



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2023 (Japanese GAAP)

March 17, 2023

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:	March 17, 2023	
Scheduled date of dividend payment:	—	
Supplementary documents for quarterly results:	Yes	
Quarterly results briefing:	Yes (for institutional investors and analysts)	

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2023

(November 1, 2022 to January 31, 2023)

(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, 2023	584	(22.2)	(142)	—	(215)	—	(156)	—
January 31, 2022	752	(14.8)	30	(85.8)	(22)	—	24	(82.8)

(Note) Comprehensive income First three months ended January 31, 2023 -215 million yen (—%)

First three months ended January 31, 2022 -35 million yen (—%)

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
January 31, 2023	(14.36)	—
January 31, 2022	2.27	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
January 31, 2023	9,148	7,725	54.8
October 31, 2022	9,322	7,519	55.4

(Reference) Equity: As of January 31, 2023: 5,011 million yen As of October 31, 2022: 5,168 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, 2022	—	0.00	—	0.00	0.00
Fiscal year ending October 31, 2023	—				
Fiscal year ending October 31, 2023 (Forecast)		0.00	—	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, 2023 (November 1, 2022, to October 31, 2023)

(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
Full year	million yen	%	million yen	%	million yen	%	million yen	%	Yen
	2,361	(13.1)	—	—	—	—	—	—	—

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

1. For the earnings forecast, specific forecasts of profit amounts for operating profit and below have not been disclosed from the perspective of requiring investment decisions flexible to rapid changes in the current economic environment.

* 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) Adoption 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 (Application of particular accounting treatments concerning preparation of quarterly consolidated financial statements)" on page 6 of the attached materials.

(3) Changes in accounting policies, and changes and restatements in accounting estimates

- (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 (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 6 of the Supplementary Information.

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding (including treasury stock)

As of January 31, 2023: 11,195,600 shares

As of October 31, 2022: 11,195,600 shares

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

As of January 31, 2023: 276,106 shares

As of October 31, 2022: 276,106 shares

(iii) Average number of shares issued during the period

Three months ended January 31, 2023: 10,919,494 shares.

Three months ended January 31, 2022: 10,919,506 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 Three Months Ended January 31, 2023 (3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements" on page 3 of the Supplementary Information.

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

The Company will hold an online results briefing for institutional investors and analysts using a web conferencing system on Friday, March 17, 2023. 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 Three Months Ended January 31, 2023

The forward-looking statements made below are forecasts determined by the Group at the end of the first three months under review. The forward-looking statements contained in this document are based on the judgment of the Group as of the end of the current quarter.

(1) Explanation Regarding Business Results

1. Explanation regarding business results

During the first three months under review, 2023, the Japanese economy has gradually recovered due to the promotion of measures such as vaccinations and the progressive easing of restrictions, although the situation caused by COVID-19 remains difficult. Meanwhile, the economic environment is expected to continue to be uncertain due to factors such as inflation reaching the highest level in 40 years as a result of rising raw material prices, concerns about the situation with Ukraine and Russia affecting economic activity, and the rapid progression of the weakening of the yen caused by interest rate hikes in the United States.

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.

In the consulting business, 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 a nearly stage by instituting strategies such as accelerating the achievement of sales leads and expanding new business domains.

Regarding the Pro-Sign business, although it began fee-based services in the previous fiscal year, the number of companies charged fees has been sluggish. Therefore, we are reexamining our future approach, including redefining the value provided by Pro-Sign and narrowing down its functions.

As a result, operating results for the first three months under review recorded net sales of 584 million yen (down 22.2% year on year), operating loss of 142 million yen (operating profit of 30 million yen in the same period of the previous year), ordinary loss of 156 million yen (ordinary loss of 22 million yen in the same period of the previous year), and loss attributable to owners of parent of 215 million yen (profit attributable to owners of parent of 24 million yen in the same period of the previous year). Segment information is not shown because the Company's operations are limited to the single segment of consulting business.

(2) Explanation Regarding Financial Position

(Assets)

Net assets at the end of the first three months under review totaled 9,148 million yen, a decrease of 173 million yen from the end of the previous fiscal year.

Current assets decreased 673 million yen from the end of the previous fiscal year, to 4,862 million yen. This was mainly attributable to a decrease of 489 million yen in cash and deposits and a decrease of 152 million yen in accounts receivable - trade, and contract assets.

Non-current assets increased 499 million yen from the end of the previous fiscal year, to 4,286 million yen. This was attributable primarily to an increase of 507 million yen in investment securities.

(Liabilities)

Liabilities at the end of the first three months under review totaled 1,423 million yen, a decrease of 379 million yen from the end of the previous fiscal year.

Current liabilities decreased 540 million yen from the end of the previous fiscal year, to 471 million yen. This was largely due to decreases 212 million yen in other current liabilities, 147 million yen in accounts payable - other, and 108 million yen in accrued expenses.

Non-current liabilities increased 161 million yen from the end of the previous fiscal year, to 951 million yen. This was chiefly reflects an increase of 161 million yen in long-term borrowings.

(Net assets)

Net assets at the end of the first three months under review totaled 7,725 million yen, an increase of 205 million yen from the end of the previous fiscal year. This was mainly attributable to increase of 346 million yen in non-controlling interests, despite decrease of 156 million yen in retained earnings due to recording loss attributable to owners of parent.

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

With regard to the consolidated earnings forecast for the fiscal year ending October 31, 2023, it is our policy not to disclose specific forecasts of profit amounts for operating profit and below from the perspective of requiring investment decisions flexible to rapid changes in the current economic environment.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	Previous fiscal year (As of October 31, 2022)	First three-month period (As of January 31, 2023)
Assets		
Current assets		
Cash and deposits	4,729,774	4,239,949
Accounts receivable - trade, and contract assets	509,080	356,941
Other	297,249	265,500
Total current assets	5,536,104	4,862,391
Non-current assets		
Property, plant and equipment	70,211	65,937
Intangible assets		
Goodwill	307,545	299,856
Software	27,106	25,006
Other	26	26
Total intangible assets	334,678	324,889
Investments and other assets		
Investment securities	3,204,654	3,711,986
Other	177,050	183,731
Total investments and other assets	3,381,704	3,895,718
Total non-current assets	3,786,594	4,286,545
Total assets	9,322,699	9,148,936
Liabilities		
Current liabilities		
Accounts payable - trade	36,800	31,663
Current portion of bonds payable	80,000	80,000
Current portion of long-term borrowings	45,600	39,300
Accounts payable - other	226,622	79,387
Accrued expenses	230,953	122,349
Accrued consumption taxes	87,024	60,346
Income taxes payable	66,696	1,988
Provision for bonuses	13,040	44,440
Other	225,320	12,468
Total current liabilities	1,012,058	471,945
Non-current liabilities		
Bonds payable	80,000	80,000
Long-term borrowings	682,000	843,000
Retirement benefit liability	13,847	13,847
Asset retirement obligations	14,996	15,007
Total non-current liabilities	790,844	951,854
Total liabilities	1,802,903	1,423,799
Net assets		
Shareholders' equity		
Share capital	2,025,925	2,025,925
Capital surplus	2,015,925	2,015,925
Retained earnings	1,889,074	1,732,244
Treasury shares	(762,824)	(762,824)
Total shareholders' equity	5,168,101	5,011,270
Share acquisition rights	-	15,455
Non-controlling interests	2,351,694	2,698,411
Total net assets	7,519,795	7,725,136
Total liabilities and net assets	9,322,699	9,148,936

(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 of the previous fiscal year (from November 1, 2021 to January 31, 2022)	First three-month period (From November 1, 2022 to January 31, 2023)
Net sales	752,111	584,884
Cost of sales	365,940	448,484
Gross profit	386,170	136,400
Selling, general and administrative expenses	355,842	279,375
Operating profit (loss)	30,328	(142,975)
Non-operating income		
Government subsidies received	530	-
Other	670	613
Total non-operating income	1,200	613
Non-operating expenses		
Interest expenses	59	751
Investment partnership administrative expenses	54,037	61,844
Other	70	10,202
Total non-operating expenses	54,167	72,798
Ordinary profit (loss)	(22,638)	(215,160)
Profit (loss) before income taxes	(22,638)	(215,160)
Income taxes	13,139	677
Profit (loss)	(35,777)	(215,837)
Profit (loss) attributable to non-controlling interests	(60,606)	(59,007)
Profit (loss) attributable to owners of parent	24,829	(156,830)

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

(Unit: thousand yen)

	First three months of the previous fiscal year (From November 1, 2021 to January 31, 2022)	First three-month period (From November 1, 2022 to January 31, 2023)
Profit (loss)	(35,777)	(215,837)
Comprehensive income	(35,777)	(215,837)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,829	(156,830)
Comprehensive income attributable to non-controlling interests	(60,606)	(59,007)

(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)

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 three months under review and multiplying profit before income taxes by the estimated effective tax rate. However, in cases where the result of calculating using this effective tax rate lacks reasonableness in a significant manner, the Company bases calculations on the legal tax rate. Income taxes - deferred is included in income taxes.

(Changes in accounting policies)

(Application of the Guidance on Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; below, the "Guidance on Accounting Standard for Fair Value Measurement") was applied for the first quarter of the fiscal year ending October 31, 2023, and in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy stipulated by the Guidance on Accounting Standard for Fair Value Measurement is to be applied prospectively. Note that this change has no impact on the quarterly consolidated financial statements.

(Additional Information)

(Accounting estimates regarding the impact of the rapid spread of COVID-19 and changes in the international situation related to Ukraine)

The rapid spread of COVID-19 and changes in the international situation related to Ukraine have made the business environment more difficult for some of our client companies in their industries, and to some extent this has affected the orders for consulting services that we provide to our client companies. However, at the time of preparation of the financial statements, we do not believe that this will have a material impact on our accounting estimates.

The Company has made accounting estimates based on information available at the time of preparation of the financial statements, assuming that the impact of COVID-19 and changes in the international situation related to Ukraine will continue for a certain period of time.

Due to the high degree of uncertainty regarding the timing of the normalization of the COVID-19 situation and changes in the international situation related to Ukraine, and the impact on the business environment, any change in the situation could have an impact on our financial position and operating results.

(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)

Decrease in share capital

In the meeting of the Board of Directors held on December 23, 2022, the Company resolved to submit a proposal to reduce the amount of share capital at the 15th Ordinary General Shareholders' Meeting held on January 26, 2023, which was approved by the said shareholders' meeting and became effective on February 28, 2023.

1. Purpose of the reduction in share capital

In accordance with Article 447, paragraph (1) of the Companies Act, the Company has decided to reduce the amount of share capital and transfer the entire amount to other capital surplus for the purpose of ensuring flexibility and mobility of its future capital policy.

2. Details of the reduction in share capital

Pursuant to Article 447, paragraph (1) of the Companies Act, the Company will reduce the amount of share capital, and transfer the entire amount to other capital surplus.

Reduction in share capital

Share capital of 2,025,925,500 yen will be reduced by 2,015,925,500 yen to 10,000,000 yen.

3. Schedule of the reduction in share capital

(1) Date of resolution by the Board of Directors: December 23, 2022

(2) Date of resolution of the Ordinary General Shareholders' Meeting: January 26, 2023

(3) Deadline for objection by creditors: February 27, 2023

(4) Effective date: February 28, 2023