



September 9 2022

## Consolidated Financial Results

### For the Six Months Ended July 31, 2022

(Japanese Accounting Standards)

Name of the Listed Company: Pole To Win Holdings, Inc.  
 Listing: Tokyo Stock Exchange, Prime Market  
 Stock code: 3657  
 URL: <https://www.phd.inc>  
 Representative: Teppei Tachibana, President & CEO  
 Contact Person: Joji Yamauchi, Director & CFO  
 Tel: +81-3-5909-7911  
 Scheduled date to file Quarterly Securities Report: September 13, 2022  
 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, 2022 (from February 1, 2022 to July 31, 2022)

#### (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, 2022	19,661	27.0	1,351	-10.7	1,653	6.8	161	-82.2
July 31, 2021	15,484	24.9	1,512	18.5	1,549	5.0	908	0.5

(Note) Comprehensive income

Six months ended July 31, 2022: ¥558 million (-52.0%)

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

	Net profit per share	Diluted net profit per share
	Yen	Yen
Six months ended July 31, 2022	4.30	—
July 31, 2021	23.97	—

(Note) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the first quarter of the current fiscal year. The figures for the six months ended July 31, 2022 are after the application of the said accounting standards, etc.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of July 31, 2022	23,721	17,424	73.4
January 31, 2022	22,581	17,624	78.0

(Reference) Equity

As of July 31, 2022 : ¥17,414 million

As of January 31, 2022: ¥17,616 million

(Note) The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others are applied from the beginning of the first quarter of the current fiscal year. The figures for the six months ended July 31, 2022 are after the application of the said accounting standards, etc.

## 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, 2022	–	0.00	–	14.00	14.00
Fiscal year ending January 31, 2023	–	0.00			
Fiscal year ending January 31, 2023 (Forecasts)			–	15.00	15.00

(Notes) Change from the latest pressed dividend forecasts: No

## 3. Consolidated financial forecasts for the fiscal year ending January 31, 2023

(from February 1, 2022 to January 31, 2023)

(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, 2023	40,088	17.0	4,002	23.0	3,926	17.8	1,800	-18.9	47.18

(Notes) Change from the latest pressed financial forecasts: Yes

\* Notes:

(1) Changes in significant subsidiaries during the six months ended July 31, 2022

(changes in specified subsidiaries resulting in a change in the scope of consolidation) : Yes

Excluded 1 company (Company name) PITCREW CO., LTD.

(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 : Yes

b. Changes in accounting policies due to reasons other than a. above : No

c. Changes in accounting estimates : No

d. Restatement of revisions : No

(Note) For details, please refer to "2. Consolidated Financial Statements (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 9 of the attached document.

(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, 2022 : 38,156,000 shares

As of January 31, 2022 : 38,156,000 shares

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

As of July 31, 2022 : 663,930 shares

As of January 31, 2022 : 400,502 shares

c. Average number of shares (Cumulative)

For the six months ended July 31, 2022 : 37,611,183 shares

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

○Table of Contents of Attachments

1. Qualitative Information on Financial Results for The Quarter.....	2
(1) Analysis of Operating Results .....	2
(2) Analysis of Financial Position .....	3
(3) Qualitative Information on Consolidated Earnings Forecasts .....	3
2. Consolidated Financial Statements .....	4
(1) Consolidated Balance Sheets .....	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	6
Consolidated Statements of Income .....	6
Six-month period ended July 31, 2022 .....	6
Consolidated Statements of Comprehensive Income .....	7
Six-month period ended July 31, 2022 .....	7
(3) Consolidated Statement of Cash flows .....	8
(4) Notes to Consolidated Financial Statements .....	9
(Notes on Going Concern Assumption) .....	9
(Notes on Significant Changes in Shareholders' Equity) .....	9
(Changes in accounting policies) .....	9
(Use of particular accounting treatments in preparation of quarterly consolidated financial statements) .....	10
(Segment Information) .....	10

## 1. Qualitative Information on Financial Results for The Quarter

### (1) Analysis of Operating Results

During the consolidated statement of comprehensive income (six-month period ended July 31, 2022), the Japanese economy is expected to pick up partly due to the effects of various policies, as it takes all possible measures to combat COVID-19 and as its economic and social activities normalize. However, it is necessary to pay close attention to downside risks due to fluctuations in the financial and capital markets, rising raw material prices, and supply-side constraints as monetary tightening progresses worldwide. Under these economic conditions, the Group provides Service Life Cycle Solutions Business that provides quality consulting, game testing/verification & evaluation, software third party verification, environment construction and transition support, monitoring, customer support, anti-fraud, BPR support, etc. that occurs in the process of our clients' lifecycle of planning, development, release, operation, and improvement.

In the second quarter of the consolidated cumulative period, we merged three main operating companies, Pole To Win Co., Ltd., PITCREW CO., LTD. and QaaS Co., Ltd., in February to seamlessly solve the problems in the life cycle of customers' services and products and to promote management efficiency. Similarly, in February, MIRAI Service Design co. ltd merged with SOFTWARE Corporation, MSD Secure Service Inc., and Seitatsu Technology, Inc. Pole To Win Inc. absorbed Daiichi Shorin Co., Ltd. in May with the aim of further consolidating management resources and promoting efficiency within the group.

ENTALIZE CO., LTD. absorbed PTW Japan Co., Ltd. in May with the aim of improving service capabilities for client companies. After the merger, the trade name was changed to " PTW Japan Co., Ltd." In overseas, PTW New Zealand Limited (a New Zealand subsidiary) was established for the purpose of business expansion. Costs such as recruitment costs, personnel costs, advertising costs, etc. are increasing due to the influence that managers are actively recruiting human resources and promoting advertising policies, etc. at domestic and overseas subsidiaries. 1518 Studios, Inc. (a US subsidiary) outsourced work such as 2D art development to staff in Russia and Ukraine. However, due to the recent situation in Ukraine, it became difficult to carry out the business initially planned at the time of the business transfer, so impairment losses of goodwill and intangible assets related to 1518 Studios, Inc., were reported as an extraordinary loss.

As a result, net sales for the second quarter of the current fiscal year were ¥19,661,367 thousand (increased 27.0% year-on-year), operating profit was ¥1,351,038 thousand (decreased 10.7% year-on-year), ordinary profit was ¥1,653,866 thousand (increased 6.8% year-on-year), and profit attributable to owners of the parent was ¥161,777 thousand (decreased 82.2%).

Since the Company changed its reportable segment to a single segment of "Service Life Cycle Solutions Business" effective from the first quarter of the current fiscal year, the description of operating results by segment is omitted.

Operating results by service category are as follows.

#### **Domestic Solutions**

In this service category, domestic subsidiaries provide services for the game market, including testing, customer support, localization, and overseas expansion support. For the Technology market, the company provides services related to software third-party verification, environment construction, server monitoring, data center operation, and kitting. For the e-commerce market, the company provides monitoring and customer support services. Taking advantage of the merger effect of the three companies, Pole To Win, Inc. has been promoting the development and cross-selling of various services, including "DX Assist", which supports the DX (Digital Transformation) of operations, and "Metaverse Plus", which supports the operation of Metaverse. In addition, MIRAI Service Design co. ltd from the third quarter of the previous fiscal year and Ninjastars Inc. from the first quarter of the current fiscal year were newly consolidated, respectively. As a result, sales of Domestic Solutions totaled ¥12,651,317 thousand.

#### **Overseas Solutions**

In this service category, overseas subsidiaries provide services related to testing, localization, voice recording, customer support, product development support, and art production. For art production, 1518 Studios, Inc. has been affected by the situation in Ukraine, and orders for art production have decreased.

However, sales of voice recording, localization, and customer support were firm, and sales increased due to the depreciation of the yen. As a result, sales of Overseas Solutions totaled ¥5,703,022 thousand.

## **Media Contents**

In this service category, mainly through domestic subsidiaries, the Company provides services related to art production, game publishing, animation production, marketing support, and barrier-free subtling and voice guidance production. QBIST Inc. received orders for art production for various games, and CREST Inc. promoted game publishing and animation production on consignment. As a result, sales of media content totaled ¥1,307,026 thousand.

## **(2) Analysis of Financial Position**

### **Total Assets**

Current assets increased by ¥1,394,305 thousand or 8.5% from the previous fiscal year-end, to ¥17,734,335 thousand. This was mainly due to the increase of ¥1,539,337 thousand in notes and accounts receivable - trade and contract assets, and a ¥223,529 thousand increase in other (accounts receivable - other, etc.) although cash and deposits decreased by ¥267,796 thousand and work in process decreased by ¥142,263 thousand.

Non-current assets decreased by ¥254,664 thousand or 4.1% from the previous fiscal year-end, to ¥5,987,079 thousand. This was mainly due to the decrease of ¥513,251 thousand in goodwill and the decrease of ¥329,648 thousand in intangible assets, although buildings and structures increased by ¥171,216 thousand, investment securities increased by ¥189,957 thousand, and leasehold and guarantee deposits increased by ¥111,948 thousand.

As a result, total assets increased by ¥1,139,641 thousand or 5.0% from the previous fiscal year-end, to ¥23,721,414 thousand.

### **Liabilities**

Current liabilities increased by ¥1,358,497 thousand or 32.7% from the previous fiscal year-end, to ¥5,517,138 thousand. This was mainly due to the increases of ¥739,681 thousand in accounts payable-other, ¥108,244 thousand in income taxes payable, and ¥408,908 thousand in others (deposits received, etc.), despite a decrease of ¥194,832 thousand in income taxes payable.

Non-current liabilities decreased by ¥18,826 thousand or 2.4% from the previous fiscal year-end, to ¥779,785 thousand. This was mainly due to the decrease of ¥18,205 thousand in long-term borrowings.

As a result, total liabilities increased by ¥1,339,670 thousand or 27.0% from the end of the previous fiscal year-end, to ¥6,296,924 thousand.

### **Net assets**

Net assets decreased by ¥200,028 thousand or 1.1% from the previous fiscal year-end, to ¥17,424,490 thousand. This was mainly because there was increase of ¥384,764 thousand in foreign currency translation adjustment, increase of ¥273,772 thousand in treasury shares, and decrease of ¥323,205 thousand in retained earnings for recording of quarterly net profit attributable to owners of parent and dividend payment.

## **(3) Qualitative Information on Consolidated Earnings Forecasts**

During the consolidated cumulative second quarter, sales have been on a steady track, but due to the recent situation in Ukraine, we recorded impairment losses on goodwill and intangible assets relating to 1518 Studios, Inc. as described in "Recording extraordinary losses" and "The difference between the Consolidated Earnings Forecasts for The Second Quarter (Comprehensive) and actual values" released today (September 9, 2022). Accordingly, the full-year consolidated earnings forecast has also been revised as described in the " Notification Concerning the Revision of the Forecast".

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)

	As of January 31, 2022	As of July 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,735,217	9,467,420
Notes and accounts receivable - trade	4,941,367	—
Notes, accounts receivable – trade, and contract assets	—	6,480,705
Merchandise and finished goods	203	203
Work in process	262,767	120,504
Other	1,479,892	1,703,421
Allowance for doubtful accounts	-79,419	-37,920
Total current assets	16,340,029	17,734,335
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,107,978	1,328,805
Accumulated depreciation	-689,863	-739,473
Buildings and structures, net	418,115	589,331
Machinery, equipment and vehicles	23,486	36,358
Accumulated depreciation	-17,741	-18,996
Machinery, equipment and vehicles, net	5,744	17,361
Tools, furniture and fixtures	2,013,467	2,207,461
Accumulated depreciation	-1,546,857	-1,740,934
Tools, furniture and fixtures, net	466,610	466,526
Other	—	38,978
Total tangible assets	890,470	1,112,198
Intangible assets		
Goodwill	1,746,450	1,233,199
Software	263,463	343,496
Intangible assets	1,211,648	882,000
Other	3,007	2,968
Total intangible assets	3,224,571	2,461,663
Investments and other assets		
Investment securities	802,137	992,095
Leasehold and guarantee deposits	753,945	865,893
Deferred tax assets	500,422	501,476
Other	135,491	128,472
Allowance for doubtful accounts	-65,294	-74,722
Total investments and other assets	2,126,702	2,413,216
Total non-current assets	6,241,743	5,987,079
Total assets	22,581,773	23,721,414

(Thousands of yen)

	As of January 31, 2022	As of July 31, 2022
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	48,394	48,656
Accounts payable - other	1,987,729	2,727,410
Accrued expenses	560,653	602,534
Income taxes payable	642,376	750,621
Provision for bonuses	79,077	138,596
Other	840,410	1,249,318
Total current liabilities	4,158,641	5,517,138
Non-current liabilities		
Long-term borrowings	251,389	233,184
Retirement benefit liability	120,856	136,896
Deferred tax liabilities	338,659	339,351
Other	87,706	70,353
Total non-current liabilities	798,612	779,785
Total liabilities	4,957,253	6,296,924
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,239,064	1,239,064
Capital surplus	2,379,899	2,380,082
Retained earnings	14,099,008	13,775,803
Treasury shares	-293,102	-566,874
Total shareholders' equity	17,424,870	16,828,076
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,063	36,538
Foreign currency translation adjustment	164,658	549,422
Total accumulated other comprehensive income	191,721	585,960
Non-controlling interests	7,926	10,453
Total net assets	17,624,519	17,424,490
Total liabilities and net assets	22,581,773	23,721,414

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income (Six-month period ended July 31, 2022)**

(Thousands of yen)

	Six months ended July 31, 2021	Six months ended July 31, 2022
Net sales	15,484,928	19,661,367
Cost of sales	11,068,396	14,265,970
Gross profit	4,416,532	5,395,396
Selling, general and administrative expenses	2,904,266	4,044,357
Operating profit	1,512,266	1,351,038
Non-operating income		
Foreign exchange gains	18,608	254,768
Subsidy income	46,264	74,958
Other	10,765	17,506
Total non-operating income	75,638	347,234
Non-operating expenses		
Interest expenses	518	882
Share of loss of entities accounted for using equity method	30,748	30,992
Acquisition of treasury stock	—	3,663
Other	7,618	8,868
Total non-operating expenses	38,886	44,406
Ordinary profit	1,549,018	1,653,866
Extraordinary losses		
Loss on retirement of non-current assets	41,767	12,705
Impairment loss	—	627,873
Total extraordinary losses	41,767	640,578
Profit before income taxes	1,507,251	1,013,287
Income taxes	603,312	848,983
Profit	903,938	164,304
Profit attributable to non-controlling interests or Loss attributable to non-controlling interests	-4,171	2,527
Profit attributable to owners of parent	908,110	161,777



## Consolidated Statement of Comprehensive Income (Six-month period ended July 31, 2022)

(Thousands of yen)

	Six months ended July 31, 2021	Six months ended July 31, 2022
Profit	903,938	164,304
Other comprehensive income		
Valuation difference on available-for-sale securities	6,147	9,474
Foreign currency translation adjustment	232,180	373,268
Share of other comprehensive income of entities accounted for using equity method	20,010	11,036
Total other comprehensive income	258,337	393,780
Comprehensive income	1,162,275	558,084
(Breakdown)		
Comprehensive income attributable to owners of parent	1,166,225	556,016
Comprehensive income attributable to non-controlling interests	-3,950	2,068

### (3) Consolidated Statement of Cash flows

(Thousands of yen)

	Six months ended July 31, 2021	Six months ended July 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,507,251	1,013,287
Depreciation	221,167	333,526
Impairment losses	—	627,873
Amortization of goodwill	153,075	248,665
Increase (decrease) in allowance for doubtful accounts	22,445	-60,417
Increase (decrease) in provision for bonuses	35,407	56,776
Increase (decrease) in retirement benefit liability	9,491	16,039
Interest and dividend income	-2,438	-2,644
Subsidy income	-46,264	-74,958
Share of loss (profit) of entities accounted for using equity method	30,748	30,992
Interest expenses	518	882
Foreign exchange losses (gains)	-23,779	-172,261
Loss on retirement of non-current assets	41,767	12,705
Decrease (increase) in trade receivables	99,383	—
Decrease (increase) in trade receivables and contract assets	—	-792,183
Decrease (increase) in accounts receivable-other	-24,815	52,771
Increase (decrease) in accounts payable - other	-71,622	390,295
Increase (decrease) in accrued expenses	133,405	-12,088
Increase (decrease) in accrued consumption taxes	-63,265	-22,366
Increase (decrease) in deposits received	-5,754	155,606
Other	-173,216	62,089
Subtotal	1,743,504	1,864,591
Interest and dividends received	3,862	5,130
Proceeds from subsidy income	46,264	74,958
Interest paid	-1,522	-4,985
Income taxes paid	-1,019,980	-959,521
Cash flows from operating activities	772,128	980,172
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-262,153	-340,243
Proceeds from sales of property, plant and equipment	2,312	—
Purchase of intangible assets	-43,853	-113,887
Purchase of investment securities	-50,849	-172,175
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-1,138,569	—
Payments for transfer of business	-477,539	-129,167
Loan advances	-1,723	-7,856
Collection of loans receivable	4,515	9,968
Payments of leasehold and guarantee deposits	-13,874	-202,579
Proceeds from refund of leasehold and guarantee deposits	60,885	71,706
Cash flows from investing activities	-1,920,850	-884,233
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	-4,540	—
Repayments of long-term borrowings	-3,828	-18,733
Dividends paid	-492,521	-528,576
Purchase of treasury shares	-88	-274,619
Cash flows from financing activities	-500,977	-821,929
Effect of exchange rate change on cash and cash equivalents	120,134	458,193
Net increase (decrease) in cash and cash equivalents	-1,529,565	-267,796
Cash and cash equivalents at beginning of period	11,158,548	9,735,217
Cash and cash equivalents at end of period	9,628,983	9,467,420

#### **(4) Notes to Consolidated Financial Statements**

##### **(Notes on Going Concern Assumption)**

Not applicable

##### **(Notes on Significant Changes in Shareholders' Equity)**

Not applicable

##### **(Changes in accounting policies)**

###### **(Application of Accounting Standards for Revenue Recognition)**

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") was applied from the beginning of the current fiscal year, and revenue is now recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

As a result, for some of the contracts with performance obligations to be fulfilled over a certain period of time, we previously recognized revenue at the time of completion of the work, but has changed to a method of estimating the degree of progress toward fulfillment of performance obligations and recognizing revenue over a certain period of time based on such progress, except for contracts with very short durations. We now recognize revenue over a certain period of time based on the estimated degree of completion.

The Company has followed the transitional policy prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the beginning balance of this current fiscal year. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous policy prior to the beginning of the first quarter of the fiscal year, in accordance with the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 and Note (1) of the Accounting Standard for Revenue Recognition to account for contract changes made prior to the beginning of the first quarter of the fiscal year based on the contract terms after reflecting all contract changes, and the cumulative effect of such changes was added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year.

Please note that the effect of this change on profit and loss for the second quarter of the current fiscal year was not material. The balance of retained earnings at the beginning of the period increased ¥43,594 thousand.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable - trade," which were included under "Current assets" in the consolidated balance sheet in the previous consolidated fiscal year, are included in "Notes, accounts receivable – trade, and contract assets" from the the consolidated first quarter. In accordance with the transitional policy prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous consolidated fiscal year using the new presentation.

###### **(Application of Accounting Standard for Fair Value Measurement)**

In accordance with the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement"), the Company has applied the new standard. The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019) and the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) are applied from the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional policy prescribed in Paragraph 44-2, the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement will be applied prospectively.

There is no impact on the Consolidated Financial Statements.

**(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, 2021 (from February 1, 2021 to July 31, 2021)

As stated in “2. Six months ended July 31, 2022 (from February 1, 2022 to July 31, 2022) (Changes in reporting segments)”.

2. Six months ended July 31, 2022 (from February 1, 2022 to July 31, 2022)

This information is omitted as the Group has a single segment, “Service Life Cycle Solutions Business”.

**(Changes in reporting segments)**

Effective from the first quarter of the current consolidated fiscal year, the Company has changed its reporting segment from two segments, "Testing/Verification & Evaluation Business" and "Internet Supporting Business" to a single segment, "Service Life Cycle Solutions Business”.

This is because the barriers between the game industry, which is the main market of the "Testing/Verification & Evaluation Business" and the internet industry, which is the main market of the "Internet Supporting Business" have become lower. In addition, the Company has been promoting the expansion of the Group's service areas through M&A and organizational changes aimed at improving business synergies and management efficiency within the Group, including the February 2022 merger of Pole To Win Co., Ltd., PITCREW CO., LTD. and QaaS Co., Ltd. The Company has decided to disclose the Group's entire business as the "Service Life Cycle Solutions Business" to more appropriately reflect the Group's business and decision-making process.

As a result of this change, the Group will have a single segment, "Service Life Cycle Solutions Business" and therefore segment information for the second quarter of the previous fiscal year (Six months ended July 31, 2021) and the second quarter of the current fiscal year (Six months ended July 31, 2022) has been omitted.