

March 16, 2021

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2021 (Japanese GAAP)

Company name: Prored Partners Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
 Securities code: 7034 URL: <https://www.prored-p.com/>
 Representative: Susumu Satani, Representative Director
 Contact: Koji Sonoda, Executive Officer and General Manager of the Administration Division Tel: +81-3-6435-6581
 Scheduled date for filing of securities report: March 17, 2021
 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 Three Months of the Fiscal Year Ending October 31, 2021 (November 1, 2020 to January 31, 2021)

(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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2021	882	–	213	–	214	–	143	–
January 31, 2020	–	–	–	–	–	–	–	–

(Note) Comprehensive income First three months ended January 31, 2021: 143 million yen (–%)
 First three months ended January 31, 2020: – million yen (–%)

	Earnings per share		Diluted earnings per share	
Three months ended	Yen		Yen	
January 31, 2021	12.86		12.83	
January 31, 2020	–		–	

(Note) The Company prepares consolidated financial statements from the end of the fiscal year ended October 31, 2020, and therefore does not state year-on-year rates of change in the first three months of the fiscal year ending October 31, 2021 and values and year-on-year rates of change in the first three months of the fiscal year ended October 31, 2020.

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of January 31, 2021	7,423		6,412		86.4	
As of October 31, 2020	7,522		6,266		83.3	

(Reference) Equity: As of January 31, 2021: 6,412 million yen As of October 31, 2020: 6,266 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, 2020	–	0.00	–	0.00	0.00
Fiscal year ending October 31, 2021	–				
Fiscal year ending October 31, 2021 (Forecast)		0.00	–	0.00	0.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending October 31, 2021 (November 1, 2020 to October 31, 2021) (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	4,349	–	1,264	–	1,261	–	895	–	80.21

(Notes) 1. Revisions to the forecast of results most recently announced: None

2. Given that the fiscal year ended October 31, 2020 is the first year of preparing consolidated financial results and that the deemed date of acquisition of consolidated subsidiaries is set at the end of the current fiscal year, only the balance sheets are consolidated in the fiscal year ended October 31, 2020. Therefore, the statement of year-on-year rates of change is omitted.

* Notes

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

(2) Application of particular accounting treatment concerning preparation of quarterly financial statements: None

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Application of 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 at end of the period (including treasury shares)

As of January 31, 2021: 11,194,000 shares

As of October 31, 2020: 11,169,600 shares

(ii) Number of treasury shares at end of the period

As of January 31, 2021: 169 shares

As of October 31, 2020: 169 shares

(iii) Average number of shares outstanding during the period

Three months ended January 31, 2021: 11,193,831 shares

Three months ended January 31, 2020: 10,484,664 shares

(Note) On January 12, 2020, the Company implemented a two-for-one common stock split. The number of shares outstanding at end of the period, the number of treasury shares at end of the period, and the average number of shares outstanding during the period were calculated assuming that the stock split was implemented at the beginning of the previous consolidated fiscal year.

* 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 to the use of the forecasts, please refer to “1. Qualitative Information on Financial Results for the First Three Months Ended January 31, 2021 (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, March 16, 2021 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.

○ Index for Supplementary Information

1. Qualitative Information on Financial Results for the First Three Months Ended January 31, 2021	2
(1) Explanation Regarding Business Results	2
(2) Explanation Regarding Financial Position	2
(3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements	3
2. Quarterly Consolidated Financial Statements and Key Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	5
(3) Notes to Quarterly Consolidated Financial Statements	7
(Note regarding going concern assumptions)	7
(Notes in the case of significant changes in shareholders' equity)	7
(Application of particular accounting treatments concerning preparation of quarterly consolidated financial statements)	7
(Segment information, etc.)	7
(Significant subsequent events)	7

1. Qualitative Information on Financial Results for the First Three Months Ended January 31, 2021

The forward-looking statements made below are forecasts determined by the Group at the end of the first three months under review. The Group prepares consolidated financial statements from the end of the previous fiscal year, and therefore does not conduct a comparative analysis with the same period of the previous fiscal year.

(1) Explanation Regarding Business Results

During the first three months under review, the conditions faced by the Japanese economy continued to be harsh, affected by restraints on economic activity and human movement due to COVID-19.

However, in the consulting service market in which the Group operates, there is increasing need for consulting services supporting various aspects of corporate activities such as the restructuring of industries, the improvement of work efficiency, and the creation of new business models to enhance corporate value, as well as the utilization of digital technologies essential for achieving these objectives. Among them, the need for consulting continued to be high in areas surrounding the reduction of costs, given the rising personnel expenses, uncertain economic conditions, etc.

In this business environment, the Group has continued to conduct business activities through negotiating and providing consulting services via the internet and promoting people's working from home and worked to conclude agreements by expanding its sales partners, strengthening relationships and increasing sales staff. In consulting services, the Group has expanded into additional business areas such as sales growth, consulting in the areas of the environment and risk management and the operation of funds, while continuing to promote a wide range of cost management spanning from BPO to BPR.

For the fiscal year ending October 31, 2021, sales in the first half were relatively small from the planning stage due to the impact of restrictions on sales activities during the state of emergency that began in April 2020, but the results forecasts for the current fiscal year are expected to be achieved due to an increase in sales in the second half. In this environment, operating results for the first three months under review recorded net sales of 882 million yen, operating profit of 213 million yen, ordinary profit of 214 million yen and profit attributable to owners of parent of 143 million yen, remaining slightly higher than projections. 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

(Assets)

Assets at the end of the first three months under review totaled 7,423 million yen, a decrease of 99 million yen from the end of the previous fiscal year.

Current assets decreased 124 million yen from the end of the previous fiscal year, to 6,550 million yen. This was mainly attributable to a decrease of 262 million yen in cash and deposits, despite an increase of 104 million yen in accounts receivable - trade.

Non-current assets increased 25 million yen from the end of the previous fiscal year, to 873 million yen. This was chiefly due to increases of 50 million yen in investment securities and 15 million yen in accumulated depreciation of property, plant and equipment.

(Liabilities)

Liabilities at the end of the first three months under review totaled 1,011 million yen, a decrease of 244 million yen from the end of the previous fiscal year.

Current liabilities decreased 199 million yen from the end of the previous fiscal year, to 712 million yen. This was mainly attributable to decreases of 109 million yen in income taxes payable and 107 million yen in accrued expenses.

Non-current liabilities declined 45 million yen from the end of the previous fiscal year, to 298 million yen. This was chiefly due to the posting of asset retirement obligations in current liabilities.

(Net assets)

Net assets at the end of the first three months under review totaled 6,412 million yen, an increase of 145 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 143 million yen in retained earnings due to the posting of profit attributable to owners of parent.

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

Consolidated results forecasts for the fiscal year ending October 31, 2021 remain unchanged from the full-year results forecasts announced on December 15, 2020.

However, associated with the global pandemic of COVID-19, the future outlook of the Japanese economy continues to remain uncertain. The business performance of the Company does not show major irregularity as of this moment, but earnings could decline if the impact of COVID-19 is prolonged.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousand yen)

	Previous fiscal year (As of October 31, 2020)	First three-month period (As of January 31, 2021)
Assets		
Current assets		
Cash and deposits	5,952,812	5,690,391
Accounts receivable - trade	629,078	733,805
Work in process	43,279	61,575
Supplies	386	347
Other	49,103	64,086
Total current assets	6,674,660	6,550,206
Non-current assets		
Property, plant and equipment	44,753	28,817
Intangible assets		
Goodwill	369,054	361,365
Software	47,767	45,937
Other	26	26
Total intangible assets	416,848	407,329
Investment and other asset	386,451	437,052
Total non-current assets	848,053	873,198
Total assets	7,522,713	7,423,405
Liabilities		
Current liabilities		
Accounts payable - trade	28,314	33,040
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	147,427	125,067
Accrued expenses	212,763	105,002
Income taxes payable	193,428	84,040
Provision for bonuses	10,368	42,624
Asset retirement obligations	-	39,795
Other	115,193	78,191
Total current liabilities	912,695	712,963
Non-current liabilities		
Bonds payable	240,000	240,000
Long-term borrowings	50,800	44,500
Provision for retirement benefits	13,539	13,539
Asset retirement obligations	38,928	-
Total non-current liabilities	343,268	298,039
Total liabilities	1,255,963	1,011,002
Net assets		
Shareholders' equity		
Share capital	2,025,041	2,025,871
Capital surplus	2,015,041	2,015,871
Retained earnings	2,227,213	2,371,207
Treasury shares	(546)	(546)
Total shareholders' equity	6,266,750	6,412,403
Total net assets	6,266,750	6,412,403
Total liabilities and net assets	7,522,713	7,423,405

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

(Quarterly consolidated statement of income)

(First three-month period)

	(Unit: Thousand yen)
	First three-month period (from November 1, 2020 to January 31, 2021)
Net sales	882,850
Cost of sales	328,671
Gross profit	554,178
Selling, general and administrative expenses	341,008
Operating profit	213,170
Non-operating income	
Interest income	12
Government subsidies received	2,000
Total non-operating income	2,012
Non-operating expenses	
Interest expenses	315
Other	4
Total non-operating expenses	320
Ordinary profit	214,862
Profit before income taxes	214,862
Income taxes	70,868
Profit	143,993
Profit attributable to owners of parent	143,993

(Quarterly consolidated statement of comprehensive income)

(First three-month period)

(Unit: Thousand yen)

	First three-month period (from November 1, 2020 to January 31, 2021)
Profit	143,993
Comprehensive income	143,993
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	143,993

(3) 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)

(Calculation of tax expenses)

For the calculation of tax expenses, the Company adopts the method of calculating them 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 three months under review and multiplying profit before income taxes by the estimated effective tax rate.

(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)

(Share repurchase)

At a meeting held on March 16, 2021, the Company's Board of Directors passed a resolution on matters concerning a share repurchase pursuant to the provisions of Article 156 of the Companies Act applied following the deemed replacement of terms pursuant to the provisions of Article 165, Paragraph 3 of the Act.

1. Reason for the share repurchase

The Company will repurchase its own shares to enhance shareholder returns.

2. Details of matters concerning the share repurchase

(1) Class of shares to be acquired	Common shares of the Company
(2) Total number of shares that may be acquired	350,000 shares (maximum) (Ratio to the total number of shares outstanding (excluding treasury shares) 3.13%)
(3) Total acquisition value of shares	1 billion yen (maximum)
(4) Acquisition period	March 17, 2021 to October 31, 2021
(5) Acquisition method	Market purchases on the Tokyo Stock Exchange