

September 14, 2023

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

Company name: Prored Partners Co., LTD.	Stock exchange listing: TSE Prime Market
Securities code: 7034	URL: https://www.prored-p.com/
Representative: Susumu Satani, Representative Director	
Contact: Yuki Kamito, Executive Officer and CFO	Tel: +81-3-6435-6581
Scheduled date for filing of securities report: September 14, 2023	
Scheduled date of dividend payment: –	
Supplementary documents for quarterly results: Yes	
Quarterly results briefing: None	

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending October 31, 2023 (November 1, 2022 to July 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
July 31, 2023	1,915	(3.1)	(237)	–	4,499	–	941	–
July 31, 2022	1,976	(27.4)	(42)	–	(113)	–	(763)	–

(Note) Comprehensive income First nine months ended July 31, 2023: 4,635 million yen (–%)
First nine months ended July 31, 2022: -939 million yen (–%)

	Earnings per share		Diluted earnings per share	
Nine months ended	Yen		Yen	
July 31, 2023	86.18		–	
July 31, 2022	(69.95)		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
As of	Million yen		Million yen		%	
July 31, 2023	10,879		9,150		56.2	
October 31, 2022	9,322		7,519		55.4	

(Reference) Equity As of July 31, 2023: 6,117 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				
Fiscal year ended October 31, 2022	–	0.00	–	0.00	0.00
Fiscal year ending October 31, 2023	–	0.00	–		
Fiscal year ending October 31, 2023 (Forecast)				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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	2,361	(13.1)	(619)	–	–	–	–	–	–

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

The Company does not forecast a specific ordinary profit figure or figures for profit items below ordinary profit, due to the difficulty of reasonably predicting the timing and amount of accruals for profit and loss caused by the management of the investment limited partnership in which the Company invests.

* 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) Application 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 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: 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 7 of the Supplementary Information.

- (4) Number of shares outstanding (common stock)
 (i) Number of shares outstanding (including treasury stock)
 As of July 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 July 31, 2023: 276,106 shares
 As of October 31, 2022: 276,106 shares
 (iii) Average number of shares issued during the period
 Nine months ended July 31, 2023: 10,919,494 shares
 Nine months ended July 31, 2022: 10,919,498 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
 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 Nine Months Ended July 31, 2023 (3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements” on page 3 of the Supplementary Information.
 The supplementary documents for quarterly results will be posted on the website on Thursday, September 14, 2023.

○ Index for Supplementary Information

1. Qualitative Information on Financial Results for the First Nine Months Ended July 31, 2023	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
(Changes in accounting policies).....	7
(Additional information).....	7
(Segment information, etc.)	7
(Significant subsequent events)	8

1. Qualitative Information on Financial Results for the First Nine Months Ended July 31, 2023

The forward-looking statements made below are forecasts determined by the Group at the end of the first nine months under review.

(1) Explanation Regarding Business Results

The Group sought to grow its consulting business, in which it provides pay-per-performance cost management consulting, where it has had one of the strongest track records in Japan.

The business environment for the consulting business remains challenging, given greater than expected difficulty in reducing cost due to inflation. On the other hand, demand for cost management and various types of support for corporate activities that are difficult to provide in the performance-based model remains high, and the Company is expanding its services to respond to these demands. The Group will work to return the consulting business to a growth track by revitalizing the pay-per-performance cost management consulting business and offering more fixed-fee consulting services.

In the Pro-Sign business, the transfer of the Business Spend Management (BSM) business was completed and a gain on sale of businesses of 215 million yen was posted in the third quarter. The Company will continue to develop and operate the Rental Contract Management Service, which can centrally manage store information, including rental contracts.

The Group recorded a gain on investments in investment partnerships of 4,987 million yen in the first nine months under review as a result of the management of the limited liability investment partnerships in which the Group has an investment.

As a result, in the first nine months under review, the Company recorded net sales of 1,915 million yen (down 3.1% year on year) and an operating loss of 237 million yen (an operating loss of 42 million yen a year ago). Ordinary profit stood at 4,499 million yen (an ordinary loss of 113 million yen a year ago). Profit attributable to owners of parent came to 941 million yen (a loss attributable to owners of parent of 763 million a year ago). 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)

Net assets at the end of the first nine months under review totaled 10,879 million yen, an increase of 1,556 million yen from the end of the previous fiscal year.

Current assets increased 826 million yen from the end of the previous fiscal year, to 6,362 million yen. This is primarily due to increases of 1,029 million yen in cash and deposits, and 115 million yen in prepaid expenses, despite decreases of 188 million yen in accounts receivable - trade and contract assets, 76 million yen in consumption taxes refund receivable and 39 million yen in income taxes refund receivable.

Non-current assets increased 730 million yen from the end of the previous fiscal year, to 4,517 million yen. This was attributable primarily to an increase of 746 million yen in investment securities, despite a decrease of 23 million yen in goodwill.

(Liabilities)

Liabilities at the end of the first nine months under review totaled 1,729 million yen, a decrease of 73 million yen from the end of the previous fiscal year.

Current liabilities decreased 351 million yen from the end of the previous fiscal year, to 660 million yen. This was largely due to decreases of 194 million yen in deposits received, 117 million yen in accrued expenses, 108 million yen in accounts payable - other and 22 million yen in accrued consumption taxes, despite an increase of 94 million yen in provision for bonuses.

Non-current liabilities rose 277 million yen from the end of the previous fiscal year, to 1,068 million yen. This chiefly reflects an increase of 273 million yen in long-term borrowings.

(Net assets)

Net assets at the end of the first nine months under review totaled 9,150 million yen, an increase of 1,630 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 2,015 million yen in capital surplus due to a transfer from share capital, 941 million yen in retained earnings due to the posting of profit attributable to owners of parent, and 643 million yen in non-controlling interests, despite a decrease of 2,015 million yen in share capital.

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

Consolidated results forecasts for the fiscal year ending October 31, 2023 remain unchanged from the full-year results forecasts announced in the Notice Concerning the Posting of Non-Operating Income and Revisions to Full-Year Financial Results Forecasts published on June 14, 2023.

Results forecasts are prepared based on the information available to the Company at the present moment, and actual results may differ from forecasts due to various future factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousand yen)

	Previous fiscal year (As of October 31, 2022)	First nine-month period (As of July 31, 2023)
Assets		
Current assets		
Cash and deposits	4,729,774	5,759,383
Accounts receivable - trade, and contract assets	509,080	320,627
Other	297,249	282,244
Total current assets	5,536,104	6,362,256
Non-current assets		
Property, plant and equipment	70,211	57,950
Intangible assets		
Goodwill	307,545	284,479
Software	27,106	21,951
Other	26	26
Total intangible assets	334,678	306,457
Investments and other assets		
Investment securities	3,204,654	3,950,940
Other	177,050	201,905
Total investments and other assets	3,381,704	4,152,845
Total non-current assets	3,786,594	4,517,252
Total assets	9,322,699	10,879,509
Liabilities		
Current liabilities		
Accounts payable - trade	36,800	56,623
Current portion of bonds payable	80,000	80,000
Current portion of long-term borrowings	45,600	26,700
Accounts payable - other	226,622	118,408
Accrued expenses	230,953	113,149
Accrued consumption taxes	87,024	64,915
Income taxes payable	66,696	61,104
Provision for bonuses	13,040	107,532
Other	225,320	32,268
Total current liabilities	1,012,058	660,702
Non-current liabilities		
Bonds payable	80,000	40,000
Long-term borrowings	682,000	955,000
Retirement benefit liability	13,847	13,847
Provision for bonuses	—	40,525
Asset retirement obligations	14,996	15,027
Deferred tax liabilities	—	4,316
Total non-current liabilities	790,844	1,068,718
Total liabilities	1,802,903	1,729,420
Net assets		
Shareholders' equity		
Share capital	2,025,925	10,000
Capital surplus	2,015,925	4,031,851
Retained earnings	1,889,074	2,830,107
Treasury shares	(762,824)	(762,824)
Total shareholders' equity	5,168,101	6,109,133
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	8,163
Total accumulated other comprehensive income	—	8,163
Share acquisition rights	—	38,039
Non-controlling interests	2,351,694	2,994,752
Total net assets	7,519,795	9,150,089
Total liabilities and net assets	9,322,699	10,879,509

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

(Quarterly consolidated statement of income)

(First nine-month period)

(Unit: Thousand yen)

	First nine-month period of the previous fiscal year (from November 1, 2021 to July 31, 2022)	First nine-month period (from November 1, 2022 to July 31, 2023)
Net sales	1,976,067	1,915,712
Cost of sales	980,979	1,362,500
Gross profit	995,087	553,212
Selling, general and administrative expenses	1,037,509	790,814
Operating loss	(42,421)	(237,602)
Non-operating income		
Interest income	22	24
Gain on investments in investment partnerships	91,144	4,987,671
Miscellaneous income	4,746	1,431
Total non-operating income	95,913	4,989,127
Non-operating expenses		
Interest expenses	695	2,546
Interest expenses on bonds	120	80
Investment partnership management expenses	155,244	249,256
Commission expenses	10,200	—
Miscellaneous losses	563	610
Total non-operating expenses	166,823	252,493
Ordinary profit (loss)	(113,331)	4,499,031
Extraordinary income		
Gain on sale of businesses	—	215,089
Total extraordinary income	—	215,089
Extraordinary losses		
Impairment losses	783,834	—
Total extraordinary losses	783,834	—
Profit (loss) before income taxes	(897,166)	4,714,120
Income taxes	42,337	87,014
Profit (loss)	(939,503)	4,627,105
Profit (loss) attributable to non-controlling interests	(175,701)	3,686,073
Profit (loss) attributable to owners of parent	(763,801)	941,032

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

(Unit: Thousand yen)

	First nine-month period of the previous fiscal year (from November 1, 2021 to July 31, 2022)	First nine-month period (from November 1, 2022 to July 31, 2023)
Profit (loss)	(939,503)	4,627,105
Other comprehensive income		
Valuation difference on available-for-sale securities	—	8,163
Total other comprehensive income	—	8,163
Comprehensive income	(939,503)	4,635,269
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(763,801)	949,195
Comprehensive income attributable to non-controlling interests	(175,701)	3,686,073

(3) Notes to Quarterly Consolidated Financial Statements

(Note regarding going concern assumptions)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

The Company reduced capital without compensation on February 28, 2023. Consequently, share capital decreased 2,015 million yen and capital surplus increased 2,015 million yen in the first six months of the fiscal year, and share capital and capital surplus stood at 10 million yen and 4,031 million yen, respectively at the end of the first nine months under review.

The total amount of shareholders' equity has not changed as a result of the capital reduction.

(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 nine 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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has been applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") from the beginning of the first quarter of the fiscal year. Accordingly it will continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard Implementation Guidance according to the transitional measures prescribed in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. The application has no impact on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates related to the impact of COVID-19 and changes in the international situation surrounding 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)

(Implementation of investment by a fund to which one of the Group companies provides services)

- (1) A fund, to which BLUEPASS CAPITAL INC., one of the Group companies, provides services, has commenced investment on August 28, 2023, through a special purpose company in which the fund made investment. Because of confidentiality requirements, the Company will refrain from disclosing some information.

(i) Overview of the investment

NBS Co., Ltd. primarily manufactures and sells hair removal equipment and weight reduction machines for business use and hair removal equipment for household use. The company is expanding its market share, taking advantage of product capabilities that have a competitive advantage based on the company's deep understanding of customers and its own team for attracting customers, which its competitors lack.

Bluepass Capital Co. Ltd. will work with NBS's management to strengthen its management system and management functionality, improve the productivity of the manufacturing processes, and promote sales overseas to help NBS achieve business growth.

(ii) Overview of parties in which investment was made

Company name	NBS Co., Ltd.
Outline of the business	The manufacture, development and sale of beauty equipment and beauty products
Establishment	June 2014

- (2) A fund, to which BLUEPASS CAPITAL INC., one of the Group companies, provides services, has commenced investment on August 31, 2023, through a special purpose company in which the fund made investment.

Because of confidentiality requirements, the Company will refrain from disclosing some information.

(i) Overview of the investment

Takaroku Shoji Co., Ltd. is a trading company specializing in plastic, with an expanding business. As a manufacturer, the company colors resins and manufactures compound resins. It also has its own technology development function. Taking advantage of these functions, it provides raw materials for plastics for a wide range of applications. Takaroku Shoji consistently has more than 1,200 customers in and outside Japan and is a leading plastic trading company in terms of sales in Japan. Takapla Recycle Co., Ltd. is a recycler specializing in the recycling of plastic materials. The company has its own recycling system in which it collects waste materials, recycles them, improves the materials, and adds sophisticated functions. It has many customers, including public offices and major companies such as restaurant chains and consumer goods manufacturers. More and more companies have been committing themselves to achieving the SDGs and paying attention to recycling the plastics they use in recent years. The company receives business inquiries from many companies and continues to achieve impressive growth.

Bluepass Capital Co. Ltd. will work with the management of these companies to strengthen their organizational base, improve productivity, and promote technology development and global expansion so that they can achieve further business growth. Bluepass Capital will help advance and innovate recycling technologies and expand partnerships with companies and local governments to help society achieve the SDGs.

(ii) Overview of parties in which investment was made

Company name	Takaroku Shoji Co., Ltd.
Outline of the business	Sales of raw materials for thermoplastic resins, coloring of thermoplastic resins, sales of equipment related to compound plastics, etc.
Establishment	September 1964

Company name	Takapla Recycle Co., Ltd.
Outline of the business	Recycling of plastics Consulting on the recycling of plastics
Establishment	July 2007