



# Consolidated Financial Results For the Six Months Ended July 31 2023 (Japanese Accounting Standards)

September 14, 2023

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  
 Contact Person: Joji Yamauchi, Director & CFO Tel: +81-3-5909-7911  
 Scheduled date to file Quarterly Securities Report: September 14 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 six months ended July 31, 2023 (from February 1, 2023 to July 31, 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	%
Six months ended July 31, 2023	22,340	13.6	491	-63.6	422	-74.5	-354	-
July 31, 2022	19,661	27.0	1,351	-10.7	1,653	6.8	161	-82.2

(Note) Comprehensive income:

Six months ended July 31, 2023: ¥170 million (-69.4%)

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

	Net profit per share	Diluted net profit per share
	Yen	Yen
Six months ended July 31, 2023	-9.64	-
July 31, 2022	4.30	-

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of July 31, 2023	26,471	15,456	58.4
January 31, 2023	27,459	17,693	64.4

(Reference) Equity

As of July 31, 2023: ¥15,447 million

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

## 2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended January 31, 2023	—	0.00	—	15.00	15.00
Fiscal year ending January 31, 2024	—	0.00	—	16.00	16.00
Fiscal year ending January 31, 2024 (Forecasts)	—	—	—	16.00	16.00

(Notes) Change from the latest pressed financial 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
Fiscal year ending January 31, 2024	47,113	18.0	1,744	-36.0	1,776	-33.9	440	-44.7	12.20

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

**\*Notes:**

(1) Changes in significant subsidiaries during the six months ended July 31, 2023  
(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

(Note) For details, please refer to "2. Consolidated Financial Statements (4) Notes to Quarterly Consolidated Financial Statements (Use of particular accounting treatments in preparation of quarterly consolidated financial statements)" on page 9 of the attached document.

(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, 2023	38,156,000 shares	As of January 31, 2023	38,156,000 shares
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b. Number of shares of treasury stock at the end of the period

As of July 31, 2023	2,795,730 shares	As of January 31, 2023	829,830 shares
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c. Average number of shares (Cumulative)

For the six months ended July 31, 2023	36,770,968 shares	For the six months ended July 31, 2022	37,611,183 shares
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\* 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 "1. Qualitative Information on Financial Results (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 plans to promptly post the explanation (video) and explanatory materials regarding the financial results on the Company's website.

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

### (1) Analysis of Operating Results

During the second quarter of the consolidated fiscal year under review, the Japanese economy is expected to continue its mild recovery under the improving employment and income environment, partly due to the effects of various policies. However, amid continued global monetary tightening and other factors, there is a risk that a downturn in overseas economies will put downward pressure on the Japanese economy. It is required to pay close attention to the effects of rising prices, and fluctuations in financial and capital markets.

Under these economic conditions, the Group is promoting 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. globally, that occurs in the process (Service Life Cycle) of our clients' lifecycle of planning, development, release, operation, and improvement. In the second quarter of the current consolidated cumulative period, Pole To Win, Inc. opened the Akihabara Center in March by consolidating six centers in Tokyo in order to improve its ability to respond to client and to improve the working environment for its employees. MIRAI Service Design co.ltd. and Ninjastars Inc. moved into the same Akihabara Center. In May, ADOOR Inc. was established as a subsidiary to provide metaverse-related services. In July, PTW Japan Co., Ltd. merged with Delphi Sound Inc. in order to improve its ability to serve customers and to consolidate and streamline management resources. 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, net sales for the second quarter of the current fiscal year were ¥22,340,757 thousand (increased 13.6% year-on-year), operating profit was ¥491,934 thousand (decreased 63.6%), ordinary profit was ¥422,425 thousand (decreased 74.5%), and profit attributable to owners of parent was -¥354,615 thousand (¥161,777 thousand of profit in the same period of the previous fiscal year).

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. In services for the e-commerce market, work mainly related to data annotation (tagging) and QR code payment expanded, while in services for the game market, there was a decrease in orders due to the impact of client development schedules. In addition, the Company is promoting the conversion of staff to permanent employees to improve the retention rate, advance hiring of Tech field personnel in preparation for order expansion, center integration and maintenance, and IT system renewal. As a result, sales of Domestic Solutions totaled ¥12,739,708 thousand (increased 0.7% year-on-year).

#### **Overseas Solutions**

In this service category, overseas subsidiaries provide services related to testing, localization, voice recording, customer support, product development support, and art production. Sales increased mainly due to the yen's depreciation, although sales of voice recording for some clients decreased. We are also promoting the establishment of local subsidiaries to recruit executive, sales, and development personnel for business expansion and to secure staff in various regions. As a result, sales of Overseas Solutions totaled ¥6,350,047 thousand (increased 11.3% year-on-year).

## Media Contents

In this service category, mainly through the domestic subsidiaries, the Company 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. 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. In game development, we also engaged in joint development with other companies and received dividend income from the production committees in which we invested. In addition, HIKE Inc. is promoting orders for animation production, opening studios to expand production capacity, and investing in the hiring and training of human resources. As a result, the net sales of Media Contents totaled ¥3,251,001 thousand (increased 148.7% year-on-year).

## (2) Analysis of Financial Position

### Total Assets

Current assets decreased ¥1,552,232 thousand or 7.7% from the previous fiscal year-end, to ¥18,692,107 thousand. This was mainly due to a decrease of ¥2,644,980 thousand in cash and deposits, despite increases of ¥507,136 thousand in notes, accounts receivable – trade, and contract assets, ¥297,995 thousand in work in process and ¥280,847 thousand in other (prepaid expenses, etc.).

Non-current assets increased ¥564,428 thousand or 7.8% from the previous fiscal year-end, to ¥7,779,805 thousand. This was mainly due to increases of ¥145,888 thousand in buildings and structures; ¥211,655 thousand in tools, furniture and fixtures; ¥395,250 thousand in software; ¥107,763 thousand in investment securities; ¥199,716 thousand in leasehold and guarantee deposits; and ¥168,716 thousand in other (long-term accounts receivable, etc.), despite a decrease of ¥484,564 thousand in goodwill and an increase of ¥193,862 thousand in allowance for doubtful accounts.

As a result, total assets decreased ¥987,804 thousand or 3.6% from the previous fiscal year-end, to ¥26,471,912 thousand.

### Liabilities

Current liabilities increased ¥1,279,278 thousand or 14.8% from the previous fiscal year-end, to ¥9,943,454 thousand. This was mainly due to increases of ¥1,000,000 thousand in short-term borrowings, ¥239,032 thousand in income taxes payable, ¥118,987 thousand in accrued expenses, and ¥217,348 thousand in other (advances received, etc.), despite decreases of ¥206,238 thousand in current portion of long-term borrowing and ¥110,261 thousand in accounts payable-other.

Non-current liabilities decreased ¥30,207 thousand or 2.7% from the previous fiscal year-end, to ¥1,072,183 thousand. This was mainly due to a decrease of ¥29,574 thousand in deferred tax liabilities.

As a result, total liabilities increased ¥1,249,071 thousand or 12.8% from the previous fiscal year-end, to ¥11,015,637 thousand.

### Net assets

Total net assets decreased ¥2,236,875 thousand or 12.6% from the previous fiscal year-end, to ¥15,456,274 thousand. This was mainly due to a decrease in retained earnings of ¥914,508 thousand due to the net loss attributable to owners of the parent and payment of dividend, and an increase in treasury share of ¥1,849,010 thousand, despite an increase in foreign currency translation adjustments of ¥541,400 thousand.

## (3) Qualitative Information on Consolidated Earnings Forecasts

During the consolidated cumulative second quarter, sales and profits fell short of the plan, mainly due to a decrease in orders from some clients in overseas solutions, as well as rising prices and higher personnel costs. In addition, as released today (September 14, 2023) in the "Recording extraordinary losses and the difference between the Consolidated Earnings Forecasts for The Second Quarter (Comprehensive) and actual values", the full-year consolidated earnings forecast has also been revised as described in the "Notification Concerning the Revision of the Forecast" accordingly.

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, 2023	As of July 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	11,192,774	8,547,793
Notes, accounts receivable – trade, and contract assets	6,349,366	6,856,503
Merchandise and finished goods	6,512	21,282
Work in process	491,287	789,282
Other	2,217,903	2,498,750
Allowance for doubtful accounts	-13,503	-21,504
Total current assets	20,244,340	18,692,107
Non-current assets		
Tangible assets		
Buildings and structures	1,582,031	1,756,820
Accumulated depreciation	-751,146	-780,047
Buildings and structures, net	830,884	976,773
Machinery, equipment and vehicles	46,395	44,138
Accumulated depreciation	-26,378	-26,622
Machinery, equipment and vehicles, net	20,017	17,515
Tools, furniture and fixtures	2,538,126	3,021,844
Accumulated depreciation	-1,934,342	-2,206,404
Tools, furniture and fixtures, net	603,784	815,440
Other	92,830	118,829
Total tangible assets	1,547,517	1,928,557
Intangible assets		
Goodwill	1,462,357	977,792
Software	572,552	967,803
Intangible assets	833,000	784,000
Other	3,997	3,997
Total intangible assets	2,871,908	2,733,594
Investments and other assets		
Investment securities	1,053,327	1,161,090
Leasehold and guarantee deposits	1,025,012	1,224,178
Deferred tax assets	418,638	458,557
Other	373,689	542,405
Allowance for doubtful accounts	-74,717	-268,579
Total investments and other assets	2,795,950	3,117,652
Total non-current assets	7,215,376	7,779,805
<b>Total assets</b>	<b>27,459,716</b>	<b>26,471,912</b>

(Thousands of yen)

	As of January 31, 2023	As of July 31, 2023
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	3,005,970	4,005,970
Current portion of long-term borrowings	390,688	184,450
Accounts payable - other	3,241,322	3,131,060
Accrued expenses	508,693	627,680
Income taxes payable	408,218	647,251
Provision for bonuses	31,019	51,428
Other	1,078,264	1,295,613
Total current liabilities	8,664,176	9,943,454
Non-current liabilities		
Long-term borrowings	475,453	457,665
Retirement benefit liability	136,291	142,092
Deferred tax liabilities	329,159	299,584
Other	161,486	172,840
Total non-current liabilities	1,102,390	1,072,183
Total liabilities	9,766,566	11,015,637
Net assets		
Shareholders' equity		
Capital	1,239,064	1,239,064
Capital surplus	2,380,082	2,381,156
Retained earnings	14,409,137	13,494,629
Treasury shares	-703,249	-2,552,259
Total shareholders' equity	17,325,035	14,562,589
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,777	-11,310
Foreign currency translation adjustment	354,866	896,267
Total accumulated other comprehensive income	358,643	884,957
Non-controlling interests	9,470	8,727
Total net assets	17,693,150	15,456,274
Total liabilities and net assets	27,459,716	26,471,912

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income (Six-month period ended July 31, 2023)**

(Thousands of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
Net sales	19,661,367	22,340,757
Cost of sales	14,265,970	16,833,875
Gross profit	5,395,396	5,506,882
Selling, general and administrative expenses	4,044,357	5,014,947
Operating profit	1,351,038	491,934
Non-operating income		
Foreign exchange gains	254,768	77,129
Subsidy income	74,958	42,144
Other	17,506	18,957
Total non-operating income	347,234	138,230
Non-operating expenses		
Interest expenses	882	6,229
Loss on investment securities	1,129	5,166
Share of loss of entities accounted for using equity method	30,992	-
Provision of allowance for doubtful accounts	-	188,390
Acquisition of treasury stock	3,663	4,955
Other	7,739	2,998
Total non-operating expenses	44,406	207,740
Ordinary profit	1,653,866	422,425
Extraordinary profit		
Gain on sales of investment securities	-	27,429
Total extraordinary profit	-	27,429
Extraordinary losses		
Loss on retirement of non-current assets	12,705	2,713
Impairment loss	627,873	316,677
Total extraordinary losses	640,578	319,391
Profit before income taxes	1,013,287	130,463
Income taxes	848,983	485,822
Quarterly net profit or loss	164,304	-355,359
Profit attributable to non-controlling interests or Loss attributable to non-controlling interests	2,527	-743
Profit attributable to owners of parent or Loss attributable to owners of parent	161,777	-354,615



**Consolidated Statement of Comprehensive Income (Six-month period ended July 31, 2023)**

(Thousands of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
Profit	164,304	-355,359
Other comprehensive income		
Valuation difference on available-for-sale securities	9,474	-15,087
Foreign currency translation adjustment	373,268	541,400
Share of other comprehensive income of entities accounted for using equity method	11,036	-
Total other comprehensive income	393,780	526,313
Comprehensive income	558,084	170,954
(Breakdown)		
Comprehensive income attributable to owners of parent	556,015	171,697
Comprehensive income attributable to non-controlling interests	2,068	-743

**(3) Consolidated Statement of Cash flows**

(Thousands of yen)

	Six months ended July 31, 2022	Six months ended July 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,013,287	130,463
Depreciation	333,526	374,245
Impairment losses	627,873	316,677
Amortization of goodwill	248,665	167,886
Increase (decrease) in allowance for doubtful accounts	-60,417	201,863
Increase (decrease) in provision for bonuses	56,776	20,312
Increase (decrease) in retirement benefit liability	16,039	5,800
Interest and dividend income	-2,644	-2,065
Subsidy income	-74,958	-42,144
Share of loss (profit) of entities accounted for using equity method	30,992	-
Interest expenses	882	6,229
Foreign exchange losses (profit)	-172,261	-71,441
Loss on retirement of non-current assets	12,705	2,713
Loss (profit) on sales of investment securities	-	-27,429
Decrease (increase) in trade receivables and contract assets	-792,183	3,404
Decrease (increase) in accounts receivable-other	52,771	-162,543
Increase (decrease) in accounts payable - other	390,295	-456,830
Increase (decrease) in accrued expenses	-12,088	89,318
Increase (decrease) in accrued consumption taxes	-22,366	-108,934
Increase (decrease) in deposits received	155,606	16,008
Other	62,089	-109,823
Subtotal	1,864,591	353,711
Interest and dividends received	5,130	13,042
Proceeds from subsidy income	74,958	42,144
Interest paid	-4,985	-12,303
Income taxes paid	-959,521	-218,839
Cash flows from operating activities	980,172	177,754
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-340,243	-713,894
Purchase of intangible assets	-113,887	-384,707
Purchase of investment securities	-172,175	-154,674
Proceeds from sale of investment securities	-	63,299
Payments for transfer of business	-129,167	-
Loan advances	-7,856	-13,058
Collection of loans receivable	9,968	2,504
Payments of leasehold and guarantee deposits	-202,579	-299,425
Proceeds from refund of leasehold and guarantee deposits	71,706	132,779
Cash flows from investing activities	-884,233	-1,367,174
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	-	1,000,000
Repayments of long-term borrowings	-18,733	-224,026
Dividends paid	-528,576	-559,892
Purchase of treasury shares	-274,619	-1,863,617
Cash flows from financing activities	-821,929	-1,647,535
Effect of exchange rate changes on cash and cash equivalents	458,193	191,975
Net increase (decrease) in cash and cash equivalents	-267,796	-2,644,980
Cash and cash equivalents at beginning of year	9,735,217	11,192,774
Cash and cash equivalents at end of period	9,467,420	8,547,793

**(4) Notes to Consolidated Financial Statements****(Notes on Going Concern Assumption)**

Not applicable

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

The Company acquired 1,981,900 shares of treasury shares in accordance with a resolution of the Board of Directors meeting held on December 9, 2022 and June 9, 2023. In addition, the Company disposed of 16,000 shares of treasury shares as restricted stock unit in accordance with a resolution of the Board of Directors meeting held on May 23, 2023. As a result, treasury stock increased 1,849,010 thousand yen during the first half of the current consolidated fiscal year, resulting in treasury stock of 2,552,259 thousand yen at the end of the second quarter of the current consolidated fiscal year.

**(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.

**(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 Consolidated Financial Statements.

**(Segment Information)**

[Segment information]

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