



Financial Results for the Nine Months Ended July 31, 2019 (J-GAAP)

September 12, 2019

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

Securities code: 7034

Stock Exchange Listing: TSE Mothers

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

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Quarterly report filing date: September 13, 2019

Dividend payable date (as planned): —

Supplemental material of quarterly financial results: None

Convening briefing of quarterly financial results: None

(Rounded down to nearest million yen)

1. Financial results for the nine months ended July 31, 2019 (November 1, 2018 - July 31, 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 | % |
| Nine months ended July 31, 2019 | 1,956 | 38.4 | 845 | 27.7 | 827 | 29.3 | 574 | 29.8 |
| Nine months ended July 31, 2018 | 1,413 | — | 662 | — | 640 | — | 442 | — |

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended July 31, 2019 | 112.00 | 107.61 |
| Nine months ended July 31, 2018 | 161.42 | 148.99 |

(Notes) 1. 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 and diluted net income per share are calculated based on the assumption that the share splits took place at the start of the previous fiscal year.

2. The Company's shares were listed on Tokyo Stock Exchange Mothers on July 27, 2018, and diluted net income per share for the nine months ended July 31, 2018 was calculated by deeming the average share price from the listing date until the final day of the nine months ended July 31, 2018 to be the average share price during the period.

(2) Financial position

| | Total assets | Net assets | Equity ratio |
|---------------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| Nine months ended July 31, 2019 | 4,136 | 3,554 | 85.9 |
| Year ended October 31, 2018 | 3,424 | 2,977 | 86.9 |

(Reference) Capital stock Nine months ended July 31, 2019 3,554 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 | 2,623 | 58.8 | 1,018 | 65.6 | 1,000 | 69.1 | 623 | 63.6 | 121.23 |

(Notes) 1. Revisions since most recently announced results forecast: Yes

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 (3) Notes to quarterly financial statements

(Application of special accounting processes for the preparation of the quarterly financial statements)" on page 5 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 July 31, 2019 | 5,137,200 shares | As of October 31, 2018 | 5,116,000 shares |
| As of July 31, 2019 | 68 shares | As of October 31, 2018 | — shares |
| Nine months ended July 31, 2019 | 5,129,109 shares | Nine months ended July 31, 2018 | 2,742,308 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 nine months ended July 31, 2019, the Japanese economy continued to face uncertain conditions due to uncertainty in the global economy caused by the trade dispute between the U.S. and China, and Brexit. Meanwhile, the domestic economy is believed to be on a moderate recovery due to solid inbound consumption and the improvement of the employment environment.

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. In addition, 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. As a result, during the nine months ended July 31, 2019, net sales totaled 1,956 million yen (up 38.4% year-on-year), operating income was 845 million yen (up 27.7% year-on-year), ordinary income was 827 million yen (up 29.3% year-on-year) and net income was 574 million yen (up 29.8% year-on-year).

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

(2) Explanation of financial position

(Assets)

Assets stood at 4,136 million yen as of July 31, 2019, an increase of 712 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 388 million yen in cash and deposits and 179 million yen in accounts receivable - trade.

(Liabilities)

Liabilities stood at 582 million yen as of July 31, 2019, an increase of 134 million yen from the end of the previous fiscal year. This was mainly attributable to an 89 million yen increase in income taxes payable and a 53 million yen increase in provision for bonuses.

(Net assets)

Net assets stood at 3,554 million yen as of July 31, 2019, an increase of 577 million yen from the end of the previous fiscal year. This was mainly attributable to a 574 million yen increase in retained earnings from net income.

(3) Explanation of forecast information such as financial forecasts

The financial forecast for the year ending October 31, 2019 has been revised from the figures announced on December 17, 2018. See "Notice on Revision of Financial Forecast for the Year Ending October 31, 2019" announced today (September 12, 2019) for details.

2. Quarterly Financial Statements and Significant Notes

(1) Quarterly balance sheet

(thousand yen)

| | As of October 31, 2018 | As of July 31, 2019 |
|---|------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,722,937 | 3,111,290 |
| Accounts receivable - trade | 113,558 | 293,318 |
| Securities | 399,720 | 400,000 |
| Work in process | 7,066 | 1,329 |
| Supplies | 274 | 215 |
| Other | 28,680 | 148,420 |
| Total current assets | 3,272,237 | 3,954,574 |
| Non-current assets | | |
| Property, plant and equipment | 32,331 | 51,901 |
| Intangible assets | 5,427 | 6,163 |
| Investments and other assets | 114,760 | 124,209 |
| Total non-current assets | 152,519 | 182,274 |
| Total assets | 3,424,757 | 4,136,848 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 4,117 | 12,267 |
| Current portion of bonds | 18,000 | 10,000 |
| Accounts payable - other | 32,368 | 61,177 |
| Accrued expenses | 109,477 | 59,502 |
| Income taxes payable | 186,448 | 276,118 |
| Provision for bonuses | - | 53,301 |
| Other | 67,787 | 71,252 |
| Total current liabilities | 418,200 | 543,620 |
| Non-current liabilities | | |
| Asset retirement obligations | 29,013 | 38,576 |
| Total non-current liabilities | 29,013 | 38,576 |
| Total liabilities | 447,213 | 582,196 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,134,890 | 1,136,458 |
| Capital surplus | 1,124,890 | 1,126,458 |
| Retained earnings | 717,294 | 1,291,737 |
| Treasury shares | - | (380) |
| Total shareholders' equity | 2,977,074 | 3,554,274 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (194) | - |
| Total valuation and translation adjustments | (194) | - |
| Share acquisition rights | 664 | 378 |
| Total net assets | 2,977,544 | 3,554,652 |
| Total liabilities and net assets | 3,424,757 | 4,136,848 |

(2) Quarterly statement of income
(Nine months ended July 31)

(thousand yen)

| | Nine months ended July 31, 2018 (November 1, 2017 - July 31, 2018) | Nine months ended July 31, 2019 (November 1, 2018 - July 31, 2019) |
|--|--|--|
| Net sales | 1,413,568 | 1,956,683 |
| Cost of sales | 275,611 | 421,789 |
| Gross profit | 1,137,957 | 1,534,894 |
| Selling, general and administrative expenses | 475,694 | 689,382 |
| Operating income | 662,263 | 845,511 |
| Non-operating income | | |
| Interest income | 2 | 245 |
| Subsidy income | 1,500 | 1,440 |
| Writing and speaking fees | 602 | 48 |
| Total non-operating income | 2,104 | 1,733 |
| Non-operating expenses | | |
| Interest expenses | 79 | 9 |
| Share issuance cost | 10,158 | - |
| Going public expenses | 13,718 | - |
| Loss on investments in investment partnerships | - | 19,259 |
| Other | - | 7 |
| Total non-operating expenses | 23,957 | 19,277 |
| Ordinary income | 640,410 | 827,967 |
| 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 | 640,196 | 827,967 |
| Income taxes | 197,545 | 253,525 |
| Net income | 442,650 | 574,442 |

(3) Notes to quarterly financial statements

(Notes on ongoing concern)

Not applicable.

(Notes on significant changes in 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 nine months ended July 31, 2019, and multiplying the profit before income taxes for the nine months ended July 31, 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.

3. Other

Significant matters concerning the ongoing concern assumption

Not applicable.