

TRANSLATION



September 14, 2021

FOR IMMEDIATE RELEASE

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Notice on Revisions to the Full-Year Business Results Forecasts

Prored Partners Co., Ltd. (the "Company") hereby announces that its Board of Directors has decided at a meeting held on September 14, 2021 to revise the business results forecasts for the fiscal year ending October 31, 2021 (November 1, 2020 - October 31, 2021) announced on June 11, 2021 in light of the recent business performance trends and other factors. Details are as follows.

1. Revision of forecasts of consolidated business results for the fiscal year ending October 31, 2021 (November 1, 2020 - October 31, 2021) (Unit: million yen)

	N e t s a l e s	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previously announced forecast (A)	4,349	888	885	634	56.85 yen
Newly revised forecast (B)	3,744	627	611	420	37.95 yen
C h a n g e (B − A)	-605	-261	-274	-214	
C h a n g e (%)	-13.9%	-29.3%	-31.0%	-33.8%	
(Reference) Results for the previous fiscal year (ended October 31, 2020)	—	—	—	—	—

*The Company consolidated only balance sheets at the end of the previous fiscal year and therefore does not state the full-year results for the previous fiscal year.

2. Reason for revision

Consolidated net sales for the first nine months of the current fiscal year stood at 2,826 million yen, lower than the assumed net sales in the previously announced forecast. Major factors for this were as described below, but the Company has decided to revise its full-year business results forecasts because similar factors are expected to have an impact on net sales in the fourth quarter of the current fiscal year.

The major factors for net sales for the first nine months of the current fiscal year to have fallen below the assumption in the previously announced forecast are that (1) net sales to client industries, which were strongly affected by the recent COVID-19 pandemic, deviated below projection in the cost reduction consulting business of the Company on a non-consolidated basis and that (2) in the consulting business for companies (manager and leader trainings, the construction of food safety management system, etc.) provided by Knowledge Management Research & Institute ("KMRI"), a subsidiary of the Company, net sales deviated below projection due to the cancellation of and delays in face-to-face training under the COVID-19 pandemic.

Although the Company regards the shortfall in net sales plans of the Company on a non-consolidated basis and KMRI, which emerged in the third quarter of the current fiscal year, as a temporary stagnation in growth of the business performance associated with the COVID-19 pandemic, the Company has revised its full-year net sales forecast on the assumption that the impact of COVID-19 pandemic will continue in the fourth quarter, given that the spread of infection of the Delta variant has been rampant in Japan since July 2021 and that it is already the middle of the fourth quarter. As a result, consolidated net sales for the current fiscal year are expected to be 3,744 million yen, 605 million yen lower than the previously announced forecast.

The Company has also revised its full-year consolidated operating profit forecast this time, and the newly revised forecast is 627 million yen, a decrease of 261 million yen from the previously announced forecast. The major factors for the revision are as follows: (A) The profit is expected to decline associated with the revision of the full-year net sales forecasts of the Company on a non-consolidated basis and KMRI; (B) Development expenses of Pro-Sign, a DX platform which the Company is currently developing, are expected to decrease by 81 million yen in the full year from the amount incorporated in the previously announced forecast; and (C) The full amount of development expenses of Pro-Sign recorded in the third quarter of the current fiscal year has decided to be recorded as assets.

With regard to (B) above, the Company expected in the previously announced forecast that development expenses of Pro-Sign would be about 380 million yen for the full year, but the Company now expects that they will decrease by about 81 million yen from the initial assumption for the full year because it is possible to reduce outsourcing expenses, etc.

As for (C) above, since the soft launch of Pro-Sign in June 2021, inquiries from client companies have remained much higher than expected. As a result, the Company has already completed the introduction in 117 companies as of the end of August 2021 and is likely to achieve the target of introducing it in 200 companies by October 2022 one year ahead of schedule. Judging that the probability of starting to charge during the next fiscal year has increased in light of the current strong pace of introduction, the Company has decided to recognize the full amount of development expenses of Pro-Sign posted as assets in the third quarter of the current fiscal year as software in progress.

As a result of the above, the consolidated operating profit for the full year is expected to be 627 million yen.

(Note) 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.

3. Medium- to long-term growth potential of the Company and its return to growth in the next fiscal year

The impact of the COVID-19 pandemic on net sales for the current fiscal year is expected to be much greater than initially assumed, but the Company believes that the medium- to long-term growth potential of its consulting business remains high. Details are described in the presentation materials on financial results for the first nine months of the year ending October 31, 2021, but the Company believes that potential demand for its services remains high and that its market position is also solid.

In addition, the number of client companies has been continuously increasing in the third quarter of the current fiscal year, and the ratio of client companies that fall into the corporate size categories that the Company places particular emphasis on (large and midsize companies with net sales of 10 billion yen or more but less than 500 billion yen) has also risen to about 80% of the total. As such, the Company's client base is steadily strengthening. Moreover, the revision of the fee scale implemented in January 2020 is making steady progress, and repeat orders have also been 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.

In the next fiscal year, it is expected that social activities will move closer to normalization with a rise in vaccination rates, and the Company thinks that the impact of the COVID-19 pandemic on net sales will bottom out through the resumption of large projects that had been postponed. The Company also believes that it will be able to return to a growth path in the next fiscal year by implementing measures to accelerate lead generation and expand new business domains.

For Pro-Sign, which is expected to be a new pillar of growth, the Company is currently preparing to start charging during the next fiscal year, in response to the current strong pace of introduction. The Business Spend Management ("BSM") domain, which is the focus of Pro-Sign, is a field that is rapidly proliferating 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.

The Company will redouble its efforts to increase the medium- to long-term growth potential of the Company as a whole through the sustainable growth of its consulting business and the rapid business expansion of Pro-Sign.