



Financial Results for the Six Months Ended April 30, 2019 (J-GAAP)

June 14, 2019

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

Stock Exchange Listing: TSE Mothers

Securities code: 7034

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Quarterly report filing date: June 14, 2019

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, 2019 (November 1, 2018 - April 30, 2019)

(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, 2019	1,334	65.9	612	58.0	595	52.9	413	62.8
Six months ended April 30, 2018	804	—	387	—	389	—	253	—

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended April 30, 2019	80.60	77.45
Six months ended April 30, 2018	122.16	—

(Notes) 1. Diluted net income per share for the six months ended April 30, 2018 is not shown despite the existence of dilutive shares because the Company's shares were unlisted and the average share price during the period could not be ascertained.

2. The Company performed share splits at the ratio of 1,000 shares per common share on March 31, 2018, and two shares per common share on June 12, 2019. Net income per share is calculated based on the assumption that the share splits took place at the start of the previous fiscal year.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended January 31, 2019	3,879	3,393	87.5
Year ended October 31, 2018	3,424	2,977	86.9

(Reference) Capital stock Six months ended April 30, 2019 3,392 Million yen Year ended October 31, 2018 2,976 Million yen

2. Dividends

	Annual dividend				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended October 31, 2018	—	0.00	—	0.00	0.00
Year ending October 31, 2019	—	0.00			
Year ending October 31, 2019 (forecast)			—	0.00	0.00

(Note) Revisions since most recently announced dividend forecast: None

3. Financial forecasts for the year ending October 31, 2019 (November 1, 2018 - October 31, 2019)

(% 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	2,305	39.6	742	20.8	742	25.5	463	21.8	90.29

(Notes) 1. Revisions since most recently announced results forecast: None

2. The Company's number of issued and outstanding shares has increased due to the exercise of share acquisition rights during the six months ended April 30, 2019. Furthermore, a share split at the ratio of two shares per common share was performed on June 12, 2019. The impact of the exercise of share acquisition rights and the share split were considered in the net income per share in the financial forecasts for the year ending October 31, 2019.

* 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 6 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, 2019	5,137,200 shares	As of October 31, 2018	5,116,000 shares
As of April 30, 2019	— shares	As of October 31, 2018	— shares
Six months ended April 30, 2019	5,125,033 shares	Six months ended April 30, 2018	2,077,348 shares

2) Number of treasury shares at the end of period

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

(Note) The Company performed a share split at the ratio of two shares per common share on June 12, 2019, and the number of issued and outstanding shares (common shares) is calculated based on the assumption that the share split 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

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.

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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, 2019, the Japanese economy underwent a moderate recovery as the employment and income environment continued to improve. However, the future remains shrouded in uncertainty due to U.S. trade policy and concerns about the slowing of growth of the Chinese economy.

Under such conditions, there continues to be great demand for cost reduction in the cost reduction area of the consulting market in which the Company does business due to factors such as rising personnel expenses and uncertain economic conditions.

In such an economic environment, the Company has proceeded to conclude agreements by expanding sales partners, strengthening relations and increasing the number of sales personnel. While continuing to conduct a wide range of cost management spanning from BPO to BPR, the Company has conducted business activities enabling the efficient and effective provision services through the standardization of tasks and the implementation of systems such as RPA, OCR and AI. Furthermore, the completion of large projects during the six months ended April 30, 2019 bolstered net sales and operating income.

As a result, during the six months ended April 30, 2019, net sales totaled 1,334 million yen (up 65.9% year-on-year), operating income was 612 million yen (up 58.0% year-on-year), ordinary income was 595 million yen (up 52.9% year-on-year) and net income was 413 million yen (up 62.8% 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 3,879 million yen as of April 30, 2019, an increase of 454 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 261 million yen in cash and deposits and 130 million yen in accounts receivable - trade.

(Liabilities)

Liabilities stood at 485 million yen as of April 30, 2019, an increase of 38 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 16 million yen in provision for bonuses and 15 million yen in accounts payable - other.

(Net assets)

Net assets stood at 3,393 million yen as of April 30, 2019, an increase of 415 million yen from the end of the previous fiscal year.

This was mainly attributable to a 413 million yen increase in retained earnings from net income.

(ii) Cash flows

Cash and cash equivalents (net cash) during the six months ended April 30, 2019, increased by 261 million yen from the end of the previous fiscal year to 2,984 million yen.

Cash flows and the factors contributing thereto during the six months ended April 30, 2019 were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 338 million yen (154 million yen provided during the same period of the previous year). This was mainly attributable to 595 million yen in profit before income taxes and a 130 million yen increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was 72 million yen (24 million yen used during the same period of the previous year). This was mainly due to 60 million yen spent on the purchase of investment securities and 14 million yen spent on the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 5 million yen (45 million yen provided during the same period of the previous year). This was mainly due to 8 million yen spent on redemption of bonds and 2 million yen in proceeds from issuance of shares resulting from exercise of share acquisition rights.

(3) Explanation of forecast information such as financial forecasts

At the present time, the Company has made no changes to the full-year financial forecast announced on December 17, 2018.

2. Quarterly Financial Statements and Significant Notes

(1) Quarterly balance sheet

(thousand yen)

	As of October 31, 2018	As of April 30, 2019
Assets		
Current assets		
Cash and deposits	2,722,937	2,984,107
Accounts receivable - trade	113,558	244,299
Securities	399,720	399,920
Work in process	7,066	2,680
Supplies	274	548
Other	28,680	34,101
Total current assets	3,272,237	3,665,657
Non-current assets		
Property, plant and equipment	32,331	53,567
Intangible assets	5,427	6,604
Investments and other assets	114,760	153,199
Total non-current assets	152,519	213,371
Total assets	3,424,757	3,879,029
Liabilities		
Current liabilities		
Accounts payable - trade	4,117	6,254
Current portion of bonds	18,000	10,000
Accounts payable - other	32,368	47,813
Accrued expenses	109,477	104,219
Income taxes payable	186,448	197,361
Provision for bonuses	-	16,892
Other	67,787	64,770
Total current liabilities	418,200	447,311
Non-current liabilities		
Asset retirement obligations	29,013	38,506
Total non-current liabilities	29,013	38,506
Total liabilities	447,213	485,817
Net assets		
Shareholders' equity		
Share capital	1,134,890	1,136,458
Capital surplus	1,124,890	1,126,458
Retained earnings	717,294	1,130,352
Treasury shares	-	(380)
Total shareholders' equity	2,977,074	3,392,889
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(194)	(55)
Total valuation and translation adjustments	(194)	(55)
Share acquisition rights	664	378
Total net assets	2,977,544	3,393,211
Total liabilities and net assets	3,424,757	3,879,029

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

(thousand yen)

	Six months ended April 30, 2018 (November 1, 2017 - April 30, 2018)	Six months ended April 30, 2019 (November 1, 2018 - April 30, 2019)
Net sales	804,382	1,334,804
Cost of sales	158,101	271,051
Gross profit	646,281	1,063,752
Selling, general and administrative expenses	258,304	450,765
Operating income	387,976	612,987
Non-operating income		
Interest income	2	160
Subsidy income	1,500	1,440
Writing and speaking fees	102	48
Total non-operating income	1,604	1,648
Non-operating expenses		
Interest expenses	79	9
Loss on investments in investment partnerships	-	19,259
Other	-	8
Total non-operating expenses	79	19,277
Ordinary income	389,501	595,357
Extraordinary income		
Gain on sales of non-current assets	30	-
Total extraordinary income	30	-
Extraordinary losses		
Loss on retirement of non-current assets	244	-
Total extraordinary losses	244	-
Profit before income taxes	389,287	595,357
Income taxes	135,511	182,300
Net income	253,776	413,057

(3) Quarterly statement of cash flows

(thousand yen)

	Six months ended April 30, 2018 (November 1, 2017 - April 30, 2018)	Six months ended April 30, 2019 (November 1, 2018 - April 30, 2019)
Cash flows from operating activities		
Profit before income taxes	389,287	595,357
Depreciation	1,936	3,277
Increase (decrease) in provision for bonuses	-	16,892
Interest income	(2)	(160)
Interest expenses	79	9
Loss (gain) on investments in investment partnerships	-	19,259
Loss (gain) on sales of non-current assets	(30)	-
Loss on retirement of non-current assets	244	-
Decrease (increase) in trade receivables	(84,128)	(130,741)
Decrease (increase) in inventories	(2,005)	4,112
Decrease (increase) in prepaid expenses	(7,157)	(5,228)
Increase (decrease) in accounts payable - trade	(23,357)	2,136
Increase (decrease) in accounts payable - other	(21,411)	13,545
Increase (decrease) in accrued expenses	(24,312)	(5,258)
Increase (decrease) in accrued consumption taxes	2,125	(5,161)
Other	10,177	2,115
Subtotal	241,445	510,157
Interest received	2	199
Interest paid	(67)	(9)
Income taxes paid	(87,110)	(171,386)
Net cash provided by (used in) operating activities	154,270	338,960
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(14,431)
Proceeds from sales of property, plant and equipment	32	-
Purchase of intangible assets	(1,092)	-
Purchase of investment securities	-	(60,253)
Proceeds from withdrawal of investment securities	-	2,423
Collection of loans receivable	100	-
Payments of leasehold deposits	(23,613)	-
Net cash provided by (used in) investing activities	(24,572)	(72,261)
Cash flows from financing activities		
Redemption of bonds	(8,000)	(8,000)
Repayments of long-term borrowings	(14,526)	-
Purchase of treasury shares	-	(380)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	68,000	2,851
Net cash provided by (used in) financing activities	45,474	(5,529)
Net increase (decrease) in cash and cash equivalents	175,172	261,169
Cash and cash equivalents at beginning of period	564,212	2,722,937
Cash and cash equivalents at end of period	739,384	2,984,107

(4) Notes to quarterly financial statements

(Notes on ongoing concern)

Not applicable.

(Notes on significant changes in amount of shareholders' equity)

Not applicable.

(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, 2019, and multiplying the profit before income taxes for the six months ended April 30, 2019 by the estimated effective tax rate.

(Segment information, etc.)

This information has been omitted because the Company's operations are limited to the single segment of consulting business.

(Significant subsequent events)

(Share split)

The Company performed a share split at the ratio of two shares per common share on June 12, 2019 based on a resolution of the Board of Directors on May 17, 2019.

1. Purpose of the share split

The purpose of the share split was to lower the amount required per investment unit of the Company's shares and expand the pool of potential investors.

2. Overview of the share split

(1) Method of split

Common shares held by shareholders listed or recorded in the final shareholder registry of June 11, 2019 were split at a ratio of two shares per share with this day as the record date.

(2) Number of shares increased due to the split

Total number of issued and outstanding shares before the share split: 2,568,600 shares

Number of shares increased due to this split: 2,568,600 shares

Total number of issued and outstanding shares after the share split: 5,137,200 shares

Total number of authorized shares after the share split: 8,000,000 shares

(3) Schedule of the share split

Announcement date: May 27, 2019

Record date: June 11, 2019

Effective date: June 12, 2019

(4) Adjustment of strike price of share acquisition rights

Due to this share split, the strike price per share for share acquisition rights was also adjusted as follows from June 12, 2019.

Share acquisition rights	Strike price before adjustment	Strike price after adjustment
2nd series share acquisition rights	269 yen	135 yen
3rd series share acquisition rights	269 yen	135 yen

(5) Impact on per share information

The impact on per share information is shown in the relevant locations.