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July 12, 2023

Consolidated Financial Results for FY2023 Q3 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4397
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 Scheduled date to file quarterly securities report: July 13, 2023
 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, 2023 (from September 1, 2022 to May 31, 2023)

(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, 2023	2,813	17.1	-75	-	-80	-	-91	-
May 31, 2022	2,403	11.6	-32	-	-38	-	-60	-

Note: Comprehensive income For the nine months ended May 31, 2023: ¥-88 million [-%]
 For the nine months ended May 31, 2022: ¥-52 million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
May 31, 2023	-5.58	-
May 31, 2022	-3.71	-

Note: Diluted earnings per share is not stated because, although potential shares exist, basic loss per share was recorded.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
May 31, 2023	3,524	1,486	42.2
August 31, 2022	3,364	1,534	45.6

Reference: Equity
 As of May 31, 2023: ¥1,486 million
 As of August 31, 2022: ¥1,534 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, 2022	-	0.00	-	0.00	0.00
Fiscal year ending August 31, 2023	-	0.00	-		
Fiscal year ending August 31, 2023 (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, 2023 (from September 1, 2022 to August 31, 2023)

(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, 2023	3,750	15.0	-250	-	-250	-	-200	-	-12.23
	to 3,800	to 16.5	to -200	-	to -200	-	to -170	-	to -10.40

Note: 1. Revisions to the earnings forecasts most recently announced: Yes

2. Consolidated earnings forecasts for the fiscal year ending August 31, 2023 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: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: Yes
 - (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, 2023	16,408,100 shares
As of August 31, 2022	16,284,600 shares

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

As of May 31, 2023	4,615 shares
As of August 31, 2022	1,915 shares

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

Nine months ended May 31, 2023	16,335,229 shares
Nine months ended May 31, 2022	16,268,341 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, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	2,409,211	2,425,152
Accounts receivable - trade and contract assets	17,872	27,096
Advance payments to suppliers	285,507	296,541
Other	107,932	154,050
Allowance for doubtful accounts	-192	-260
Total current assets	2,820,332	2,902,580
Non-current assets		
Property, plant and equipment	50,860	26,071
Intangible assets	85	40
Investments and other assets		
Deferred tax assets	318,266	432,056
Other	175,154	163,252
Total investments and other assets	493,421	595,309
Total non-current assets	544,366	621,420
Total assets	3,364,699	3,524,001
Liabilities		
Current liabilities		
Accounts payable - trade	6,498	6,458
Income taxes payable	15,545	40,291
Deferred revenue	1,418,332	1,591,386
Provision for bonuses	22,247	13,588
Other	367,368	385,842
Total current liabilities	1,829,992	2,037,567
Total liabilities	1,829,992	2,037,567
Net assets		
Shareholders' equity		
Share capital	813,375	833,320
Capital surplus	803,375	823,320
Retained earnings	-91,922	-183,061
Treasury shares	-509	-509
Total shareholders' equity	1,524,319	1,473,071
Accumulated other comprehensive income		
Foreign currency translation adjustment	10,387	13,362
Total accumulated other comprehensive income	10,387	13,362
Total net assets	1,534,706	1,486,433
Total liabilities and net assets	3,364,699	3,524,001

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended May 31, 2022	Nine months ended May 31, 2023
Net sales	2,403,281	2,813,559
Cost of sales	1,555,620	1,779,823
Gross profit	847,660	1,033,736
Selling, general and administrative expenses	879,842	1,109,569
Operating loss	-32,181	-75,832
Non-operating income		
Subsidy income	202	301
Other	76	196
Total non-operating income	278	497
Non-operating expenses		
Foreign exchange losses	5,275	4,149
Share issuance costs	853	790
Other	193	61
Total non-operating expenses	6,322	5,001
Ordinary loss	-38,224	-80,336
Extraordinary losses		
Loss on valuation of investment securities	-	50,000
Head office relocation expenses	-	19,252
Total extraordinary losses	-	69,252
Loss before income taxes	-38,224	-149,589
Income taxes - current	73,599	55,349
Income taxes - deferred	-51,484	-113,790
Total income taxes	22,114	-58,441
Loss	-60,339	-91,148
Loss attributable to owners of parent	-60,339	-91,148

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended May 31, 2022	Nine months ended May 31, 2023
Loss	-60,339	-91,148
Other comprehensive income		
Foreign currency translation adjustment	8,179	2,975
Total other comprehensive income	8,179	2,975
Comprehensive income	-52,159	-88,173
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-52,159	-88,173

(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 ¥19,945 thousand respectively due to the issuance of new stocks as restricted stock compensation. As a result, share capital and capital surplus amounted to ¥833,320 thousand and ¥823,320 thousand, respectively as of the end of the consolidated nine months.

(Notes on changes in accounting estimates)

Accompanied by the decision of moving head office in the third quarter of the current fiscal year, depreciable life for fixed assets which are not expected to be utilized after moving was abbreviated by the previous day of the new office go-live planned on September 1, 2023 and applied for the future. Furthermore, asset retirement obligations for restoration costs based on real-estate rental contract were revised to complete expensing asset retirement obligations by the previous day of the new office go-live.

Operating loss, Ordinary loss, and loss before income taxes increased by ¥27,832 thousand respectively for the first nine months of the current fiscal year compared to previous method because of this change in accounting estimates.