



Financial Results for the Three Months Ended January 31, 2020 (J-GAAP)

March 12, 2020

Name of listed company: Prored Partners CO., LTD.

Stock Exchange Listing: TSE Mothers

Securities code: 7034

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Quarterly report filing date: March 13, 2020

Dividend payable date (as planned): —

Supplemental material of quarterly financial results: None

Convening briefing of quarterly financial results: None

(Rounded down to nearest million yen)

1. Financial results for the three months ended January 31, 2020 (November 1, 2019 - January 31, 2020)

(1) Operating results (cumulative)

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended January 31, 2020	886	36.4	392	35.8	392	44.3	272	44.3
Three months ended January 31, 2019	649	—	289	—	272	—	188	—

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended January 31, 2020	25.99	25.28
Three months ended January 31, 2019	18.45	17.67

(Note) The figures and year-on-year change for the three months ended January 31, 2019 are not shown because the company did not prepare financial statements for the three months ended January 31, 2018.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended January 31, 2020	5,177	4,304	83.0
Year ended October 31, 2019	4,718	3,670	77.8

(Reference) Capital stock Three months ended January 31, 2020 4,297 Million yen Year ended October 31, 2019 3,670 Million yen

2. Dividends

	Annual dividend				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended October 31, 2019	—	0.00	—	0.00	0.00
Year ending October 31, 2020	—	—	—	—	—
Year ending October 31, 2020 (forecast)	—	0.00	—	0.00	0.00

(Note) Revisions since most recently announced dividend forecast: None

3. Financial forecasts for the year ending October 31, 2020 (November 1, 2019 - October 31, 2020)

(% indicates year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	3,468	31.3	1,235	16.0	1,233	17.9	766	12.2	73.73

(Note) Revisions since most recently announced results forecast: None

The Company performed a share split at the ratio of two shares per common share on January 11, 2020. The impact of the share split was considered in the net income per share in the financial forecasts for the year ending October 31, 2020.

* Notes

(1) Application of special accounting processes for the preparation of the quarterly financial statements: Yes

(Note) For details, see "2. Quarterly Financial Statements and Significant Notes (3) Notes to quarterly financial statements

(Application of special accounting processes for the preparation of the quarterly financial statements)" on page 5 of the attached materials.

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

1) Changes in accounting policies associated with accounting standards, etc.: None

2) Changes in accounting policies other than those in 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of issued and outstanding shares (common shares)

1) Number of issued and outstanding shares (including treasury shares)	As of January 31, 2020	10,556,800 shares	As of October 31, 2019	10,389,200 shares
2) Number of treasury shares at the end of period	As of January 31, 2020	136 shares	As of October 31, 2019	136 shares
3) Average number of shares during the period (cumulative)	Three months ended January 31, 2020	10,484,664 shares	Three months ended January 31, 2019	10,232,000 shares

(Note) The Company performed share splits at the ratio of two shares per common share on June 12, 2019 and two shares per common share on January 12, 2020. The "number of issued and outstanding shares," the "number of treasury shares at the end of period," and the "average number of shares during the period" are calculated based on the assumption that the share splits took place at the start of the previous fiscal year.

* This quarterly report does not fall within the scope of quarterly review procedures by certified public accountants or an auditing firm.

* Explanation regarding the appropriate use of financial forecast and other special remarks

Any information contained in this document pertaining to future financial performance etc. is based on the information currently available to the Company and certain other assumptions judged to be reasonable, and the Company does not promise the achievement of this performance. Actual financial performance may vary significantly from the forecasts contained herein. Please refer to "1. Qualitative Information on the Current Quarterly Financial Results (3) Explanation of forecast information such as financial forecasts" on page 2 of the attached materials for the assumptions on which the financial forecast is based and precautionary statements concerning their use.

Table of Contents of the Attached Materials

1. Qualitative Information on the Current Quarterly Financial Results	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of forecast information such as financial forecasts	2
2. Quarterly Financial Statements and Significant Notes	3
(1) Quarterly balance sheet	3
(2) Quarterly statement of income	4
Three months ended January 31, 2020	4
(3) Notes to quarterly financial statements	5
(Notes on ongoing concern)	5
(Notes on significant changes in shareholders' equity)	5
(Application of special accounting processes for the preparation of the quarterly financial statements)	5
(Segment information, etc.)	5
(Significant subsequent events)	5

1. Qualitative Information on the Current Quarterly Financial Results

(1) Explanation of operating results

During the three months ended January 31, 2020, Japanese economy continued to face uncertain conditions as the improvement of results in domestic companies was seen to come to a halt due to uncertainty in economic trends arising from the risk of a downswing in the global economy associated with the trade dispute between the U.S. and China, and tensions in the Middle East.

Under such conditions, there continues to be great demand for cost reduction in the cost reduction area of the consulting market in which the Company does business due to factors such as rising personnel expenses and uncertain economic conditions.

In such an economic environment, the Company has proceeded to conclude agreements by expanding sales partners, strengthening relations and increasing the number of sales personnel. In addition, while continuing to conduct a wide range of cost management spanning from BPO to BPR, the Company has conducted business activities enabling the efficient and effective provision services through the standardization of tasks and the implementation of systems such as RPA, OCR and AI. Furthermore, the Company is promoting further expansion of business areas such as consulting based on completely performance-based fees in SALES GROWTH and BPR that began in the previous fiscal year.

As a result, during the three months ended January 31, 2020, net sales totaled 886 million yen (up 36.4% year-on-year), operating income was 392 million yen (up 35.8% year-on-year), ordinary income was 392 million yen (up 44.3% year-on-year) and net income was 272 million yen (up 44.3% year-on-year), with performance being determined to be as planned.

Segment information is not shown because the Company's operations are limited to the single segment of consulting business.

(2) Explanation of financial position

(Assets)

Assets stood at 5,177 million yen as of January 31, 2020, an increase of 458 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 291 million yen in accounts receivable - trade and 97 million yen in cash and deposits.

(Liabilities)

Liabilities stood at 872 million yen as of January 31, 2020, a decrease of 175 million yen from the end of the previous fiscal year. This was mainly attributable to a 155 million yen decrease in income taxes payable.

(Net assets)

Net assets stood at 4,304 million yen as of January 31, 2020, an increase of 633 million yen from the end of the previous fiscal year. This was mainly attributable to retained earnings increasing by 272 million yen due to net income, share capital increasing by 177 million yen due to the exercise of share acquisition rights and legal capital surplus increasing by 177 million yen.

(3) Explanation of forecast information such as financial forecasts

At the present time, the Company has made no changes to the full-year financial forecast announced on December 16, 2019.

2. Quarterly Financial Statements and Significant Notes

(1) Quarterly balance sheet

(thousand yen)

	Year ended October 31, 2019	Accounting period ended January 31, 2020
Assets		
Current assets		
Cash and deposits	4,154,725	4,252,476
Accounts receivable - trade	277,804	569,732
Work in process	1,683	2,257
Supplies	321	291
Other	36,927	43,692
Total current assets	4,471,462	4,868,450
Non-current assets		
Property, plant and equipment	50,230	48,780
Intangible assets	5,722	6,716
Investments and other assets	191,343	253,099
Total non-current assets	247,296	308,597
Total assets	4,718,758	5,177,047
Liabilities		
Current liabilities		
Accounts payable - trade	17,722	24,928
Current portion of bonds	80,000	80,000
Accounts payable - other	58,692	100,407
Accrued expenses	163,559	64,854
Income taxes payable	285,215	130,146
Provision for bonuses	-	36,971
Other	84,289	76,945
Total current liabilities	689,479	514,253
Non-current liabilities		
Bonds payable	320,000	320,000
Asset retirement obligations	38,646	38,716
Total non-current liabilities	358,646	358,716
Total liabilities	1,048,125	872,970
Net assets		
Shareholders' equity		
Share capital	1,140,333	1,317,681
Capital surplus	1,130,333	1,307,681
Retained earnings	1,399,968	1,672,445
Treasury shares	(380)	(380)
Total shareholders' equity	3,670,255	4,297,427
Share acquisition rights	378	6,650
Total net assets	3,670,633	4,304,077
Total liabilities and net assets	4,718,758	5,177,047

(2) Quarterly statement of income
(Three months ended January 31)

	(thousand yen)	
	Three months ended January 31, 2019 (November 1, 2018 - January 31, 2019)	Three months ended January 31, 2020 (November 1, 2019 January 31, 2020)
Net sales	649,473	886,075
Cost of sales	131,575	206,614
Gross profit	517,897	679,460
Selling, general and administrative expenses	228,733	286,747
Operating income	289,164	392,713
Non-operating income		
Interest income	63	-
Writing and speaking fees	48	-
Other	-	82
Total non-operating income	111	82
Non-operating expenses		
Loss on investments in investment partnerships	17,114	-
Other	8	64
Total non-operating expenses	17,122	64
Ordinary income	272,153	392,730
Profit before income taxes	272,153	392,730
Income taxes	83,333	120,254
Net income	188,819	272,476

(3) Notes to quarterly financial statements

(Notes on ongoing concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Application of special accounting processes for the preparation of the quarterly financial statements)

(Calculation of tax expenses)

Tax expenses were calculated by rationally estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the business year including the three months ended January 31, 2020, and multiplying the profit before income taxes for the three months ended January 31, 2020 by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

This information has been omitted because the Company's operations are limited to the single segment of consulting business.

(Significant subsequent events)

(Exercise of share acquisition rights)

The 4th Series Share Acquisition Rights issued on January 8, 2020 were partially exercised during the period from February 1, 2020 until February 12, 2020. An overview of the exercise of the relevant share acquisition rights is as follows.

All of the relevant share acquisition rights were exercised as follows.

- (1) Number of share acquisition rights exercised: 2,000
- (2) Number and class of shares issued: 400,000 common shares
- (3) Total amount of strike price: 1,393,600,000 yen
- (4) Increase in share capital: 699,990,000 yen
- (5) Increase in legal capital surplus: 699,990,000 yen