of number of Prored Partners customers	Sales of Prored Partners customers	Sales of all companies	Sales ratio of Prored Partners customers
Large corporations (Sales of 500 billion yen or more)	Manufacturing industry	5	100	 5.0%	14 trillion	134 trillion	 10.5%
	Retail and food and beverage industry	1	19	 5.3%	0.7 trillion	15 trillion	 4.6%
	Service industry	0	34	—	—	69 trillion	—
	Other	5	415	 1.2%	1 trillion	198 trillion	 0.6%
Medium sized firms (Sales of 10 billion to 500 billion yen) Existing targets	Manufacturing industry	69	3,780	 1.8%	4 trillion	168 trillion	 2.5%
	Retail and food and beverage industry	105	1,809	 5.8%	7 trillion	77 trillion	 10.0%
	Service industry	41	2,943	 1.4%	1 trillion	105 trillion	 1.5%
	Other	67	7,044	 1.0%	4 trillion	339 trillion	 1.2%

Sales ratio = Total sales of all companies in the market divided by the total sales of Prored Partners clients

We seek to resolve social issues diversifying with the times and bring about a better society through consulting services with performance-based fees in line with our vision of "value" = "consideration"

Prored's Initiatives

Relevant SDGs

E

Environment

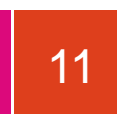
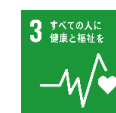
- Cost management consulting initiative aimed at reducing environmental impact (reduction of CO₂ emissions, waste reduction, etc.)
- Reduction of use of multi-function printers within the company



S

Society

- Diversity initiatives
- Support for giving birth, raising children and caring for family members
- Work style reform initiatives
- Health and productivity management initiatives
- Human Resource Development
- Coexistence with the community



G

Governance

- Corporate governance initiatives
- Ensuring compliance, risk management initiatives
- Information security initiatives



- This material includes descriptions of the future prospects of the company. These descriptions were prepared based on the information at the time they were written and do not guarantee future results and involve risks and uncertainties. Please note that there is a possibility that these results will substantially differ from the future prospects due to a variety of factors.
- This material includes past financial statements that have not been audited by audit companies and management figures of the company that are not based on financial statements.
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- Any information in this materials not pertaining to Prored Partners has been extracted from publicly disclosed information and the accuracy and rationality of such information have not been verified and thus are not guaranteed by Prored Partners.



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