



September 3, 2021

Consolidated Financial Results For the Six Months Ended July 31, 2021 (Japanese Accounting Standards)

Name of the Listed Company: **Poletowin Pitcrew Holdings, Inc.**
 Listing: First Section of Tokyo Stock Exchange
 Stock code: 3657
 URL: <https://www.poletowin-pitcrew-holdings.co.jp>
 Representative: Teppei Tachibana, President & CEO
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Scheduled date to file Quarterly Securities Report: September 9, 2021
 Scheduled date to commence dividend payments: –
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: No

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the six months ended July 31, 2021 (from February 1, 2021 to July 31, 2021)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended July 31, 2021	15,484	24.9	1,512	18.5	1,549	5.0	908	0.5
July 31, 2020	12,399	(0.0)	1,276	(20.8)	1,474	(4.4)	903	(5.3)

(Note) Comprehensive income

Six months ended July 31, 2021: ¥1,162 million / 96.2 %

Six months ended July 31, 2020: ¥592 million / (35.3) %

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
July 31, 2021	23.97	-
July 31, 2020	23.88	23.86

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
July 31, 2021	21,652	16,344	75.5
January 31, 2021	20,389	15,675	76.9

(Reference) Equity

As of July 31, 2021 : ¥16,344 million

As of January 31, 2021 : ¥15,671 million

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2021	–	0.00	–	13.00	13.00
Fiscal year ending January 31, 2022	–	0.00	–	–	–
Fiscal year ending January 31, 2022 (Forecasts)	–	–	–	14.00	14.00

(Notes) Change in dividend forecasts for the fiscal year ending January 31, 2022 during the six months ended July 31, 2021: No

3. Consolidated financial forecasts for the fiscal year ending January 31, 2022

(from February 1, 2021 to January 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending January 31, 2022	33,224	24.3	3,535	9.9	3,539	(1.6)	2,157	1.7	56.53

(Note) Change in financial forecasts for the fiscal year ending January 31, 2022 during the six months ended July 31, 2021: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended July 31, 2021 (changes in specified subsidiaries resulting in a change in the scope of consolidation) : No

(2) Use of particular accounting treatments in preparation of quarterly consolidated financial statements : Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

- a. Changes in accounting standards due to revisions to accounting standards and other guidelines : No
- b. Changes in accounting policies due to reasons other than a. above : No
- c. Changes in accounting estimates : No
- d. Restatement of revisions : No

(4) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury stock)

As of July 31, 2021 : 38,156,000 shares

As of January 31, 2021 : 38,156,000 shares

b. Number of shares of treasury stock at the end of the period

As of July 31, 2021 : 269,802 shares

As of January 31, 2021 : 269,734 shares

c. Average number of shares (Cumulative)

For the six months ended July 31, 2021 : 37,886,231 shares

For the six months ended July 31, 2020 : 37,851,813 shares

* This report falls outside the scope of quarterly review procedures of a certified public accountant or an audit firm.

* Proper use of earnings forecasts, and other special matters

(Disclaimer to forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to (3) Qualitative Information on Consolidated Earnings Forecasts on page 3 of the Attachment Materials to this report.

(How to obtain supplementary materials explaining earnings for the quarter)

The Company discloses the Supplementary Information to the Financial Results on the TDnet on the same day. The Company intends on posting briefing video and material on the Company's website.

1. Qualitative Information on Financial Results

(1) Analysis of Operating Results

During the second quarter of the consolidated fiscal year under review, conditions for the Japanese economy are expected to continue to pick up as various policies are effective and overseas economics is recovering, preventive measures are taken against COVID-19 and vaccination is promoted. However, both domestic and overseas impact of COVID-19 and financial & capital market warrant close attention. Under these economic conditions, for Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business, the number of people staying at home increased due to global COVID-19, and both game software & hardware market expanded. For Internet Supporting Business, non-face-to-face & non-contact services such as E-commerce and cashless economy market expanded. Again, due to COVID-19, demand for online school classes increased and the government's GIGA School Project continues to grow in importance. The Group provides checking, testing, monitoring and inspection services that requires human input on a contractual basis to corporate clients. The demand for such outsourcing services has been growing as client's business has diversified and have expanded overseas. Another reason behind this is that business processes have become more advanced and sophisticated. As new services are created in the market, both Testing/Verification & Evaluation Business and Internet Supporting Business, are seeing new business opportunities. During the first quarter of the consolidated fiscal year under review, the Group's headquarter was relocated to expand floor space. Also, the administration and sales division of the Group's main business subsidiaries were integrated to this headquarter. In March, Poletowin Pitcrew Holdings, Inc. absorbed and merged with its wholly owned subsidiary Pacer CO., Ltd. in order to enhance business efficiency. In February, Pole To Win Co., Ltd. transferred game tuning and game development support related business to CREST Inc. in order to enhance media and content related business. Pole To Win Co., Ltd. Inc. made MSD Holdings Inc. its subsidiary by acquiring all its shares in July in order to gain orders for non-game software & system development and third- party verification services. In April, QBIST Inc. and CREST Inc. relocated head office into the same building in order to enhance synergy in media content related business. In anticipation of increased orders, PITCREW CO., LTD., opened Niigata service center and relocated & expanded floor space for Sendai service center. In order to further expand business, PTW America, Inc. established OneXP LLC. in the United States, PTW International UK Limited established OneXP UK Limited. in the U.K., and PTW International UK Limited established 1518 Studios Rus LLC. in Russia. Collaboration has stepped up between eighteen delivery centers in eleven countries The Group promoted to globally provide a one-stop, full-service platform in areas such as defect detection (finding bugs), localization, audio recording, game development & marketing support, internet monitoring, and customer support.

As a result of these factors, consolidated net sales for the term were ¥15,484,928 thousand (up 24.9%). Operating profit was ¥1,512,266 thousand (up 18.5%). Ordinary profit was ¥1,549,018 thousand (up 5.0%) and profit attributable to owners of parent was ¥908,110 thousand (up 0.5%).

Results by segment were as follows.

Testing/Verification & Evaluation Business

By promoting collaboration between domestic and overseas group companies the group strived to support global deployment for domestic and foreign game makers, and promoted orders for outsourcing services such as defect detection, localization, customer support (overseas) and voice recording, etc. for game software developers. QaaS Co., Ltd. received order increase for third- party verification services in non-game market. QBIST Inc., colorful Inc. & CREST Inc. promoted business expansion for media/ content related business in game art creation and animation. Pole To Win Co., Ltd. received orders to create ICT environment at schools for the government's GIGA School Project. Specifically, preparing kitting service for tablets. From the first quarter of the consolidated fiscal year under review, the business performance of the Group's newly consolidated U.S.A. subsidiary, 1518 Studios, Inc. is included. As a result, Testing/Verification & Evaluation Business sales increased by 27.3% year on year, to ¥ 11,764,765 thousand, operating profit increased by 6.4%, to ¥1,160,347 thousand.

Internet Supporting Business

In the Internet Supporting Business, the Group increased orders for monitoring fraud for FinTech related services such as QR code settlement and virtual currency. Services related to identity verification, detection of anti-money laundering and spoofing also increased orders. AI related service such as data recognition evaluation and collaborating sales activities with Testing/Verification & Evaluation Business enhanced business for customer support in the game market. PITCREW CO., LTD. also received orders to develop ICT environment at schools for the government's GIGA School Project. Specifically, to provide services related to design ICT environment. As a result, Internet Supporting Business sales increased by 16.5%, to ¥3,560,847 thousand. Operating profit increased by 59.9%, to ¥364,282 thousand.

Others

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program and movies to prepare for the advent of barrier-free motion pictures. IMAid Inc. provides support services such as visa obtainment, school enrollment and daily life procedures for foreign personnel working in medical institutes. The sales resulted in increase of 58.3% to ¥159,316 thousand and operating profit of ¥7,306 thousand, up from operating loss of ¥68,071 thousand a year earlier.

(2) Analysis of Financial Position

Total Assets

Current assets decreased by ¥927,381 thousand or 5.4% from the previous fiscal year-end, to ¥16,175,167 thousand. This was mainly attributable to an increase of ¥448,970 thousand in notes and accounts receivable-trade and of ¥151,225 thousand in other current assets (mainly prepared expenses) but was offset by decrease of ¥1,529,565 thousand in cash and deposits.

Non-current assets increased by ¥2,190,126 thousand, or 66.6% from the previous fiscal year-end, to ¥5,476,903 thousand. The key factor was an increase of ¥1,973,757 thousand in goodwill.

As a result, total assets increased by ¥1,262,744 or 6.2% thousand from the previous fiscal year-end, to ¥21,652,070 thousand.

Liabilities

Current liabilities increased by ¥326,906 thousand or 7.3% from the previous fiscal year-end, to ¥4,780,913 thousand. The key factors were increase of ¥493,963 thousand in accounts payable-other and ¥250,550 thousand in accrued expenses but offset by decrease of ¥311,085 thousand of income taxes payable and ¥190,595 thousand in other current liabilities (mainly advance received).

Non-current liabilities increased by ¥266,172 thousand or 102.3% from the previous fiscal year-end, to ¥526,401 thousand. This was mainly due to increase of ¥256,358 thousand in long-term borrowings. As a result, total liabilities increased by ¥593,079 thousand or 12.6% from the end of the previous fiscal year-end, to ¥5,307,315 thousand.

Net assets

Net assets increased by ¥669,665 thousand or 4.3% from the previous fiscal year-end, to ¥16,344,755 thousand. This was mainly because there was increase of ¥415,588 thousand in retained earnings for profit attributable to owners of parent and dividend payment and ¥251,968 thousand in foreign currency translation adjustment.

(3) Qualitative Information on Consolidated Earnings Forecasts

Both revenues and earnings exceeded those of the initial forecast for the period under review. The Company has revised its consolidated financial forecasts for the year ending January, 31 2022 as disclosed on September 3rd, 2021 in "Announcement on the revision of the earnings forecasts for Fiscal Year 2022". This is because from the third quarter of the consolidated fiscal year under review, the Group's consolidated subsidiary will increase through the acquisition of MSD Holdings Inc., Panda Graphics Inc., and Delfi Sound Inc.

Note, however, that the earnings forecasts are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2021 (As of January 31, 2021)	2Q Fiscal 2022 (As of July 31, 2021)
Assets		
Current assets		
Cash and deposits	11,158,548	9,628,983
Notes and accounts receivable - trade	4,504,541	4,953,511
Merchandise and finished goods	861	324
Work in process	172,920	178,990
Other	1,308,165	1,459,391
Allowance for doubtful accounts	(42,488)	(46,034)
Total current assets	17,102,548	16,175,167
Non-current assets		
Property, plant and equipment		
Buildings and structures	893,190	958,062
Accumulated depreciation	(544,376)	(552,180)
Buildings and structures, net	348,814	405,881
Machinery, equipment and vehicles	23,081	23,324
Accumulated depreciation	(15,860)	(16,799)
Machinery, equipment and vehicles, net	7,221	6,525
Tools, furniture and fixtures	1,616,860	1,777,781
Accumulated depreciation	(1,294,048)	(1,394,631)
Tools, furniture and fixtures, net	322,812	383,150
Other	15,306	—
Total property, plant and equipment	694,154	795,557
Intangible assets		
Goodwill	511,654	2,485,412
Software	225,961	251,321
Other	202,538	202,813
Total intangible assets	940,155	2,939,547
Investments and other assets		
Investment securities	654,071	710,660
Leasehold and guarantee deposits	751,910	752,415
Deferred tax assets	195,008	208,902
Other	128,470	165,714
Allowance for doubtful accounts	(76,994)	(95,894)
Total investments and other assets	1,652,466	1,741,798
Total non-current assets	3,286,776	5,476,903
Total assets	20,389,325	21,652,070

(Thousands of yen)

	As of January 31, 2021	As of July 31, 2021
Liabilities		
Current liabilities		
Short-term borrowings	4,540	—
Current portion of long-term borrowings	7,620	34,104
Accounts payable - other	2,067,679	2,561,642
Accrued expenses	216,301	466,851
Income taxes payable	970,324	659,239
Provision for bonuses	56,339	118,469
Other	1,131,201	940,605
Total current liabilities	4,454,007	4,780,913
Non-current liabilities		
Long-term borrowings	34,365	290,723
Retirement benefit liability	96,572	106,064
Deferred tax liabilities	31,950	27,720
Other	97,340	101,894
Total non-current liabilities	260,228	526,401
Total liabilities	4,714,236	5,307,315
Net assets		
Shareholders' equity		
Share capital	1,239,064	1,239,064
Capital surplus	2,379,899	2,379,899
Retained earnings	12,372,175	12,787,763
Treasury shares	(167,696)	(167,784)
Total shareholders' equity	15,823,442	16,238,942
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,373	54,520
Foreign currency translation adjustment	(200,676)	51,291
Total accumulated other comprehensive income	(152,303)	105,812
Non-controlling interests	3,950	—
Total net assets	15,675,089	16,344,755
Total liabilities and net assets	20,389,325	21,652,070

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income (Six-month period ended July 31, 2021)

(Thousands of yen)

	Six months ended July 31, 2020	Six months ended July 31, 2021
Net sales	12,399,500	15,484,928
Cost of sales	8,822,126	11,068,396
Gross profit	3,577,373	4,416,532
Selling, general and administrative expenses	2,300,948	2,904,266
Operating profit	1,276,424	1,512,266
Non-operating income		
Foreign exchange gains	39,432	18,608
Subsidy income	46,668	46,264
Surrender value of insurance policies	106,643	—
Other	9,693	10,765
Total non-operating income	202,437	75,638
Non-operating expenses		
Interest expenses	1,246	518
Share of loss of entities accounted for using equity method	—	30,748
Other	2,939	7,618
Total non-operating expenses	4,186	38,886
Ordinary profit	1,474,675	1,549,018
Extraordinary losses		
Loss on retirement of non-current assets	—	41,767
Total extraordinary losses	—	41,767
Profit before income taxes	1,474,675	1,507,251
Income taxes	608,404	603,312
Profit	866,270	903,938
Loss attributable to non-controlling interests	(37,695)	(4,171)
Profit attributable to owners of parent	903,966	908,110

Consolidated Statement of Comprehensive Income (Six-month period ended July 31, 2021)

(Thousands of yen)

	Six months ended July 31, 2020	Six months ended July 31, 2021
Profit	866,270	903,938
Other comprehensive income		
Valuation difference on available-for-sale securities	(111,109)	6,147
Foreign currency translation adjustment	(162,899)	232,180
Share of other comprehensive income of entities accounted for using equity method	—	20,010
Total other comprehensive income	(274,009)	258,337
Comprehensive income	592,261	1,162,275
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	630,159	1,166,225
Comprehensive income attributable to non-controlling interests	(37,897)	(3,950)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended July 31, 2020	Six months ended July 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,474,675	1,507,251
Depreciation	175,900	187,440
Amortization of goodwill	130,307	186,802
Increase (decrease) in allowance for doubtful accounts	53,243	22,445
Increase (decrease) in provision for bonuses	55,694	35,407
Increase (decrease) in retirement benefit liability	7,851	9,491
Interest and dividend income	(1,343)	(2,438)
Surrender value of insurance policies	(106,643)	—
Subsidy income	(46,668)	(46,264)
Share of loss (profit) of entities accounted for using equity method	—	30,748
Interest expenses	1,246	518
Foreign exchange losses (gains)	(390)	(23,779)
Loss on retirement of non-current assets	—	41,767
Decrease (increase) in trade receivables	(77,973)	99,383
Decrease (increase) in accounts receivable - other	(38,181)	(24,815)
Increase (decrease) in accounts payable - other	(78,497)	(71,622)
Increase (decrease) in accrued expenses	156,556	133,405
Increase (decrease) in accrued consumption taxes	(31,763)	(163,265)
Increase (decrease) in deposits received	(150,034)	(5,754)
Other, net	(310,925)	(173,216)
Subtotal	1,213,056	1,743,504
Interest and dividends received	505	3,862
Proceeds from subsidy income	46,668	46,264
Interest paid	(889)	(1,522)
Income taxes paid	(436,275)	(1,019,980)
Net cash provided by (used in) operating activities	823,064	772,128
Cash flows from investing activities		
Purchase of property, plant and equipment	(133,208)	(262,153)
Proceeds from sales of property, plant and equipment	—	2,312
Purchase of intangible assets	(147,643)	(43,853)
Purchase of investment securities	(185,907)	(50,849)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,138,569)
Payments for acquisition of businesses	—	(477,539)
Loan advances	(1,283)	(1,723)
Collection of loans receivable	5,961	4,515
Payments of leasehold and guarantee deposits	(80,023)	(13,874)
Proceeds from refund of leasehold and guarantee deposits	4,353	60,885
Other, net	135,314	—
Net cash provided by (used in) investing activities	(402,437)	(1,920,850)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	494,644	(4,540)
Repayments of long-term borrowings	(2,708)	(3,828)
Proceeds from issuance of shares	252	—
Dividends paid	(454,174)	(492,521)
Purchase of treasury shares	—	(88)
Net cash provided by (used in) financing activities	38,014	(500,977)
Effect of exchange rate change on cash and cash equivalents	(23,752)	120,134
Net increase (decrease) in cash and cash equivalents	434,889	(1,529,565)
Cash and cash equivalents at beginning of period	10,514,170	11,158,548
Cash and cash equivalents at end of period	10,949,060	9,628,983

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Use of particular accounting treatments in preparation of quarterly consolidated financial statements)

(Calculation of income taxes payable)

The tax expenses of the Group and certain consolidated subsidiaries are estimated reasonably based on effective tax rates after applying tax effect accounting for income before income taxes and minority interests for the consolidated fiscal year, including the second quarter under review, multiplying quarterly income before income taxes and minority interests by the relevant estimated effective tax rate.

(Segment Information)

1. Six months ended July 31, 2020 (from February 1, 2020 to July 31, 2020)

(1) Net sales and income (loss) by reporting segment

(Thousands of yen)

	Reporting segment			Others* ¹	Total	Adjustments* ²	Per quarterly consolidated financial statements* ³
	Testing/Verification & Evaluation Business	Internet Supporting Business	Total				
Sales							
Revenues from external customers	9,243,455	3,055,371	12,298,827	100,672	12,399,500	—	12,399,500
Transactions with other segments	—	97,307	97,307	—	97,307	(97,307)	—
Net sales	9,243,455	3,152,679	12,396,135	100,672	12,496,807	(97,307)	12,399,500
Segment profit (loss)	1,090,897	227,837	1,318,734	(68,071)	1,250,662	25,761	1,276,424

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media and medical related businesses.
2. Adjustment for segment profit (loss) of ¥25,761 thousand comprises elimination of intersegment transactions of ¥366,514 thousand and unallocated corporate expenses of - ¥340,752 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Segment profit (loss) is adjusted against the operating profit recorded in the consolidated statements of income.

(2) Information regarding impairment losses on fixed assets and goodwill by reporting segment

Not applicable

2. Six months ended July 31, 2021 (from February 1, 2021 to July 31, 2021)

(1) Net sales and income (loss) by reporting segment

(Thousands of yen)

	Reporting segment			Others* ¹	Total	Adjustments* ²	Per quarterly consolidated financial statements* ³
	Testing/Verification & Evaluation Business	Internet Supporting Business	Total				
Sales							
Revenues from external customers	11,764,765	3,560,847	15,325,612	159,316	15,484,928	—	15,484,928
Transactions with other segments	5,018	89,931	94,950	—	94,950	(94,950)	—
Net sales	11,769,784	3,650,779	15,420,563	159,316	15,579,879	(94,950)	15,484,928
Segment profit (loss)	1,160,347	364,282	1,524,630	(7,306)	1,517,324	(5,057)	1,512,266

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media and medical personnel related businesses.
2. Adjustment for segment profit (loss) of - ¥5,057 thousand comprises elimination of intersegment transactions of ¥419,218 thousand and unallocated corporate expenses of - ¥424,276 thousand. Unallocated corporate expenses are mainly general administrative expenses.
3. Segment profit (loss) is adjusted against the operating profit recorded in the consolidated statements of income.

(2) Information regarding impairment losses on fixed assets and goodwill by reporting segment

(Significant changes in amount of goodwill)

For Testing/Verification & Evaluation Business, the Group's consolidated subsidiary, Pole To Win Co., Ltd. Inc. made MSD Holdings Inc. its subsidiary by acquiring all its shares. The resulting increase in goodwill for the term under review was ¥1,477,679 thousand. Furthermore, the amount of goodwill that occurred from the event is calculated tentatively as allocation of the acquisition cost has not been completed as of the end of the second quarter of the current consolidated fiscal year