



Financial Results for the Six Months Ended April 30, 2020 (J-GAAP)

June 12, 2020

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

Stock Exchange Listing: TSE Mothers

Securities code: 7034

URL: <https://www.prored-p.com/>

Representative: Susumu Satani, Representative Director

Contact: Koji Sonoda, Executive Officer and General Manager of the Administration Division

Tel: +81-3-6435-6581

Quarterly report filing date: June 12, 2020

Dividend payable date (as planned): —

Supplemental material of quarterly financial results: Yes

Convening briefing of quarterly financial results: Yes (for institutional investors and analysts)

(Rounded down to nearest million yen)

1. Financial results for the six months ended April 30, 2020 (November 1, 2019 - April 30, 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	%
Six months ended April 30, 2020	1,766	32.3	774	26.3	745	25.2	516	25.2
Six months ended April 30, 2019	1,334	65.9	612	58.0	595	52.9	413	62.8

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended April 30, 2020	48.20	47.08
Six months ended April 30, 2019	40.30	38.73

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended April 30, 2020	6,977	5,942	85.2
Year ended October 31, 2019	4,718	3,670	77.8

(Reference) Capital stock Six months ended April 30, 2020 5,942 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	—	0.00			
Year ending October 31, 2020 (forecast)			—	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 (4) Notes to quarterly financial statements

(Application of special accounting processes for the preparation of the quarterly financial statements)" on page 7 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 April 30, 2020	10,965,600 shares	As of October 31, 2019	10,389,200 shares
As of April 30, 2020	136 shares	As of October 31, 2019	136 shares
Six months ended April 30, 2020	10,725,200 shares	Six months ended April 30, 2019	10,250,066 shares

2) Number of treasury shares at the end of period

3) Average number of shares during the period
(cumulative)

(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 11, 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

(Note concerning forward-looking statements, etc.)

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.

(How to obtain the supplemental material of financial results and the content of the briefing of financial results)

The Company intends to hold an online results briefing for institutional investors and analysts using a web conferencing system on Tuesday, June 16, 2020.

The content of the briefing will be made available on the Company's website shortly after the briefing is held.

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1. Qualitative Information on the Current Quarterly Financial Results

(1) Explanation of operating results

During the six months ended April 30, 2020, the Japanese economy rapidly deteriorated due to the contraction of inbound demand and the reduction of business activities in Japan and abroad as a result of the spread of COVID-19 infections. There are concerns about the further spread of infections and the future outlook remains unpredictable.

Due to this uncertain business environment, there are increasing needs matching the Company's services in various industries such as cost management initiatives through the revision of cost structure, profit structure reform matching market changes, and the promotion of business improvement and increased efficiency.

Amid limitations on face-to-face sales activities and consulting services, the Company has continued to conduct business activities through business negotiations and the provision of consulting services over the Internet, and the promotion of remote work. In addition, while continuing to conduct a wide range of cost management, the Company has worked to enable the efficient and effective provision services through the standardization of tasks and the continued implementation of systems such as RPA, OCR and AI.

As a result, during the six months ended April 30, 2020, net sales totaled 1,766 million yen (up 32.3% year-on-year), operating income was 774 million yen (up 26.3% year-on-year), ordinary income was 745 million yen (up 25.2% year-on-year) and net income was 516 million yen (up 25.2% year-on-year), slightly exceeding planned levels.

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

(2) Explanation of financial position

(i) Assets, liabilities and net assets

(Assets)

Assets stood at 6,977 million yen as of April 30, 2020, an increase of 2,258 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 1,787 million yen in cash and deposits and 396 million yen in accounts receivable - trade.

(Liabilities)

Liabilities stood at 1,034 million yen as of April 30, 2020, a decrease of 13 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease of 40 million yen in bonds payable.

(Net assets)

Net assets stood at 5,942 million yen as of April 30, 2020, an increase of 2,272 million yen from the end of the previous fiscal year. This was mainly attributable to retained earnings increasing by 516 million yen due to net income, share capital increasing by 877 million yen due to the exercise of share acquisition rights and legal capital surplus increasing by 877 million yen.

(ii) Cash flows

Cash and cash equivalents (net cash) during the six months ended April 30, 2020, increased by 1,787 million yen from the end of the previous fiscal year to 5,941 million yen.

Cash flows and the factors contributing thereto during the six months ended April 30, 2020 were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 152 million yen (338 million yen provided during the same period of the previous year). This was mainly attributable to 745 million yen in profit before income taxes, a 396 million yen increase in trade receivables, and 265 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 71 million yen (72 million yen used during the same period of the previous year). This was mainly attributable to 93 million yen spent on the purchase of investment securities, 31 million yen in proceeds from withdrawal of investment securities and 9 million yen spent on the purchase of intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities was 1,705 million yen (5 million yen used during the same period of the previous year). This was mainly attributable to 1,737 million yen in proceeds from issuance of shares resulting from exercise of share acquisition rights and 40 million yen spent on redemption of bonds.

(3) Explanation of forecast information such as financial forecasts

There are very heightened concerns about the future outlook for the global economy due to the global spread of COVID-19. Certain effects of measures to prevent the spread of infection have arisen in the company's sales activities as of the date of

publication of this document. Furthermore, there has also been an indirect impact on the progress of consulting service projects due to factors such as constraints on the business activities of client companies. To address this point, the Company has implemented projects to ensure there is no significant impact or delay while thoroughly implementing remote work in general, such as promoting business negotiations over the Internet in order to compensate for the reduction in face-to-face visits to new clients and providing consulting services using digital technology.

Meanwhile, due to this uncertain business environment, there are increasing needs matching the Company's services in various industries such as cost management initiatives through the revision of cost structure, profit structure reform matching market changes, and the promotion of business improvement and increased efficiency. The speed of growth that has been achieved to date is expected to be adequately maintained if the infections and resulting economic confusion quickly subside.

At the present time, the Company has made no changes to the full-year financial forecast announced on December 16, 2019 because there have been no significant changes in the Company's performance yet, but revenue may decrease if the impact of the disease is prolonged.

2. Quarterly Financial Statements and Significant Notes

(1) Quarterly balance sheet

(thousand yen)

	As of October 31, 2019	As of April 30, 2020
Assets		
Current assets		
Cash and deposits	4,154,725	5,941,929
Accounts receivable - trade	277,804	674,055
Work in process	1,683	3,057
Supplies	321	226
Other	36,927	42,007
Total current assets	4,471,462	6,661,276
Non-current assets		
Property, plant and equipment	50,230	47,330
Intangible assets	5,722	13,790
Investments and other assets	191,343	255,186
Total non-current assets	247,296	316,307
Total assets	4,718,758	6,977,584
Liabilities		
Current liabilities		
Accounts payable - trade	17,722	19,396
Current portion of bonds	80,000	80,000
Accounts payable - other	58,692	122,560
Accrued expenses	163,559	138,100
Income taxes payable	285,215	247,968
Provision for bonuses	-	25,128
Other	84,289	82,879
Total current liabilities	689,479	716,034
Non-current liabilities		
Bonds payable	320,000	280,000
Asset retirement obligations	38,646	38,787
Total non-current liabilities	358,646	318,787
Total liabilities	1,048,125	1,034,821
Net assets		
Shareholders' equity		
Share capital	1,140,333	2,017,970
Capital surplus	1,130,333	2,007,970
Retained earnings	1,399,968	1,916,932
Treasury shares	(380)	(380)
Total shareholders' equity	3,670,255	5,942,492
Share acquisition rights	378	270
Total net assets	3,670,633	5,942,762
Total liabilities and net assets	4,718,758	6,977,584

(2) Quarterly statement of income
(Six months ended April 30)

(thousand yen)

	Six months ended April 30, 2019 (November 1, 2018 - April 30, 2019)	Six months ended April 30, 2020 (November 1, 2019 - April 30, 2020)
Net sales	1,334,804	1,766,157
Cost of sales	271,051	431,223
Gross profit	1,063,752	1,334,933
Selling, general and administrative expenses	450,765	560,503
Operating income	612,987	774,429
Non-operating income		
Interest income	160	19
Gain on investments in investment partnerships	-	1,729
Subsidy income	1,440	-
Writing and speaking fees	48	-
Other	-	83
Total non-operating income	1,648	1,832
Non-operating expenses		
Interest expenses	9	200
Loss on investments in investment partnerships	19,259	-
Share issuance cost		9,609
Listing expenses	-	21,166
Other	8	74
Total non-operating expenses	19,277	31,049
Ordinary income	595,357	745,211
Profit before income taxes	595,357	745,211
Income taxes	182,300	228,248
Net income	413,057	516,963

(3) Quarterly statement of cash flows

(thousand yen)

	Six months ended April 30, 2019 (November 1, 2018 - April 30, 2019)	Six months ended April 30, 2020 (November 1, 2019 - April 30, 2020)
Cash flows from operating activities		
Profit before income taxes	595,357	745,211
Depreciation	3,277	3,932
Increase (decrease) in provision for bonuses	16,892	25,128
Interest income	(160)	(19)
Interest expenses	9	200
Loss (gain) on investments in investment partnerships	19,259	(1,729)
Share issuance cost	-	9,609
Decrease (increase) in trade receivables	(130,741)	(396,251)
Decrease (increase) in inventories	4,112	(1,278)
Decrease (increase) in prepaid expenses	(5,228)	(5,514)
Increase (decrease) in accounts payable - trade	2,136	1,674
Increase (decrease) in accounts payable - other	13,545	63,867
Increase (decrease) in accrued expenses	(5,258)	(25,459)
Increase (decrease) in accrued consumption taxes	(5,161)	(2,480)
Other	2,115	1,661
Subtotal	510,157	418,550
Interest received	199	19
Interest paid	(9)	(200)
Income taxes paid	(171,386)	(265,494)
Cash flows from operating activities	338,960	152,874
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,431)	-
Purchase of intangible assets	-	(9,100)
Purchase of investment securities	(60,253)	(93,086)
Proceeds from withdrawal of investment securities	2,423	31,323
Payments of leasehold deposits	-	(364)
Cash flows from investing activities	(72,261)	(71,227)
Cash flows from financing activities		
Redemption of bonds	(8,000)	(40,000)
Purchase of treasury shares	(380)	-
Proceeds from issuance of share acquisition rights	-	7,975
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,851	1,737,582
Cash flows from financing activities	(5,529)	1,705,557
Net increase (decrease) in cash and cash equivalents	261,169	1,787,204
Cash and cash equivalents at beginning of period	2,722,937	4,154,725
Cash and cash equivalents at end of period	2,984,107	5,941,929

(4) Notes to quarterly financial statements

(Notes on ongoing concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

The number of shares increased by 576,400 and share capital and legal capital surplus each increased by 877,637,000 yen due to the exercise of share acquisition rights during the six months ended April 30, 2020.

As a result, share capital was 2,017,970,000 yen and legal capital surplus was 2,007,970,000 yen as of April 30, 2020.

(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 six months ended April 30, 2020, and multiplying the profit before income taxes for the six months ended April 30, 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)

Not applicable.