

March 15, 2024

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2024 (Japanese GAAP)

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| 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: March 15, 2024 | |
| Scheduled date of dividend payment: – | |
| Supplementary documents for quarterly results: None | |
| Quarterly results briefing: None | |

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending October 31, 2024 (November 1, 2023 to January 31, 2024)

(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 | |
|--------------------|-------------|-------|------------------|---|-----------------|---|---|---|
| Three months ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| January 31, 2024 | 772 | 32.1 | 2 | – | -72 | – | -36 | – |
| January 31, 2023 | 584 | -22.2 | -142 | – | -215 | – | -156 | – |

(Note) Comprehensive income First three months ended January 31, 2024 -95 million yen (–%)
First three months ended January 31, 2023 -215 million yen (–%)

| | Profit per share | Diluted profit per share |
|--------------------|------------------|--------------------------|
| Three months ended | Yen | Yen |
| January 31, 2024 | -3.35 | – |
| January 31, 2023 | -14.36 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|------------------|--------------|-------------|--------------|
| As of | Million yen | Million yen | % |
| January 31, 2024 | 12,511 | 10,918 | 47.6 |
| October 31, 2023 | 11,978 | 10,066 | 50.1 |

(Reference) Equity As of January 31, 2024: 5,959 million yen As of October 31, 2023: 5,997 million yen

2. Dividends

| | Dividend per share | | | | |
|--|----------------------|-----------------------|----------------------|----------|--------|
| | End of first quarter | End of second quarter | End of third quarter | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended October 31, 2023 | – | 0.00 | – | 0.00 | 0.00 |
| Fiscal year ending October 31, 2024 | – | | | | |
| Fiscal year ending October 31, 2024 (Forecast) | | 0.00 | – | 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, 2024 (November 1, 2023 to October 31, 2024) (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 | Profit per share |
|-----------|-------------|------|------------------|---|-----------------|---|---|------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | Yen |
| Full Year | 2,546 | -6.2 | -917 | – | – | – | – | – |

(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: None
 (ii) Changes in accounting policies other than (i): None
 (iii) Changes in accounting estimates: None
 (iv) Restatement: None

- (4) Number of shares outstanding (common stock)
 (i) Number of shares outstanding (including treasury shares)
 As of January 31, 2024: 11,195,600 shares
 As of October 31, 2023: 11,195,600 shares
 (ii) Number of treasury shares at the end of the period
 As of January 31, 2024: 276,106 shares
 As of October 31, 2023: 276,106 shares
 (iii) Average number of shares issued during the period
 Three months ended January 31, 2024: 10,919,494 shares
 Three months ended January 31, 2023: 10,919,494 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 Three Months Ended January 31, 2024 (3) Explanation Regarding Financial Results Forecasts and Other Forward-Looking Statements” on page 3 of the Supplementary Information.

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1. Qualitative Information on Financial Results for the First Three Months Ended January 31, 2024

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

(1) Explanation Regarding Business Results

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. To meet such demand, the Company began providing a service in the fixed-fee consulting services domain aimed at establishing a new service model in which an investment phase is established before the fee-based contract. 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.

As a result, in the first three months under review, the Company recorded net sales of 772 million yen (up 32.1% year on year) and an operating profit of 2 million yen (an operating loss of 142 million yen a year ago). Ordinary loss stood at 72 million yen (an ordinary loss of 215 million yen a year ago). Loss attributable to owners of parent came to 36 million yen (a loss attributable to owners of parent of 156 million a year ago).

Segment information is not shown because the Company'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 three months under review totaled 12,511 million yen, an increase of 533 million yen from the end of the previous fiscal year.

Current assets decreased 309 million yen from the end of the previous fiscal year, to 5,863 million yen. This is primarily due to decreases of 168 million yen in cash and deposits, 77 million yen in advances paid and 55 million yen in prepaid expenses.

Non-current assets increased 843 million yen from the end of the previous fiscal year, to 6,648 million yen. This was attributable primarily to an increase of 873 million yen in investment securities.

(Liabilities)

Liabilities at the end of the first three months under review totaled 1,593 million yen, a decrease of 318 million yen from the end of the previous fiscal year.

Current liabilities decreased 289 million yen from the end of the previous fiscal year, to 630 million yen. This is primarily due to decreases of 186 million yen in accrued expenses, 78 million yen in income taxes payable and 47 million yen in accrued consumption taxes.

Non-current liabilities decreased 28 million yen from the end of the previous fiscal year, to 962 million yen. This chiefly reflects a decrease of 27 million yen in long-term borrowings.

(Net assets)

Net assets at the end of the first three months under review totaled 10,918 million yen, an increase of 851 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 881 million yen in non-controlling interests, which was partly offset by a decrease of 36 million yen in retained earnings caused by the posting of loss attributable to owners of parent.

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

Business results forecasts for the fiscal year ending October 31, 2024 remain unchanged from the consolidated business results forecasts announced on December 15, 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, 2023) | First three-month period (As of January 31, 2024) |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,404,432 | 5,236,121 |
| Accounts receivable - trade, and contract assets | 457,156 | 458,535 |
| Other | 311,305 | 168,547 |
| Total current assets | 6,172,895 | 5,863,204 |
| Non-current assets | | |
| Property, plant and equipment | 50,308 | 46,420 |
| Intangible assets | | |
| Goodwill | 276,790 | 269,102 |
| Software | 19,661 | 17,372 |
| Other | 26 | 26 |
| Total intangible assets | 296,478 | 286,500 |
| Investments and other assets | | |
| Investment securities | 5,224,645 | 6,098,072 |
| Other | 233,728 | 217,261 |
| Total investments and other assets | 5,458,373 | 6,315,334 |
| Total non-current assets | 5,805,160 | 6,648,255 |
| Total assets | 11,978,055 | 12,511,460 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 85,270 | 57,783 |
| Current portion of bonds payable | 80,000 | 80,000 |
| Current portion of long-term borrowings | 67,700 | 112,600 |
| Accounts payable - other | 125,886 | 122,017 |
| Accrued expenses | 298,177 | 111,832 |
| Accrued consumption taxes | 95,858 | 47,908 |
| Income taxes payable | 79,239 | 959 |
| Provision for bonuses | 54,847 | 74,218 |
| Other | 33,101 | 23,160 |
| Total current liabilities | 920,081 | 630,479 |
| Non-current liabilities | | |
| Long-term borrowings | 956,300 | 928,400 |
| Retirement benefit liability | 14,273 | 14,273 |
| Asset retirement obligations | 15,038 | 15,048 |
| Deferred tax liabilities | 5,669 | 5,116 |
| Total non-current liabilities | 991,280 | 962,838 |
| Total liabilities | 1,911,362 | 1,593,318 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 10,000 | 10,000 |
| Capital surplus | 4,031,851 | 4,031,851 |
| Retained earnings | 2,707,481 | 2,670,893 |
| Treasury shares | -762,824 | -762,824 |
| Total shareholders' equity | 5,986,507 | 5,949,919 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,720 | 9,676 |
| Total accumulated other comprehensive income | 10,720 | 9,676 |
| Share acquisition rights | 50,108 | 57,738 |
| Non-controlling interests | 4,019,356 | 4,900,807 |
| Total net assets | 10,066,692 | 10,918,141 |
| Total liabilities and net assets | 11,978,055 | 12,511,460 |

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

(Quarterly consolidated statement of income)

(First three-month period)

(Unit: Thousand yen)

| | First three-month period of the previous fiscal year (from November 1, 2022 to January 31, 2023) | First three-month period (from November 1, 2023 to January 31, 2024) |
|--|---|--|
| Net sales | 584,884 | 772,460 |
| Cost of sales | 448,484 | 495,839 |
| Gross profit | 136,400 | 276,621 |
| Selling, general and administrative expenses | 279,375 | 273,923 |
| Operating profit (loss) | -142,975 | 2,697 |
| Non-operating income | | |
| Gain on investments in investment partnerships | — | 1,025 |
| Other | 613 | 255 |
| Total non-operating income | 613 | 1,281 |
| Non-operating expenses | | |
| Interest expenses | 751 | 966 |
| Investment partnership management expenses | 61,844 | 75,184 |
| Other | 10,202 | 130 |
| Total non-operating expenses | 72,798 | 76,281 |
| Ordinary loss | -215,160 | -72,302 |
| Loss before income taxes | -215,160 | -72,302 |
| Income taxes | 677 | 21,793 |
| Loss | -215,837 | -94,096 |
| Loss attributable to non-controlling interests | -59,007 | -57,508 |
| Loss attributable to owners of parent | -156,830 | -36,587 |

(Quarterly consolidated statement of comprehensive income)

(First three-month period)

(Unit: Thousand yen)

| | First three-month period of the previous fiscal year (from November 1, 2022 to January 31, 2023) | First three-month period (from November 1, 2023 to January 31, 2024) |
|--|---|--|
| Loss | -215,837 | -94,096 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | — | -1,044 |
| Other comprehensive income | — | -1,044 |
| Comprehensive income | -215,837 | -95,141 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | -156,830 | -37,632 |
| Comprehensive income attributable to non-controlling interests | -59,007 | -57,508 |

(3) Notes to Quarterly Consolidated Financial Statements

(Note regarding going concern assumptions)

Not applicable.

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

Not applicable.

(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 three 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.

(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)

Not applicable.