

Prored Partners

Prored Partners Co., Ltd.

Tokyo Stock Exchange Prime Market (Ticker: 7034)

Financial Results for Q3 FY2023

thinkOut

2023.9

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1. Q3 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 24.4% 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. Subsidiary

- KMRI: Company name was changed and the head office was relocated. Net sales and operating profit were in line with plans.
- Bluepass: Two new investments were executed in 3Q.

Consolidated Net Sales

1,915 million yen
(Year-on-year -3.1%)

Consolidated Operating Profit

-237 million yen
(-42 million yen in the
same period a year earlier)

Profit Attributable to
Owners of Parent

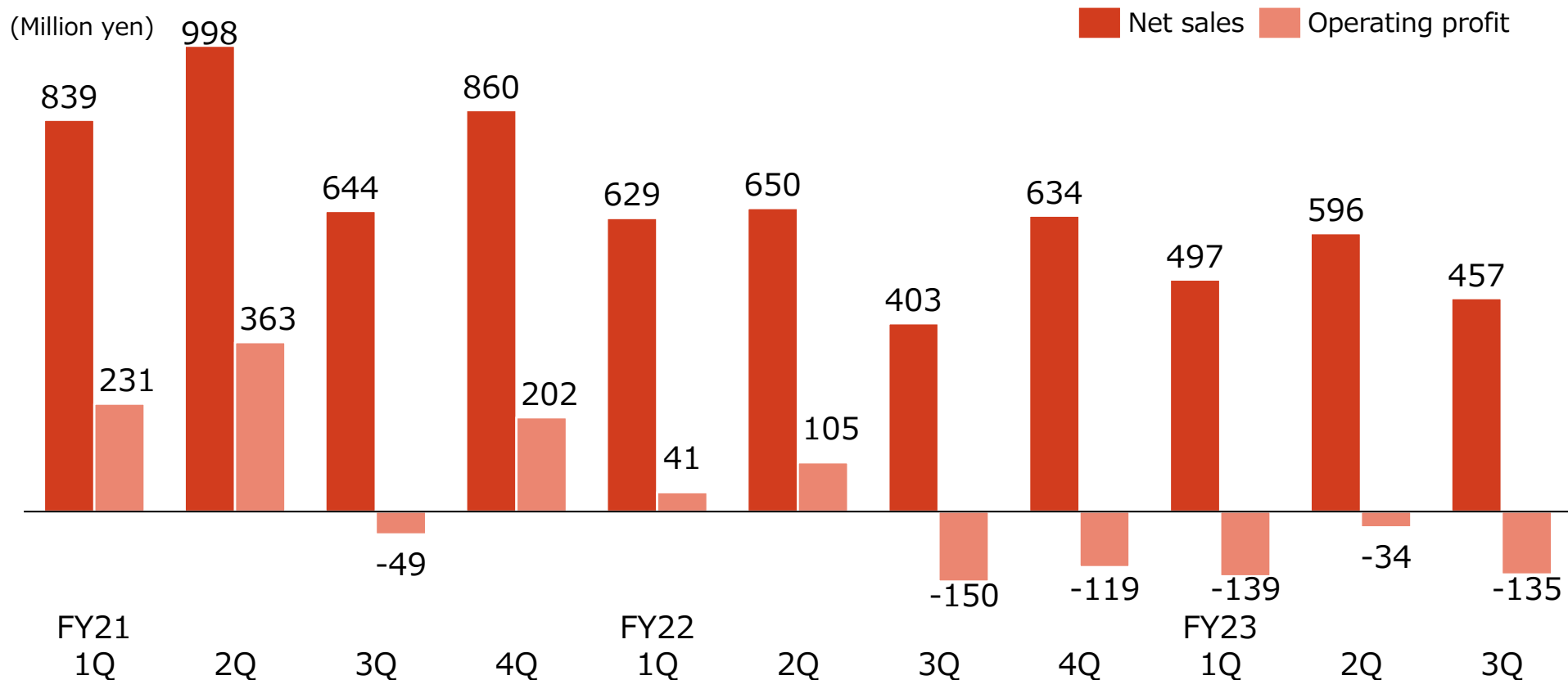
941 million yen
(-763 million yen in the
same period a year earlier)

Consolidated P/L Summary

(Unit: million yen)	Consolidated cumulative			
	FY2022 3Q	FY2022	FY2023 3Q	YoY rate of change %
Net sales	1,976	2,718	1,915	-3.1%
Cost of sales	980	1,358	1,362	38.9%
Cost of sales ratio %	49.6%	50.0%	71.1%	
Gross profit	995	1,359	553	-44.4%
Gross margin %	50.4%	50.0%	28.9%	
Selling, general and administrative expenses	1,037	1,508	790	-23.8%
SG&A ratio %	52.5%	55.5%	41.3%	
Operating profit	-42	-148	-237	—
Operating profit margin %	-2.1%	-5.5%	-12.4%	
Ordinary profit	-113	-209	4,499	—
Profit attributable to owners of parent	-763	-871	941	—

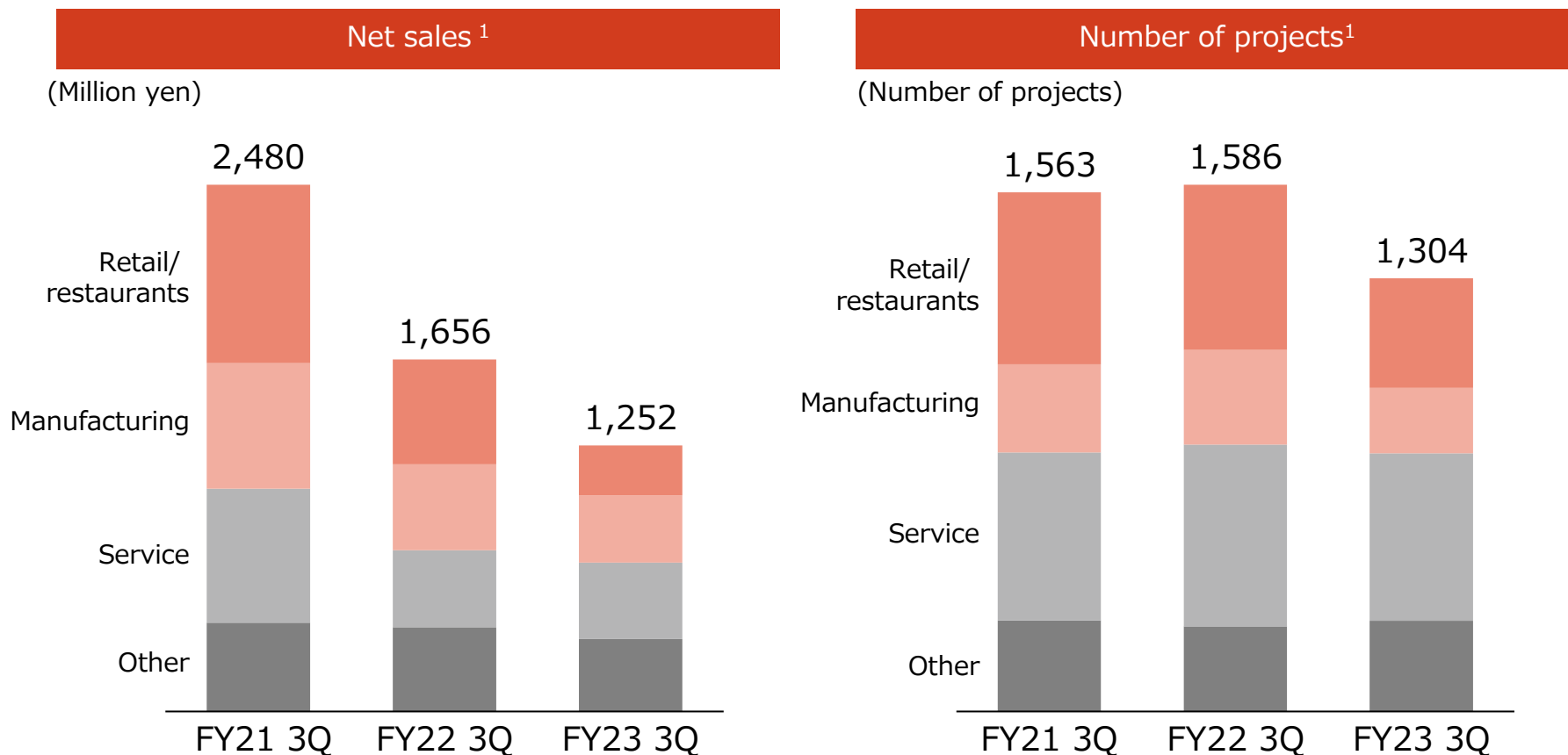
Prored Non-consolidated | Quarterly Trend in Net Sales and Operating Profit

- 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.
- Consequently, operating profit was in the red. 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 assets since Q4 of FY2022.



Cost Management | Trends in Net Sales by Sector

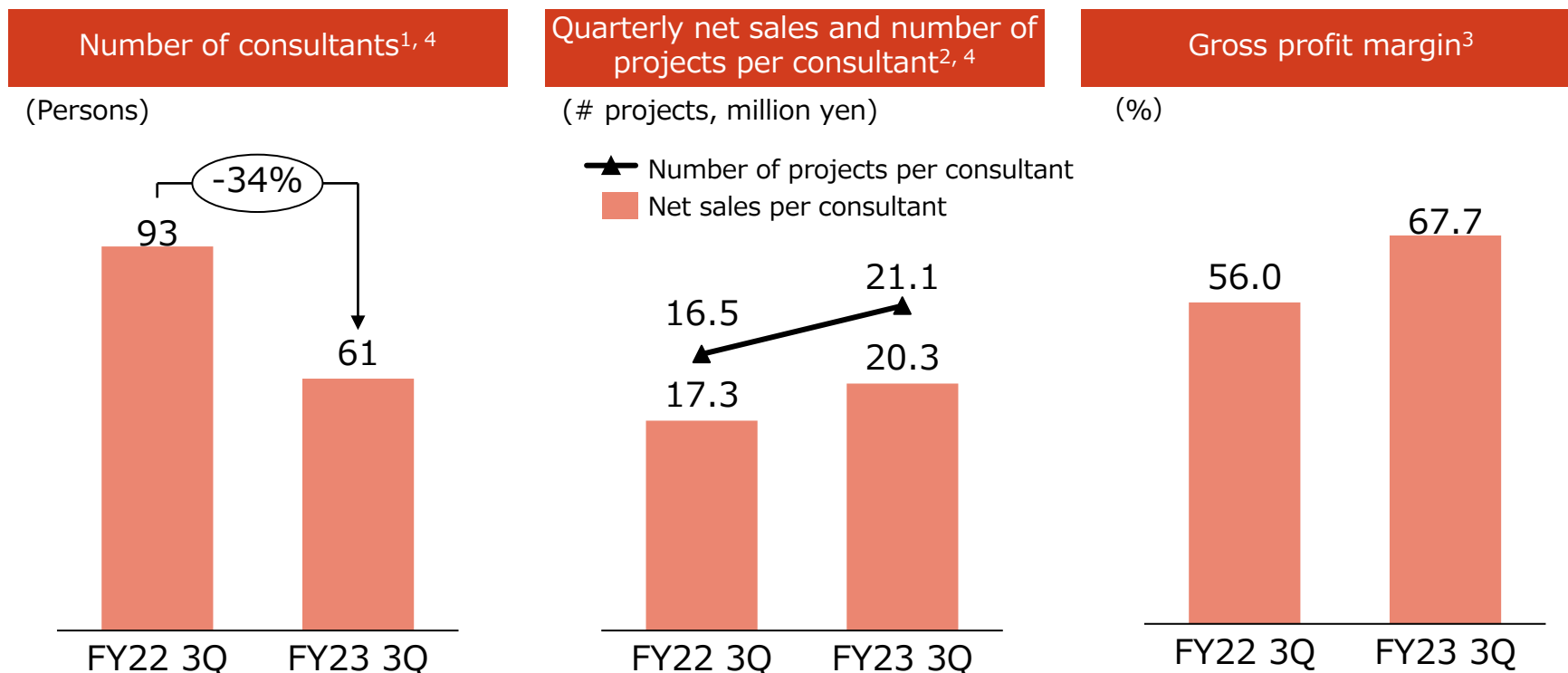
- Cost reductions and fees per project continued to shrink due to the effects of ongoing inflation. In addition, net sales were stagnant following a decrease in the number of projects.



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 61 at the end of Q3 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.



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 nine months

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

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

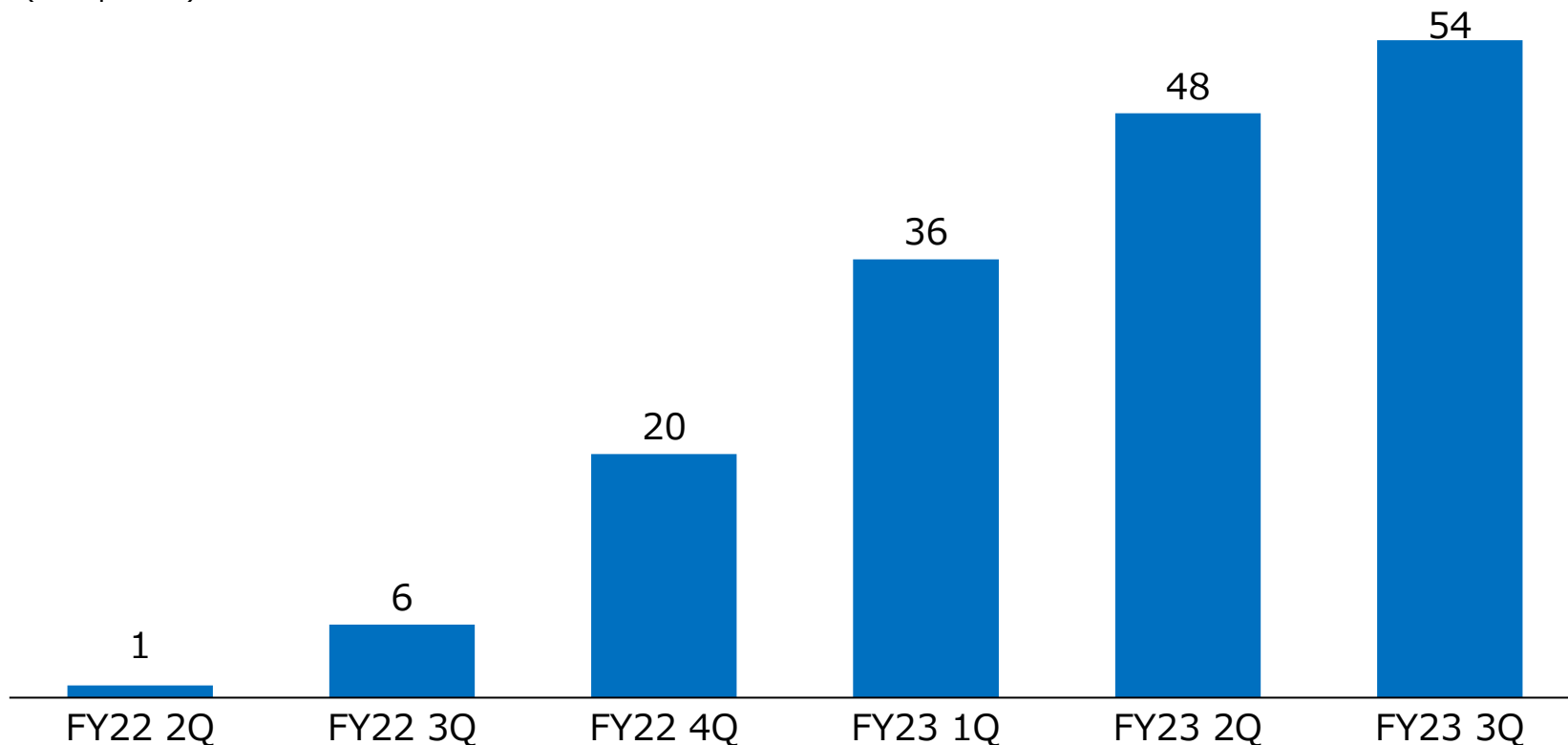
2. Update on Pro-Sign

Pro-Sign | Update on the Number of Paying Companies

- Extraordinary income was recorded in 3Q as a result of the transfer of the BSM business. Prored will continue development and operation of CRE management services.
- As of the end of Q3, 54 companies were billed for CRE management services.

Number of Paying Companies

(Companies)



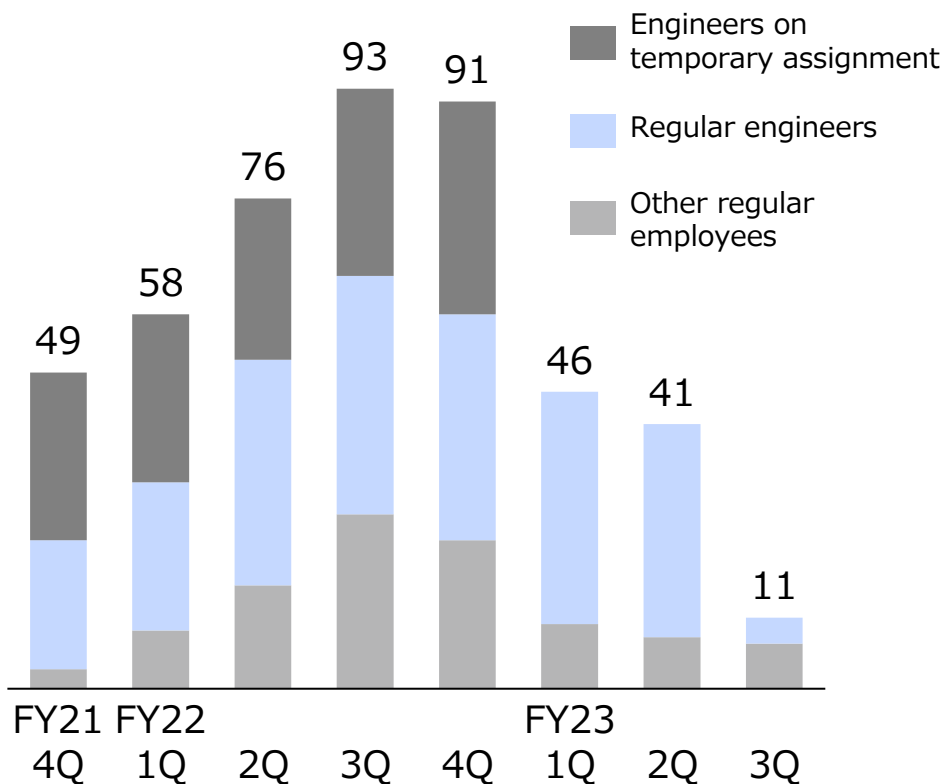
CRE: Refers to corporate real estate management services.

Pro-Sign | Number of Employees and Development Cost

- Due to the transfer of the BSM business, the number of employees as of 3Q only includes those belonging to CRE.
- Annual expenses relating to Pro-Sign from next fiscal year are expected to be around 120 million yen.

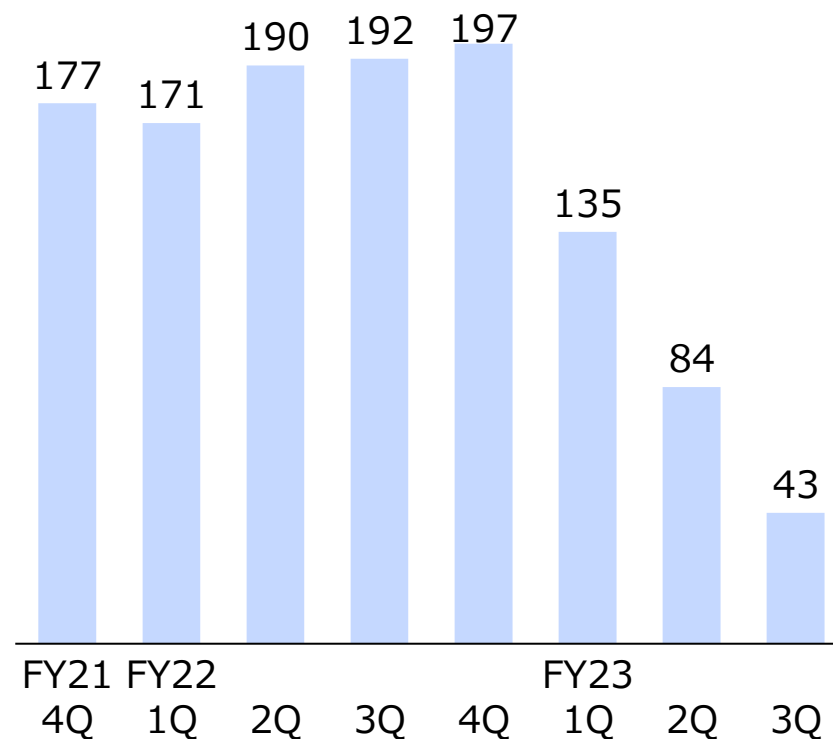
Number of employees (excluding employees at subcontractors)

(Persons)



Development-related expenses

(Million yen)



Appendix

Update on Bluepass Capital

Steady Investments after Fund Raising



- Noguchi Medical Research, Co. Ltd. was established in 1990 as an organization dedicated to revenue-generating activities to support international medical exchange and education, with the aim of promoting patient-centric healthcare.
- Since its inception, the company has provided a 24-hour telephone medical consultation service and an overseas insurance investigation service to confirm the details of treatment received overseas by insured persons. In 2006, it also began selling health foods/supplements. Sold mainly through major drugstores in Japan, the company boasts high name recognition and brand power in China as well.



- Founded in 1997, Sir's Co., Ltd. provides sales representative services for overseas and domestic brands, primarily in the apparel sector.
- The company excels especially in opening outlet malls in regional areas where foreign brands do not have geographical knowledge, leading the industry with a significant share since its establishment. In recent years, they have also ventured into undertaking sales representation for cosmetics and sweets products, experiencing continuous growth beyond the apparel sector.



- 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 Inc.
Obrigado Inc.

- 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.

MURA

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

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

Steady Investments after Fund Raising



- 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.
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- 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.

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