

Prored Partners

Prored Partners Co., Ltd.

Tokyo Stock Exchange Prime Market (Ticker: 7034)

Financial Results for Q2 FY2023

thinkOut

2023.6

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1. Q2 FY2023 Financial Results

Performance Highlights

1. Non-consolidated cost management

- The impact of ongoing inflation has already been factored into the full-year financial forecast, and progress was in line with the plan.
- Non-consolidated cost management net sales were down 27.8% year on year, reflecting a decrease in the number of projects and a reduction in fees per project from the same period of the previous fiscal year.

2. Pro-Sign

- The BSM¹ business has been transferred to NTT Data Intramart Corporation. Prored will continue development and operation of the Pro-Sign corporate real estate (CRE) management services.

3. Subsidiary

- KMRI: Progress was made as planned.
- Bluepass: A gain on investment in investment partnerships was posted after a share transfer in an investment project.

Consolidated Net Sales

1,361 million yen
(Year-on-year -8.8%)

Consolidated Operating Profit

-98 million yen
(119 million yen in the
same period a year earlier)

Consolidated EBITDA
before Investment²

215 million yen
(Year-on-year -2.0%)

1. BSM: An abbreviation for Business Spend Management

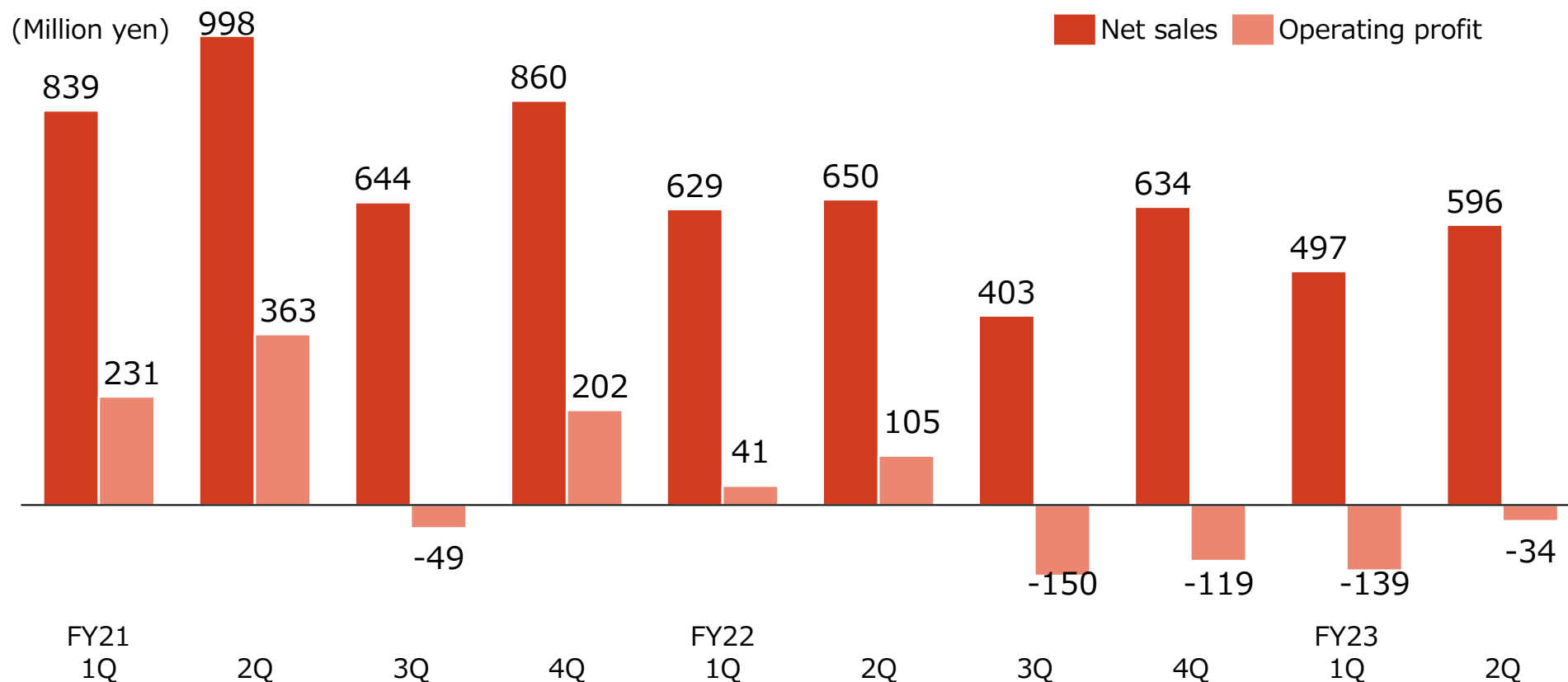
2. EBITDA before investment: Calculated by deducting profits and losses on new businesses (including Pro-Sign) that are under development.

Consolidated P/L Summary

(Unit: million yen)	Consolidated cumulative			
	FY2022 2Q	FY2022	FY2023 2Q	YoY rate of change (%)
Net sales	1,492	2,718	1,361	-8.8%
Cost of sales	676	1,358	920	36.1%
Cost of sales ratio %	45.3%	50.0%	67.6%	
Gross profit	816	1,359	440	-46.0%
Gross margin %	54.6%	50.0%	32.4%	
Selling, general and administrative expenses	696	1,508	539	-22.6%
SG&A ratio %	46.6%	55.5%	39.6%	
Operating profit	119	-148	-98	—
Operating profit margin	7.9%	-5.5%	-7.2%	
EBITDA before investment	219	287	215	-2.0%
EBITDA before investment/ Net sales	14.6%	10.6%	15.8%	
Ordinary profit	100	-209	4,746	4645.1%
Profit attributable to owners of parent	146	-871	902	517.1%

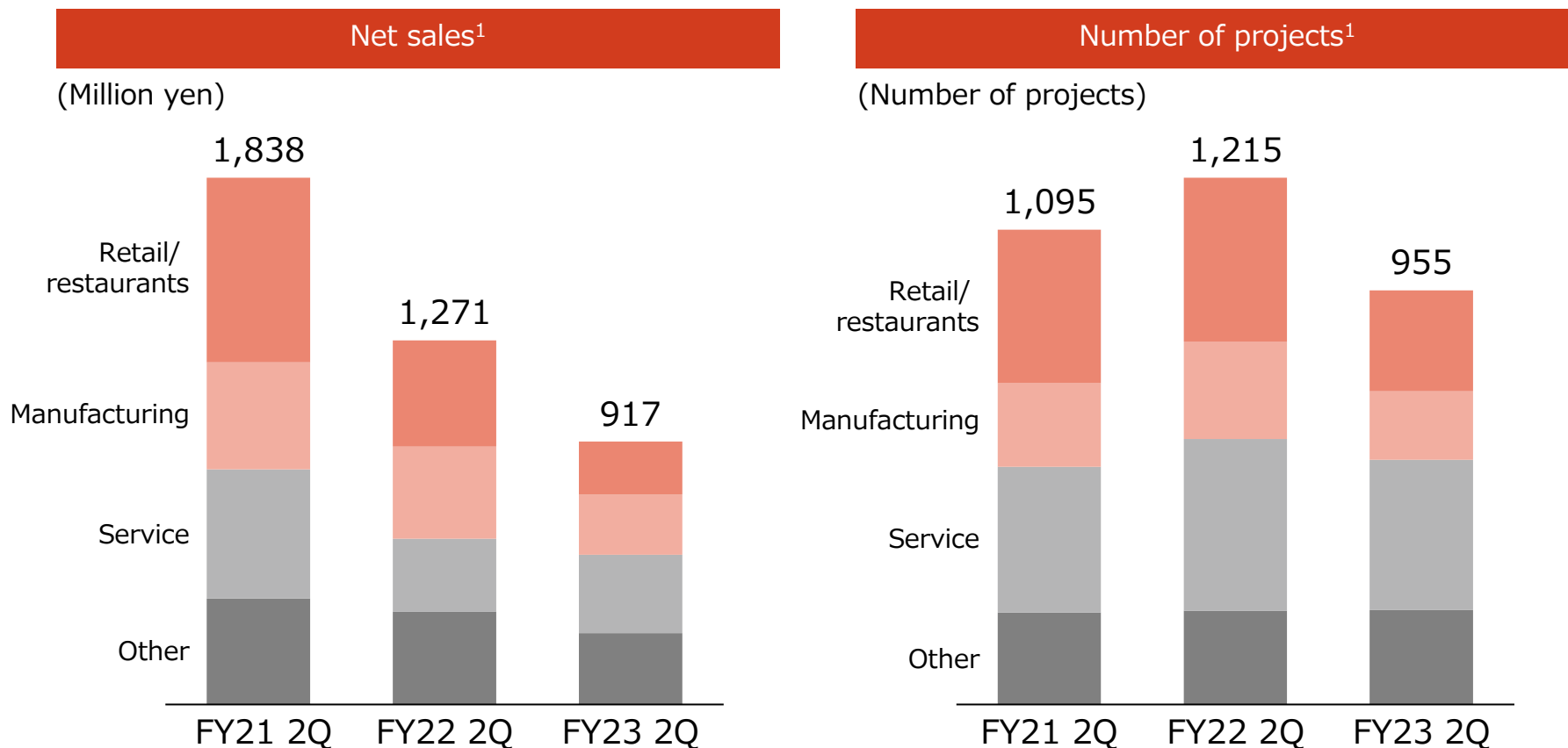
Prored Non-consolidated | Quarterly Trend in Net Sales and Operating Profit

- Net sales continued to decline due to the reduction in the initial amount accepted in the same period of the previous fiscal year and the inflation.
- The amount of investment associated with the Pro-Sign business contributed to a contraction of operating profit, since it had been posted as expenses, not as software assets since Q4 of FY2022.



Cost Management | Trends in Net Sales by Sector

- Cost reductions and fees per project continued to shrink due to the effects of ongoing inflation. In addition, net sales were stagnant following a decrease in the number of projects.



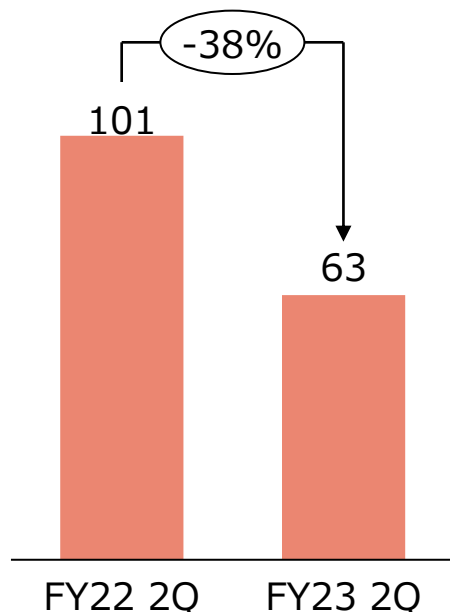
1. Net sales and the number of projects relating to new business domains are excluded.

Cost Management | Number of Personnel, Production, Gross Profit Margin

- The number of consultants was 63 at the end of Q2 partly due to attrition. In view of the falling momentum of net sales, we are conducting recruitment activities with a view to effective staff assignment.
- The cost management gross profit margin improved after the number of projects and net sales per consultant began to increase.

Number of consultants^{1, 4, 5}

(Persons)

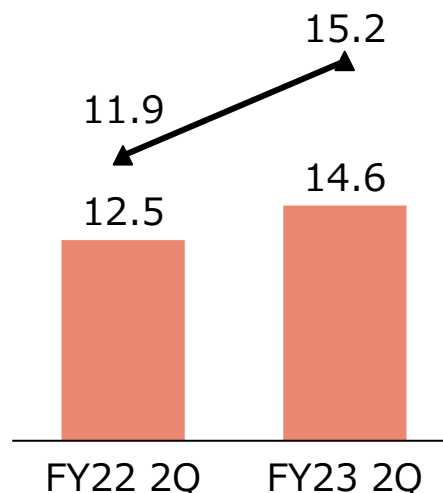


Quarterly net sales and number of projects per consultant^{2, 4}

(# projects, million yen)

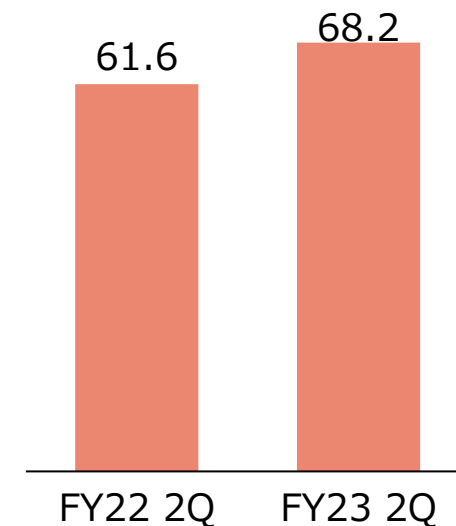
▲ Number of projects per consultant

■ Net sales per consultant



Gross profit margin³

(%)



1. Headcount as of the end of each quarter

2. Number divided by an average headcount during the relevant term. Sales as of the end of a quarter denote total sales for the period from the beginning of the relevant term until the end of that quarter.

3. Gross margin on sales for the first six months

4. Twenty-six consultants, net sales and the number of projects relating to new business domains are excluded.

5. From the end of the 2Q, the impact of the reorganization is reflected in the count, and according to this counting method, the number of consultants at the end of the 1Q was 63.

Measures to address increasingly complex needs

- In the fiscal year ended October 31, 2022, record corporate inflation and a sudden increase in energy costs led to the emergence of a headwind against the performance-based fee model amid market conditions with various companies raising prices in succession.
- Meanwhile, there is still a high level of needs for reducing costs during inflation, and fixed fee consulting was expanded to respond to increasingly complex needs.

Emerging issues and reform policy

FY22

As companies raise prices led by energy costs due to rapid inflation, cost management demand is becoming increasingly complex to the point that it is difficult to provide support using only a performance-based fee model.

FY23

In order to respond to increasingly complex needs for cost reduction and corporate reform, **in addition to the existing performance-based fee consulting, expand fixed fee consulting** to support clients

Service matrix (example)

	Cost down	Hands On	PMO	Environment	Logistics SCM	...
Fee format						
Performance-based fees	Provision of all-in-one service from strategy drafting to implementation support as in the past					
Fixed fees	Provider medium- to long-term management services utilizing Prored's knowledge, such as structural reform and group strategy drafting					

Provide services with a portfolio combining performance-based and fixed fees to respond to increasingly complex needs

2. Forecasts for FY2023 Financial Results

Forecasts for FY2023 Financial Results

We have revised the full-year financial forecast in light of the operating environment, changes in service portfolios of existing consulting firms, and the transfer of the Pro-Sign BSM business.

- Net sales: The forecast is kept on hold, given that both Prored and KMRI made progress as planned.
- Operating profit: The forecast was reformulated in view of lower personnel expenses for engineers from June 2023 onwards resulting from the transfer of the Pro-Sign BSM business as well as other reviews on cost structure.
- Ordinary profit and profit attributable to owners of parent:
The Company will not disclose forecasts, given the difficulty in reasonably predicting the timing and amount of future accruals for profit and loss caused by the management of the investment limited partnership in which the Company invests.

Forecasts for FY2023 Financial Results

(Unit: million yen)	Consolidated cumulative				Results for the previous fiscal year
	Previous forecast (A)	Revised forecast (B)	Amount of increase/ decrease (B-A)	Percentage increase/ decrease (%)	FY2022
Net sales	2,361	2,361	—	—	2,718
Operating profit	—	-619	-619	—	-148

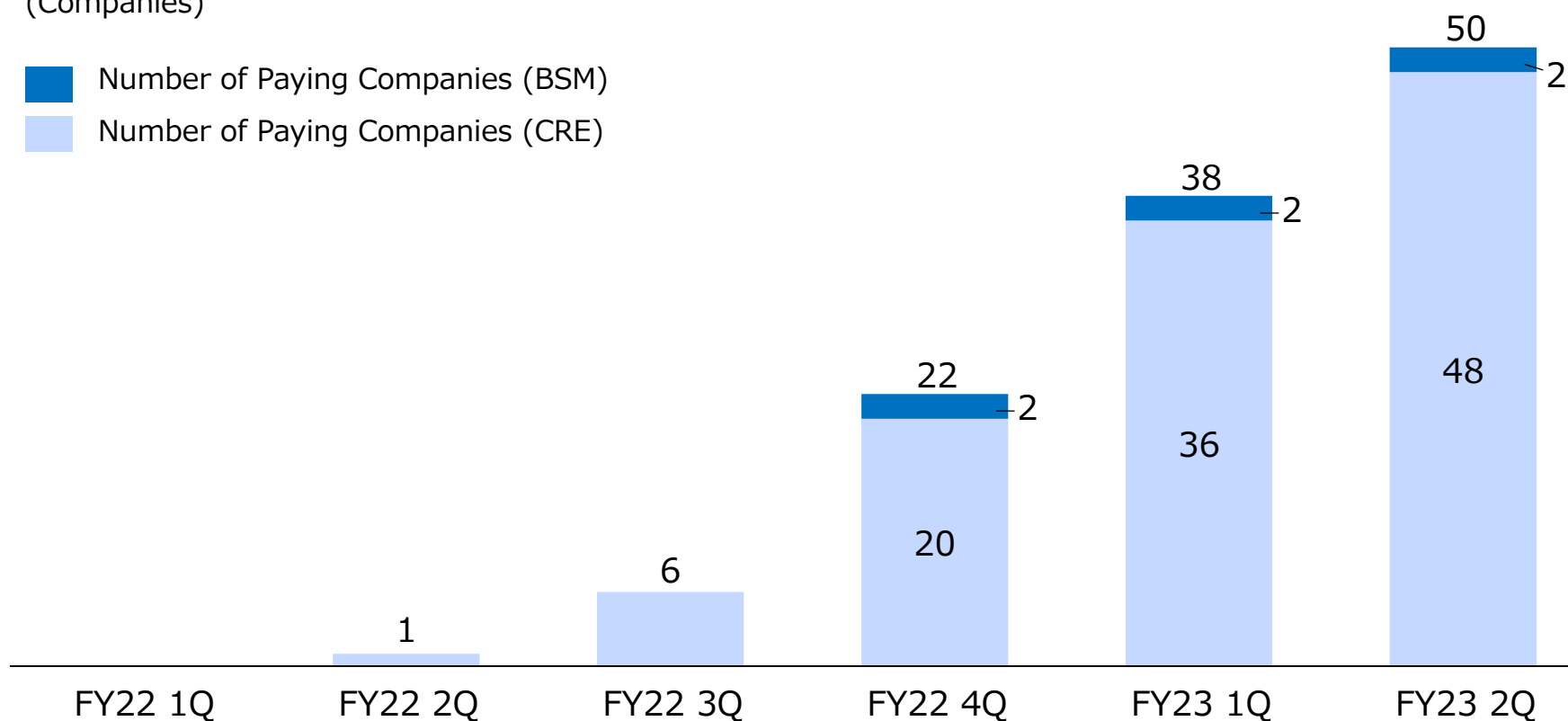
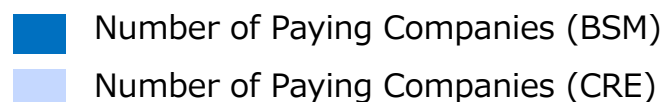
3. Update on Pro-Sign

Pro-Sign | Update on the Number of Paying Companies

- The transfer of the BSM business has been carried out after our consideration of its future direction. Prored will continue development and operation of CRE management services.
- As of the end of Q2, 48 companies were billed for CRE management services.

Number of Paying Companies

(Companies)



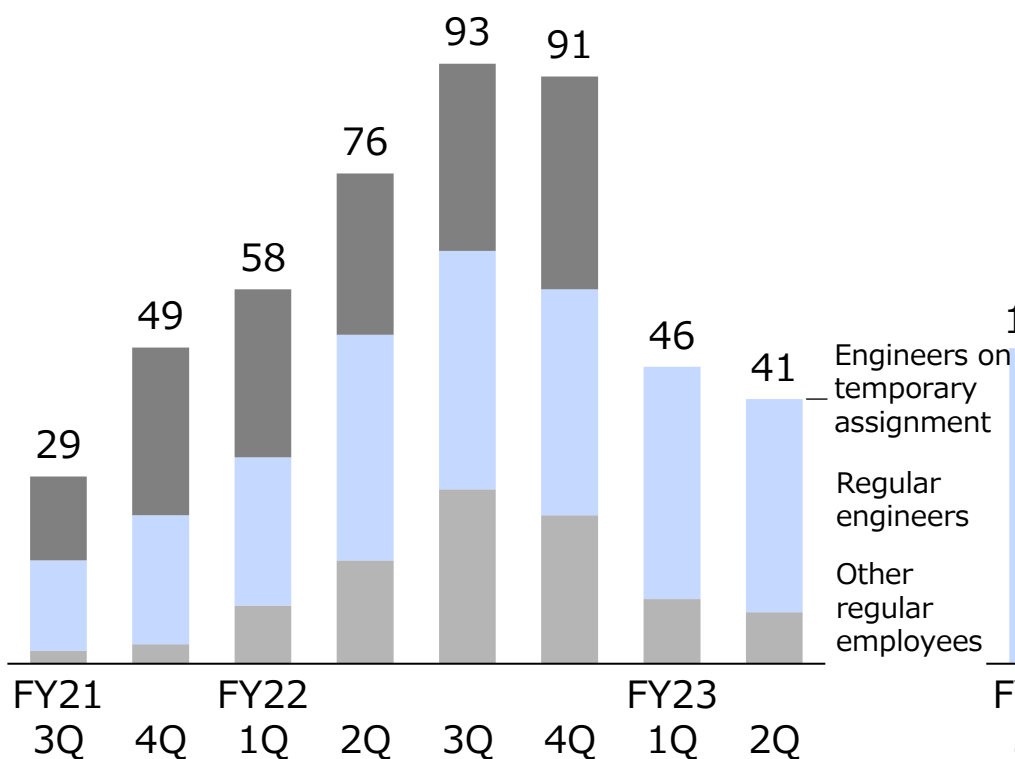
CRE: Refers to corporate real estate management services.

Pro-Sign | Number of Employees and Development Cost

- Given that the transfer of the BSM business took place in 3Q, the number of personnel as of 2Q reflected a minor change from the previous quarter, i.e. 1Q.
- Annual expenses relating to Pro-Sign after the BSM business transfer are estimated around 120 million yen.

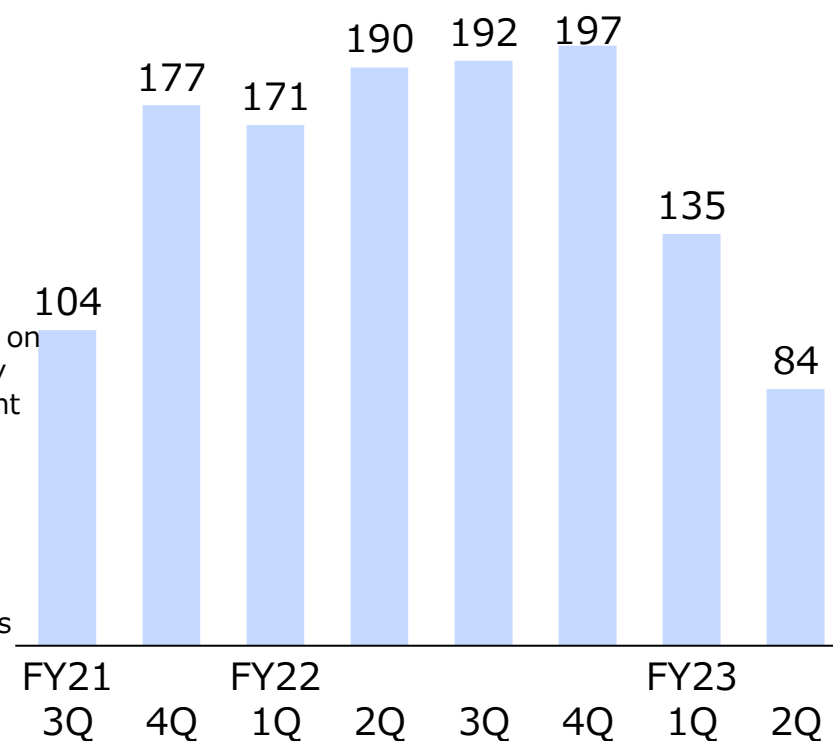
Number of employees (excluding employees at subcontractors)

(Persons)



Development-related expenses

(Million yen)



Pro-Sign | BSM Business Transfer

On April 28, 2023, Prored decided to transfer the Pro-Sign BSM business to NTT Data Intramart Corporation for the reasons described below and concluded a business transfer agreement.

- Prored was in the course of considering its future direction, including a redefinition of the value offered by the BSM and a reduction of functions offered.
- Collaboration between the two companies would pave the way for meeting a wide range of needs from consulting to digital transformation in the area of purchasing and procurement.

Transfer price

220 million yen

Closing date

May 31, 2023

Future outlook

Extraordinary income of 218 million yen is expected to be posted.

Appendix

Update on Bluepass Capital

Steady Investments after Fund Raising



- A trading company founded in 1913 engages in sales and construction of civil engineering and construction materials and equipment used in public and private civil engineering works and sales of industrial materials and equipment used at plants, primarily in eastern Japan.
- With an extensive lineup of products and excellent sales capabilities, it has earned the trust of general constructors and others and holds a large market share in eastern Japan. It has a significant role in supporting infrastructure and foundations from the perspective of disaster control and response.



F-ist Co., Ltd.
Obrigado Co., Ltd.

- They are retail concession operators selling fresh vegetables and fruits inside nearly 30 fresh food supermarkets and discount stores in Tokyo suburbs under the brands of Yaoshin and Vivace.



- A D2C company that plans and sells MURA brand small leather goods, such as wallets and bags, at major online shopping malls.



- Outsourced hair salons mostly of the amie brand with approx. 50 directly operated salons in the Tokyo metropolitan area and suburbs



- Ceno is a fashion apparel company operating multiple brands including VANQUISH, a Shibuya-originated brand that Ceno established, and #FR2, a street fashion brand symbolizing the era of photo-based social media communication promoted through its Harajuku-based flagship store.



- A software vendor with the largest market share in the industry, which develops, sells, and maintains its Dr. Process brand of production control systems, process control systems, and production control schedulers for the in-house die production departments of leading manufacturers, specialized die manufacturers, etc.

* This slide only presents projects that may be disclosed to the public.

Disclaimer

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