



June 9, 2023

Consolidated Financial Results For the Three Months Ended April 30, 2023 (Japanese Accounting Standards)

Name of Listed Company: Pole To Win Holdings, Inc.
 Listings: Tokyo Stock Exchange, Prime Market
 Stock code: 3657
 URL: <https://www.phd.inc>
 Representatives: Teppei Tachibana, President & CEO
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 Scheduled date to file Quarterly Securities Report: June 12 2023
 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 Three Months Ended April 30, 2023 (from February 1, 2023 to April 30, 2023)

(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	%
Three months ended April 30, 2023	10,948	13.9	294	-58.0	330	-61.5	95	-74.9
April 30, 2022	9,610	19.9	702	-15.4	857	0.0	381	-28.1

(Note) Comprehensive income:

Three months ended April 30, 2023: 210 million yen (-53.2%)

Three months ended April 30, 2022: 450 million yen (-44.7%)

	Net profit per share	Diluted net income per share
Three months ended April 30, 2023	Yen 2.57	—
April 30, 2022	10.12	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of April 30, 2023	Millions of yen 27,397	Millions of yen 17,027	62.1 %
January 31, 2023	27,459	17,693	64.4

(Reference) Equity

As of April 30, 2023: 17,019 million yen

As of January 31, 2023: 17,683 million yen

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended January 31, 2023	— Yen	00 Yen	— Yen	15.00 Yen	15.00 Yen
Fiscal year ending January 31, 2024	—				
Fiscal year ending January 31, 2024 (Forecasts)		00	—	16.00	16.00

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

3. Consolidated financial forecasts for the fiscal year ending January 31, 2024 (from February 1, 2023 to January 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2023	24,067	22.4	1,338	-0.9	1,340	-18.9	882	445.7	23.84
Fiscal year ending January 31, 2024	50,136	25.6	3,174	16.5	3,177	18.2	1,952	145.6	52.72

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended April 30, 2023 : No
(Changes in specified subsidiaries resulting in a change in the scope of consolidation)

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

(Note) For details, please refer to "2. Consolidated Financial Statements (3) Notes to Consolidated Financial Statements (Use of particular accounting treatments in preparation of quarterly consolidated financial statements)" on page 8 of the attached materials.

(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 (3) Notes to Consolidated Financial Statements (Changes in accounting policies)" on page 8 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 April 30, 2023: 38,156,000 shares

As of January 31, 2023: 38,156,000 shares

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

As of April 30, 2023: 1,191,030 shares

As of January 31, 2023: 829,830 shares

c. Average number of shares (Cumulative)

For the three months ended April 30, 2023: 37,188,588 shares

For the three months ended April 30, 2022: 37,699,233 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.

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1. Qualitative Information on Financial Results

(1) Analysis of Operating Results

During the consolidated statement of comprehensive income (three-month period ended April 30, 2023), the Japanese economy is expected to pick up, partly due to the effects of various policies as the transition to a new phase of living with COVID-19, however, there is a risk that a downturn in overseas economies will put downward pressure on the Japanese economy as global monetary tightening and other factors continue. It is required to pay close attention to the effects of rising prices, supply-side constraints, and fluctuations in financial and capital markets.

Under these economic conditions, the Group is globally promoting Service Life Cycle Solutions Business that provides quality consulting, game testing/verification & evaluation, software third party verification, environment construction and transition support, moderation, 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 first quarter of the current consolidated cumulative period, Pole To Win, Inc. opened Akihabara Center in March by consolidating six centers in Tokyo in order to improve its ability to respond to client needs and to improve the working environment for its employees. MIRAI Service Design Co., Ltd. and Ninjastars Inc. also moved into the same Akihabara Center. CREST Inc., SANETTY Produce Co., Ltd., and QBIST Inc. merged in February with CREST Inc. as the surviving company and changed the company name to HIKE Inc. in order to improve synergy in Media Contents operations and consolidate management resources. Each subsidiary is actively hiring and training personnel, and establishing and expanding new business bases.

As a result, the net sales for the first quarter of the current fiscal year were ¥10,948,950 thousand (increased 13.9% year-on-year), operating profit was ¥294,833 thousand (decreased 58.0% year-on-year), ordinary profit was ¥330,095 thousand (decreased 61.5% year-on-year), and profit attributable to owners of the parent was ¥95,678 thousand (decreased 74.9% year-on-year).

Operating results by service category are as follows.

Domestic Solutions

In this service category, the domestic subsidiaries provide services for game market, including testing, customer support, localization, and overseas expansion support. For the Technology market, the Group provides services related to software third-party verification, environment construction, server monitoring, data center operation, and kitting. For the e-commerce market, the Group provides moderation and customer support services. In services for the e-commerce market, business mainly related to QR code payment expanded, but in services for the game market, there was a decrease in received orders due to the impact of client development schedules. As a result, the net sales of Domestic Solutions totaled ¥6,316,985 thousand (decreased 1.2% year-on-year).

Overseas Solutions

In this service category, the overseas subsidiaries provide services related to testing, localization, voice recording, customer support, product development support, and art production. Mainly due to the impact of the yen's depreciation along with the expansion of localization, the net sales of Overseas Solutions amounted to ¥3,045,710 thousand (increased 18.3% year-on-year).

Media Contents

In this service category, mainly through the domestic subsidiaries, the Group provides services related to animation production, game publishing, art production, marketing support, and barrier-free subtitling and voice guidance production, with "360-Degree development of Intellectual Property" as our main focus. HIKE Inc. is promoting orders for animation production, opening studios to expand production capacity, and investing in the hiring and training of human resources. In game development, the Group also engaged in joint development with other companies and received dividend income from the production committees in which the Group invested. From the first quarter of the current fiscal year, the results of AQUAPLUS Co., Ltd were consolidated, and the sales of the application game "Utawarerumono:Lost Flag" and other games contributed to the results. As a result, the net sales of Media Contents totaled ¥1,586,254 thousand (increased 148.2% year-on-year).

(2) Analysis of Financial Position

Assets

Current assets decreased by ¥716,907 thousand or 3.5% from the previous fiscal year-end, to ¥19,527,432 thousand. This was mainly due to decreases of ¥1,303,920 thousand in cash and deposits, and ¥255,432 thousand in notes and accounts receivable - trade and contract assets despite an increase of ¥752,310 thousand in other (prepaid expenses).

Non-current assets increased by ¥655,177 thousand or 9.1% from the previous fiscal year-end, to ¥7,870,553 thousand. This was mainly due to increases of ¥111,068 thousand in buildings and structures, ¥193,819 thousand in tools, furniture and fixtures, ¥149,959 thousand in investment securities, and ¥296,199 thousand in leasehold and guarantee deposits.

As a result, the total assets decreased by ¥61,730 thousand or 0.2% from the previous fiscal year-end, to ¥27,397,986 thousand.

Liabilities

Current liabilities increased by ¥643,214 thousand or 7.4% from the previous fiscal year-end, to ¥9,307,390 thousand. This was mainly due to an increase of ¥562,787 thousand in others (deposits received, etc.), despite a decrease of ¥117,808 thousand in current portion of long-term borrowings.

Non-current liabilities decreased by ¥39,341 thousand or 3.6% from the previous fiscal year-end, to ¥1,063,048 thousand. This was mainly due to a decrease of ¥20,996 thousand in deferred tax liabilities.

As a result, the total liabilities increased by ¥603,872 thousand or 6.2% from the end of the previous fiscal year-end, to ¥10,370,439 thousand.

Net assets

Total net assets decreased by ¥665,603 thousand or 3.8% from the previous fiscal year-end, to ¥17,027,546 thousand. This was mainly due to an increase of ¥316,577 thousand in treasury shares, as well as a decrease of ¥464,213 thousand in retained earnings from recording net profit attributable to owners of parent and dividend payments.

(3) Qualitative Information on Consolidated Earnings Forecasts

Although some operations fell short of the targets during the first quarter of the current consolidated fiscal year, we expect performance to be generally in line with the targets from the second quarter onward, and have therefore retained the consolidated earnings forecasts that were disclosed on March 14, 2023.

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, 2023	As of April 30, 2023
Assets		
Current assets		
Cash and deposits	11,192,774	9,888,853
Notes and accounts receivable - trade, and contract assets	6,349,366	6,093,933
Merchandise and finished goods	6,512	5,877
Work in process	491,287	582,083
Other	2,217,903	2,970,213
Allowance for doubtful accounts	-13,503	-13,528
Total current assets	20,244,340	19,527,432
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,582,031	1,672,502
Accumulated depreciation	-751,146	-730,549
Buildings and structures, net	830,884	941,953
Machinery, equipment and vehicles	46,395	42,535
Accumulated depreciation	-26,378	-25,171
Machinery, equipment and vehicles, net	20,017	17,363
Tools, furniture and fixtures	2,538,126	2,753,530
Accumulated depreciation	-1,934,342	-1,955,926
Tools, furniture and fixtures, net	603,784	797,603
Other	92,830	58,934
Total property, plant and equipment	1,547,517	1,815,856
Intangible assets		
Goodwill	1,462,357	1,377,130
Software	572,552	612,668
Intangible assets	833,000	808,500
Other	3,997	3,997
Total intangible assets	2,871,908	2,802,297
Investments and other assets		
Investment securities	1,053,327	1,203,287
Leasehold and guarantee deposits	1,025,012	1,321,211
Deferred tax assets	418,638	420,346
Other	373,689	384,951
Allowance for doubtful accounts	-74,717	-77,395
Total investments and other assets	2,795,950	3,252,400
Total non-current assets	7,215,376	7,870,553
Total assets	27,459,716	27,397,986

(Thousands of yen)

	As of January 31, 2023	As of April 30, 2023
Liabilities		
Current liabilities		
Short-term borrowings	3,005,970	3,005,970
Current portion of long-term borrowings	390,688	272,880
Accounts payable - other	3,241,322	3,317,816
Accrued expenses	508,693	583,129
Income taxes payable	408,218	412,423
Provision for bonuses	31,019	74,119
Other	1,078,264	1,641,052
Total current liabilities	8,664,176	9,307,390
Non-current liabilities		
Long-term borrowings	475,453	471,873
Retirement benefit liability	136,291	129,809
Deferred tax liabilities	329,159	308,162
Other	161,486	153,203
Total non-current liabilities	1,102,390	1,063,048
Total liabilities	9,766,566	10,370,439
Net assets		
Shareholders' equity		
Share capital	1,239,064	1,239,064
Capital surplus	2,380,082	2,380,082
Retained earnings	14,409,137	13,944,923
Treasury shares	-703,249	-1,019,826
Total shareholders' equity	17,325,035	16,544,244
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,777	182
Foreign currency translation adjustment	354,866	474,977
Total accumulated other comprehensive income	358,643	475,160
Non-controlling interests	9,470	8,141
Total net assets	17,693,150	17,027,546
Total liabilities and net assets	27,459,716	27,397,986

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income (Three-month period ended April 30, 2023)

(Thousands of yen)

	Three months ended April 30, 2022	Three months ended April 30, 2023
Net sales	9,610,998	10,948,950
Cost of sales	6,924,412	8,201,242
Gross profit	2,686,586	2,747,708
Selling, general and administrative expenses	1,984,411	2,452,874
Operating profit	702,175	294,833
Non-operating income		
Foreign exchange gains	106,193	—
Subsidy income	60,667	38,537
Other	6,632	5,074
Total non-operating income	173,493	43,611
Non-operating expenses		
Interest expenses	510	2,977
Foreign exchange losses	—	3,960
Share of loss of entities accounted for using equity method	11,542	—
Other	5,766	1,411
Total non-operating expenses	17,818	8,349
Ordinary profit	857,849	330,095
Extraordinary losses		
Loss on retirement of non-current assets	3,923	1,805
Total extraordinary losses	3,923	1,805
Profit before income taxes	853,926	328,290
Income taxes	470,779	233,940
Profit	383,147	94,349
Profit attributable to non-controlling interests or Loss attributable to non-controlling interests	1,628	-1,329
Profit attributable to owners of parent	381,518	95,678

Consolidated Statement of Comprehensive Income
(Three-month period ended April 30, 2023)

(Thousands of yen)

	Three months ended April 30, 2022	Three months ended April 30, 2023
Profit	383,147	94,349
Other comprehensive income		
Valuation difference on available-for-sale securities	1,533	-3,594
Foreign currency translation adjustment	59,922	120,111
Share of other comprehensive income of entities accounted for using equity method	5,955	—
Total other comprehensive income	67,411	116,516
Comprehensive income	450,558	210,866
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	449,162	212,195
Comprehensive income attributable to non-controlling interests	1,396	-1,329

(3) 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 first quarter under review, multiplying quarterly income before income taxes and minority interests by the relevant estimated effective tax rate.

(Changes in accounting policies)**(Application of Accounting Standard for Fair Value Measurement)**

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as the "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the current consolidated fiscal year. The new accounting policy prescribed in the "Accounting Standard for Fair Value Measurement" will be applied prospectively in accordance with the transitional policy prescribed in the paragraph 27-2 of the "Accounting Standard for Fair Value Measurement".

There is no impact on the Quarterly Consolidated Financial Statements.

(Segment Information)**[Segment Information]**

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