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July 13, 2022

Consolidated Financial Results for FY2022 Q3 (Under Japanese GAAP)

Company name: TeamSpirit Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4397
 URL: <https://corp.teamspirit.com/ja-jp/>
 Representative: Koji Ogishima, CEO
 Inquiries: Yasufumi Yamashita, CFO
 Telephone: +81-3-4577-7510
 Scheduled date to file quarterly securities report: July 14, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended May 31, 2022 (from September 1, 2021 to May 31, 2022)

(1) Consolidated operating results (cumulative)

(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	%
Nine months ended								
May 31, 2022	2,403	11.6	-32	-116.3	-38	-118.9	-60	-141.9
May 31, 2021	2,152	20.2	197	-16.3	202	-15.2	144	27.6

Note: Comprehensive income For the nine months ended May 31, 2022: ¥-52 million [-135.6%]
 For the nine months ended May 31, 2021: ¥146 million [30.2%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
May 31, 2022	-3.71	-
May 31, 2021	8.88	8.87

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
May 31, 2022	3,304	1,561	47.2
August 31, 2021	3,171	1,577	49.7

Reference: Equity
 As of May 31, 2022: ¥1,561 million
 As of August 31, 2021: ¥1,577 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending August 31, 2022	-	0.00	-		
Fiscal year ending August 31, 2022 (Forecast)				0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending August 31, 2022 (from September 1, 2021 to August 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending August 31, 2022	3,300	13.9	-200	-218.3	-200	-214.5	-140	-214.0	-8.63
	to 3,350	to 15.6	to -150	to -188.7	to -150	to -185.9	to -105	to -185.5	to -6.47

Note: 1. Revisions to the earnings forecasts most recently announced: None

2. Consolidated earnings forecasts for the fiscal year ending August 31, 2022 are stated in range format considering impacts of changes in business environment.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2022	16,284,600 shares
As of August 31, 2021	16,227,600 shares

- (ii) Number of treasury shares at the end of the period

As of May 31, 2022	515 shares
As of August 31, 2021	315 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended May 31, 2022	16,268,341 shares
Nine months ended May 31, 2021	16,223,480 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Statement regarding appropriate use of forward-looking statements and other notes

Forward-looking statements, including the consolidated earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Thus, the Company does not intend to commit future accomplishment. Accordingly, actual business results may differ substantially from the Company's current assessment.

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1. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of August 31, 2021	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	2,447,990	2,462,040
Accounts receivable - trade	22,804	-
Accounts receivable - trade and contract assets	-	29,810
Advance payments to suppliers	225,444	255,790
Other	57,720	94,175
Allowance for doubtful accounts	-17	-305
Total current assets	2,753,943	2,841,512
Non-current assets		
Property, plant and equipment	59,051	52,672
Intangible assets	145	100
Investments and other assets	358,833	410,539
Total non-current assets	418,029	463,312
Total assets	3,171,972	3,304,825
Liabilities		
Current liabilities		
Accounts payable - trade	14,622	7,330
Income taxes payable	103,570	16,930
Deferred revenue	1,193,715	1,410,581
Provision for bonuses	9,180	6,369
Other	273,515	302,317
Total current liabilities	1,594,603	1,743,530
Total liabilities	1,594,603	1,743,530
Net assets		
Shareholders' equity		
Share capital	802,288	813,375
Capital surplus	792,288	803,375
Retained earnings	-17,365	-63,794
Treasury shares	-509	-509
Total shareholders' equity	1,576,701	1,552,447
Accumulated other comprehensive income		
Foreign currency translation adjustment	667	8,847
Total accumulated other comprehensive income	667	8,847
Total net assets	1,577,369	1,561,295
Total liabilities and net assets	3,171,972	3,304,825

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended May 31, 2021	Nine months ended May 31, 2022
Net sales	2,152,883	2,403,281
Cost of sales	925,490	1,555,620
Gross profit	1,227,393	847,660
Selling, general and administrative expenses	1,030,293	879,842
Operating profit (loss)	197,099	-32,181
Non-operating income		
Subsidy income	8,112	202
Other	358	76
Total non-operating income	8,471	278
Non-operating expenses		
Foreign exchange losses	2,874	5,275
Share issuance costs	92	853
Other	4	193
Total non-operating expenses	2,970	6,322
Ordinary profit (loss)	202,600	-38,224
Profit (loss) before income taxes	202,600	-38,224
Income taxes - current	117,642	73,599
Income taxes - deferred	-59,182	-51,484
Total income taxes	58,459	22,114
Profit (loss)	144,140	-60,339
Profit (loss) attributable to owners of parent	144,140	-60,339

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended May 31, 2021	Nine months ended May 31, 2022
Profit (loss)	144,140	-60,339
Other comprehensive income		
Foreign currency translation adjustment	2,364	8,179
Total other comprehensive income	2,364	8,179
Comprehensive income	146,504	-52,159
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	146,504	-52,159

(3) Notes to the quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable.

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

For the first nine months of the current fiscal year, share capital and capital surplus increased by ¥11,087 thousand respectively due to the issuance of new stocks as restricted stock compensation, and the issuance of new stocks by exercising of stock acquisition rights. As a result, share capital and capital surplus amounted to ¥813,375 thousand and ¥803,375 thousand, respectively as of the end of the consolidated nine months.

(Changes in accounting policies)

1. Application of "Accounting Standard for Revenue Recognition", etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result of this application, for revenue of spot support etc. where the Company previously recognized revenue at the time the provision of the service based on the contracts is completed, it has recognized revenue at over a certain period of time with satisfying of performance obligation.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result, Net sales for the first nine months of the current fiscal year increased by ¥6,392 thousand, and Operating loss, Ordinary loss, and Loss before income taxes for the first nine months of the current fiscal year decreased by ¥6,392 thousand, respectively. Also, the opening balance of retained earnings for the current fiscal year increased by ¥15,789 thousand.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations," Accounts receivable - trade" which was previously stated in "Current assets" at the consolidated balance sheet of previous consolidated fiscal year has been stated in "Accounts receivable - trade and contract assets" since the first quarter of the current fiscal year. Furthermore, the Company has not reclassified previous consolidated fiscal year by new representation, subject to the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition. Additionally, the information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

2. Application of "Accounting Standard for Fair Value Measurement", etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

The application of the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations has no effect on the quarterly consolidated financial statements for the first nine months of the current fiscal year.