

**Consolidated Financial Results for the Fiscal Year Ended
October 31, 2021 (Japanese GAAP)**

Company name:	Prored Partners Co., Ltd.	Stock exchange listing:	Tokyo Stock Exchange
Securities code:	7034	URL:	https://www.prored-p.com/
Representative:	Susumu Satani, Representative Director		
Contact:	Yoshimaro Toyama, General Manager of Administrative Division	Tel:	+81-3-6435-6581
Scheduled date of Annual General Meeting of Shareholders:	January 25, 2022		
Scheduled date for filing of securities report:	January 26, 2022		
Scheduled date of dividend payment:	—		
Supplementary documents for quarterly results:	Yes		
Financial result briefing:	Yes (for Institutional Investors and analysts)		

1. Forecast for Consolidated Financial Results for the Fiscal Year Ended October 31, 2021 (November 1, 2020, to October 31, 2021)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021	3,806	—	684	—	680	—	533	—
FY2020	—	—	—	—	—	—	—	—

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit ratio on net sales
FY2021	Yen 48.13	Yen 48.02	% 8.7	% 7.7	% 18.0
FY2020	—	—	—	—	—

(Note) Given that the previous fiscal year was the first year of preparing consolidated financial results and that the deemed date of acquisition of consolidated subsidiaries is set at the end of the previous fiscal year, only the balance sheets are consolidated in the previous fiscal year. Therefore, consolidated operating results for the previous fiscal year have been omitted.

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of end of FY2021	8,892	7,860	67.9	719.86
As of end of FY2020	7,522	6,266	83.3	561.06

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2021	307	(2,679)	985	4,566
FY2020	—	—	—	—

(Note) Given that the previous fiscal year was the first year of preparing consolidated financial results and that the deemed date of acquisition of consolidated subsidiaries is set at the end of the previous fiscal year, only the balance sheets are consolidated in the previous fiscal year. Therefore, consolidated cash flows for the previous fiscal year have been omitted.

2. Dividends

	Dividend per share					Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2020	—	0.00	—	0.00	0.00	0.00	0.00	0.00
FY2021	—	0.00	—	0.00	0.00	0.00	0.00	0.00
FY2022 (Forecast)	—	0.00	—	0.00	0.00		0.00	

3. Forecast for Consolidated Financial Results for the Fiscal Year Ending October 31, 2022 (November 1, 2021, to October 31, 2022)
(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
Full Year	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
	4,000	5.1	—	—	—	—	—	—

(Notes) 1. The outlook for profit is yet to be disclosed due to difficulty in calculating reasonable value as an asset and amortization of Pro-Sign-related software applications at this point.

The outlook for profit is scheduled to be announced at the time of releasing the results for the first half of the fiscal year (June 14, 2022).

2. The Company does not prepare consolidated forecast for the first six months of the fiscal year.

* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in a change in scope of consolidation): No
New: None Excluded: None

(2) 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

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding (including treasury stock)

As of October 31, 2021: 11,195,600 shares

As of October 31, 2020: 11,169,600 shares

(ii) Number of treasury stock at the end of the period

As of October 31, 2021: 276,069 shares

As of October 31, 2020: 169 shares

(iii) Average number of shares outstanding during the period

FY2021: 11,075,339 shares

FY2020: 10,907,048 shares

(Note) On January 11, 2020, the Company implemented a two-for-one common stock split. The number of shares outstanding at end of the period, the number of treasury shares at end of the period, and the average number of shares outstanding during the period were calculated assuming that the stock split was implemented at the beginning of the previous consolidated fiscal year.

Reference: Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended October 31, 2021 (November 1, 2020, to October 31, 2021)

(1) Non-consolidated operating results (Percentages below represent increases (decreases) from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021	3,342	2.2	748	(38.4)	696	(41.4)	525	(39.6)
FY2020	3,270	23.8	1,216	14.1	1,189	13.6	869	27.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
FY2021	47.41	47.30
FY2020	79.69	78.19

(Note) On January 11, 2020, the Company implemented a two-for-one common stock split. The earnings per share and the diluted earnings per share for have been calculated on the assumption that the stock split was performed at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of end of FY2021	7,009	6,073	86.6	556.18
As of end of FY2020	7,506	6,308	84.0	564.82

(Reference) Equity FY2021: 6,073 million yen FY2020: 6,308 million yen

(Note) On January 11, 2020, the Company implemented a two-for-one common stock split. The net assets per share has been calculated assuming that the stock split was implemented at the beginning of the previous fiscal year.

* This summary of financial statements is not subject to the statutory quarterly review of certified public accountants or audit corporations

* Explanations and other special notes concerning the appropriate use of business results forecasts
(Notes on Consolidated Financial Results)

Discussions are underway with the accounting auditor regarding a few accounting procedures.

(Notes on forward-looking statements)

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 preconditions for the financial forecasts and points to note in the use of the forecasts, see “(4) Outlook” under the section, “1, Overview of Operating Results, etc.” on page 3 of the accompanying materials.

(How to obtain supplementary documents for quarterly results and details of the results briefing)

The Company will hold an online results briefing for institutional investors and analysts on Wednesday, December 15, 2021, using its web meeting system.

The Company will post the details of the results briefing on its website as soon as it has been held.

○ Index for Supplementary Information

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	3
(3) Overview of Cash Flows for the Fiscal Year under Review	4
(4) Outlook	4
2. Basic Concept Concerning the Selection of Accounting Standards	5
3. Consolidated Financial Statements and Key Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statement of Income and Consolidated statement of Comprehensive Income	7
Consolidated Statement of Income	8
Consolidated Statement of Comprehensive Income	9
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
(Note regarding going concern assumptions)	12
(Segment information, etc.)	12
(Per-share information)	13
(Significant subsequent events)	13

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review, the Japanese economy continued to be affected by the restricted economic activities due to the pandemic. While economic activities have gradually been resumed, the impact of economic recovery is limited and economic conditions remain harsh.

Given these economic conditions, digital transformation (DX) support projects increased in the consulting service market in which the Group operates, with signs of recovery in growth despite obstacles faced by the business consulting market as a whole. The forecast for the domestic consulting service market released by IDC Japan on July 1, 2021 suggests an upward revision in the growth forecast to a compound annual growth rate (CAGR) between 2020 and 2025 of 9.3% and a market size in 2025 of 801.2 billion yen.

In this business environment, the Company sought to grow the business of pay-per-performance cost management consulting, where it has had one of the strongest track records in Japan. It also initiated the full-fledged investment in the development of Pro-Sign, the Company's original DX platform, in the fiscal year under review.

First, in the pay-per-performance cost management business, the Company steadily strengthened its customer base by continuously increasing the number of corporate customers and raising the percentage of companies of the size particularly targeted by the Company (medium-sized and large companies with net sales of 10 billion yen or more and less than 500 billion yen) to approximately 80% of all customers. Moreover, the revision of the fee system adopted in January 2020 made steady progress and repeat orders were secured at a solid pace, in addition to progress in the recruitment of new consultants as planned. These factors suggest that the business foundation to drive sustainable growth of revenue from the Company's consulting business is being put in place.

Meanwhile, business conditions remained harsh, with (1) net sales from customers' industries affected severely by the recent COVID-19 pandemic falling below the initial plan, and (2) net sales in the corporate consulting business (manager and leader training, development of food safety management systems, etc.) provided by the Knowledge Management Research & Institute, the Company's subsidiary, falling below the plan due to delays and cancellations of in-person training as a result of the pandemic.

The Company considers that potential demand for pay-per-performance cost management, in which the Company has strengths, is still high and its market position is strong. The Company will return the business to a growth track at an early stage by instituting strategies such as accelerating the achievement of sales leads and expanding new business domains.

A soft launch of the Pro-Sign business expected as a new source of growth was held in June 2021. Since then, the volume of inquiries from corporate customers exceeded the Company's expectations and, as a result, 222 companies have completed installation by October 31, 2021, reaching the Company's target of 200 companies using the service by October 2022 one year ahead of schedule. Based on the current fast pace of introduction, the Company considers that the probability of starting to charge service fees in the next fiscal year and turning a profit in the medium term has increased and consequently decided to record as an asset (software in progress) Pro-Sign development expenses, which had been posted since the third quarter of the fiscal year under review.

The Business Spend Management domain, which is the focus of Pro-Sign, is seeing rapid growth globally, and as the pioneer in this field, the Company will continue to focus on active business development to become the leader in the Japanese market, which is still in its infancy.

As a result, net sales rose to 3,806 million yen, operating profit increased to 684 million yen, and EBITDA before investment (note) grew to 1,008 million yen.

Segment information is omitted since the Company's operations are limited to the single segment of the consulting business.

Note: EBITDA before investment: Earnings before depreciation (operating profit plus depreciation) from which profit and loss on new businesses (including Pro-Sign) in the process of development are deducted

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets at the end of the fiscal year under review totaled 8,892 million yen, an increase of 1,369 million yen from the end of the previous fiscal year.

Current assets decreased 1,269 million yen from the end of the previous fiscal year, to 5,404 million yen. This was mainly attributable to a decrease of 1,386 million yen in cash.

Non-current assets increased 2,639 million yen from the end of the previous fiscal year, to 3,487 million yen. This was attributable primarily to an increase of 2,296 million yen in investment securities, an increase of 267 million yen in software and software in progress, and an increase of 37 million yen in leasehold deposits and guarantee deposits.

(Liabilities)

Liabilities at the end of the fiscal year under review totaled 1,031 million yen, a decrease of 224 million yen from the end of the previous fiscal year.

Current liabilities decreased 94 million yen from the end of the previous fiscal year, to 818 million yen. This is largely due to a decrease of 157 million yen in income taxes payable.

Non-current liabilities declined 129 million yen from the end of the previous fiscal year, to 213 million yen. This was primarily due to a decrease of 80 million yen in bonds payable.

(Net assets)

Net assets at the end of the fiscal year under review totaled 7,860 million yen, an increase of 1,593 million yen from the end of the previous fiscal year. This was chiefly a result of increases of 1,821 million yen in non-controlling interests, an increase of 533 million yen in retained earnings due to the posting of profit attributable to owners of parent, and an increase of 762 million yen in treasury shares.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (“net cash”) during the fiscal year ended October 31, 2021, decreased by 1,386 million yen from the end of the previous fiscal year to 4,566 million yen. Cash flows and the factors contributing to them during the fiscal year ended October 31, 2021, were as follows.

(Cash flows from operating activities)

Cash provided by operating activities was 307 million yen (596 million yen provided in the same period of the previous year). This was attributable largely to profit before income taxes of 680 million yen, which more than offset income taxes paid of 331 million yen.

(Cash flows from investing activities)

Cash used in investing activities was 2,679 million yen (760 million yen provided in the same period of the previous year). This was mainly due to purchase of investment securities of 2,317 million yen.

(Cash flows from financing activities)

Cash provided by financing activities was 985 million yen (1,855 million yen provided in the same period of the previous year). This resulted primarily from proceeds from the issuing of shares to non-controlling shareholders of 1,851 million yen, which more than offset purchase of treasury shares of 762 million yen.

(4) Outlook

Signs of a moderate decline in the number of COVID-19 cases began to appear in Japan and the domestic economy is also expected to begin a slow recovery.

Given this economic situation, the Company expects that demand in the domestic business consulting market will increase moderately and projects net sales of 4,000 million yen in its forecast for the next fiscal year ending October 31, 2022.

Meanwhile, the outlook for profit is yet to be disclosed due to difficulty in calculating reasonable value as an asset and amortization of Pro-Sign-related software applications at this point.

The outlook for profit is scheduled to be announced at the time of releasing the results for the first half of the fiscal year (June 14, 2022).

The above forecasts have been prepared based on information available as of the date of the announcement of the financial report. Actual results of operations may differ from forecasts due to many factors that may arise in the future.

2. Basic Concept Concerning the Selection of Accounting Standards

The Group will prepare its consolidated financial statements under Japanese standards for the foreseeable future, taking into account the comparability of the terms of consolidated financial statements and the comparability among companies. With respect to the International Financial Reporting Standards (IFRS), the Company will address the issue appropriately with consideration given to the various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: Thousand yen)

	Previous fiscal year (As of October 31, 2020)	Fiscal year under review (As of October 31, 2021)
Assets		
Current assets		
Cash and deposits	5,952,812	4,566,793
Accounts receivable - trade	629,078	650,228
Work in process	43,279	47,039
Supplies	386	332
Other	49,103	140,323
Total current assets	6,674,660	5,404,717
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	67,157	76,574
Accumulated depreciation	(25,973)	(5,135)
Facilities attached to buildings, net	41,184	71,438
Tools, furniture and fixtures	9,497	16,182
Accumulated depreciation	(5,928)	(8,372)
Tools, furniture and fixtures, net	3,568	7,809
Total property, plant and equipment	44,753	79,248
Intangible assets		
Goodwill	369,054	338,299
Software	47,767	71,982
Software in progress	–	243,634
Other	26	26
Total intangible assets	416,848	653,943
Investments and other assets		
Investment securities	262,974	2,559,608
Investments in capital	40	30
Deferred tax assets	47,615	51,021
Leasehold and guarantee deposits	75,631	113,320
Other	189	30,467
Total investments and other assets	386,451	2,754,448
Total non-current assets	848,053	3,487,640
Total assets	7,522,713	8,892,357

(Unit: Thousand yen)

	Previous fiscal year (As of October 31, 2020)	Fiscal year under review (As of October 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	28,314	74,340
Current portion of bonds payable	80,000	80,000
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	25,200	25,200
Accounts payable - other	147,427	148,620
Accrued expenses	212,763	228,381
Accrued consumption taxes	92,741	33,727
Income taxes payable	193,428	36,378
Provision for bonuses	10,368	11,271
Other	22,452	80,417
Total current liabilities	912,695	818,337
Non-current liabilities		
Bonds payable	240,000	160,000
Long-term borrowings	50,800	25,600
Retirement benefit liability	13,539	12,966
Asset retirement obligations	38,928	14,955
Total non-current liabilities	343,268	213,522
Total liabilities	1,255,963	1,031,860
Net assets		
Shareholders' equity		
Share capital	2,025,041	2,025,925
Capital surplus	2,015,041	2,015,925
Retained earnings	2,227,213	2,760,265
Treasury shares	(546)	(762,779)
Total shareholders' equity	6,266,750	6,039,337
Non-controlling interests	—	1,821,160
Total net assets	6,266,750	7,860,497
Total liabilities and net assets	7,522,713	8,892,357

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

Consolidated Statement of Income

	(Unit: Thousand yen)
	Fiscal year under review (from November 1, 2020 to October 31, 2021)
Net sales	3,806,543
Cost of sales	1,571,058
Gross profit	2,235,484
Selling, general and administrative expenses	1,550,783
Operating profit	684,700
Non-operating income	
Interest income	116
Government subsidies received	2,000
Miscellaneous income	4,608
Total non-operating income	6,724
Non-operating expenses	
Interest expenses	663
Interest expenses on bonds	300
Loss on investments in investment partnerships	9,493
Miscellaneous losses	384
Total non-operating expenses	10,841
Ordinary profit	680,583
Extraordinary income	
Gain on sale of non-current assets	154
Total extraordinary income	154
Extraordinary losses	
Loss on retirement of non-current assets	0
Total extraordinary losses	0
Profit before income taxes	680,738
Income taxes - current	181,035
Income taxes - deferred	(3,405)
Total income taxes	177,630
Net income	503,107
Loss attributable to non-controlling interests	(29,944)
Profit attributable to owners of parent	533,052

Consolidated Statement of Comprehensive Income

(Unit: Thousand yen)

	Fiscal year under review (from November 1, 2020 to October 31, 2021)
Profit	503,107
Comprehensive income	503,107
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	533,052
Comprehensive income attributable to non-controlling interests	(29,944)

(3) Consolidated Statement of Changes in Equity

Fiscal year under review (from November 1, 2020 to October 31, 2021)

(Unit: Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,025,041	2,015,041	2,227,213	(546)	6,266,750
Changes during period					
Issuance of new shares - exercise of share acquisition rights	884	884	—	—	1,768
Profit attributable to owners of parent	—	—	533,052	—	533,052
Purchase of treasury shares	—	—	—	(762,233)	(762,233)
Increase in consolidated subsidiaries - non-controlling interests	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during period	884	884	533,052	(762,233)	(227,413)
Balance at end of period	2,025,925	2,015,925	2,760,265	(762,779)	6,039,337

	Non-controlling interests	Total net assets
Balance at beginning of period	—	6,266,750
Changes during period		
Issuance of new shares - exercise of share acquisition rights	—	1,768
Profit attributable to owners of parent	—	533,052
Purchase of treasury shares	—	(762,233)
Increase in consolidated subsidiaries - non-controlling interests	1,851,104	1,851,104
Net changes in items other than shareholders' equity	(29,944)	(29,944)
Total changes during period	1,821,160	1,593,747
Balance at end of period	1,821,160	7,860,497

(4) Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Fiscal year under review (from November 1, 2020 to October 31, 2021)
Cash flows from operating activities	
Profit before income taxes	680,738
Depreciation	106,569
Increase (decrease) in provision for bonuses	903
Interest income	(116)
Interest expenses	963
Loss (gain) on investments in investment partnerships	9,493
Gain on sale of non-current assets	(154)
Subsidy income	(2,000)
Decrease (increase) in trade receivables	(21,149)
Decrease (increase) in inventories	(3,705)
Decrease (increase) in prepaid expenses	(10,336)
Increase (decrease) in trade payables	46,025
Increase (decrease) in accounts payable - other	(74,425)
Increase (decrease) in accrued expenses	15,617
Increase (decrease) in accrued consumption taxes	(59,013)
Increase (decrease) in advances received	24,405
Other	(75,468)
Subtotal	638,346
Interest received	116
Subsidies received	2,000
Interest paid	(963)
Income taxes paid	(331,523)
Net cash provided by (used in) operating activities	307,976
Cash flows from investing activities	
Purchase of property, plant and equipment	(99,477)
Proceeds from sale of property, plant and equipment	154
Purchase of intangible assets	(206,099)
Purchase of investment securities	(2,317,889)
Proceeds from redemption of investment securities	11,625
Payments of leasehold deposits	(58,695)
Proceeds from refund of leasehold and guarantee deposits	21,006
Other	(30,000)
Net cash provided by (used in) investing activities	(2,679,375)
Cash flows from financing activities	
Repayments of long-term borrowings	(25,200)
Redemption of bonds	(80,000)
Purchase of treasury shares	(762,233)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,768
Proceeds from share issuance to non-controlling shareholders	1,851,045
Net cash provided by (used in) financing activities	985,380
Effect of exchange rate change on cash and cash equivalents	—
Net increase (decrease) in cash and cash equivalents	(1,386,019)
Cash and cash equivalents at beginning of period	5,952,812
Cash and cash equivalents at end of period	4,566,793

(5) Notes to Consolidated Financial Statements

(Note regarding going concern assumptions)

Not applicable.

(Segment information, etc.)

Segment information is omitted since the Company's sole business is consulting services.

(Per-share information)

	Previous fiscal year (from November 1, 2019 to October 31, 2020)	Fiscal year under review (from November 1, 2020 to October 31, 2021)
Net assets per share	561.06 yen	719.86 yen
Earnings per share	–	48.13 yen
Diluted earnings per share	–	48.02 yen

(Notes) 1. Earnings per share and diluted earnings per share are not presented since we have not prepared a consolidated statement of income for the previous fiscal year.

2. On January 11, 2020, the Company implemented a two-for-one common stock split. The earnings per share and the diluted earnings per share have been calculated on the assumption that said stock split was performed at the beginning of the previous consolidated fiscal year.

3. The basis of calculating the amount of earnings per share and the amount of diluted earnings per share is as follows:

	Previous consolidated fiscal year (from November 1, 2019 to October 31, 2020)	Consolidated fiscal year under review (from November 1, 2020 to October 31, 2021)
Earnings per share		
Profit attributable to owners of parent (Thousand yen)	–	533,052
Amount not attributable to common shareholders (Thousand yen)	–	–
Profit related to owners of parent related to common shares (Thousand yen)	–	533,052
Average number of shares outstanding during the period (Shares)	–	11,075,339
Diluted earnings per share		
Adjusted profit (Thousand yen)	–	–
Increase in the number of common shares	–	26,000
[of which share acquisition rights (Shares)]	[–]	[26,000]
Overview of dilutive shares not included in the calculation of diluted earnings per share due to the absence of dilution	–	–

(Significant subsequent events)

Not applicable.