



June 5, 2020

## Consolidated Financial Results For the Three Months Ended April 30, 2020

(Japanese Accounting Standards)

Name of the Listed Company: **Poletowin Pitcrew Holdings, Inc.**  
 Listing: First Section of Tokyo Stock Exchange  
 Stock code: 3657  
 URL: <https://www.poletowin-pitcrew-holdings.co.jp>  
 Representative: Teppei Tachibana, President & CEO  
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Scheduled date to file Quarterly Securities Report: June 11, 2020

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, 2020 (from February 1, 2020 to April 30, 2020)

#### (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, 2020	6,332	4.6	606	(20.1)	651	(6.9)	383	(7.4)
April 30, 2019	6,053	10.1	758	39.3	700	33.6	414	91.1

(Note) Comprehensive income

Three months ended April 30, 2020: ¥100 million / (79.1) %

Three months ended April 30, 2019: ¥482 million / 273.8 %

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
April 30, 2020	10.13	10.13
April 30, 2019	10.95	10.94

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
April 30, 2020	18,658	13,967	74.4
January 31, 2020	17,763	14,320	80.1

(Reference) Equity

As of April 30, 2020 : ¥13,890 million

As of January 31, 2020 : ¥14,230 million

## 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, 2020	–	0.00	–	12.00	12.00
Fiscal year ending January 31, 2021	–				
Fiscal year ending January 31, 2021 (Forecasts)		0.00	–	13.00	13.00

(Notes) Change in dividend forecasts for the fiscal year ending January 31, 2021 during the three months ended April 30, 2020: No

## 3. Consolidated financial forecasts for the fiscal year ending January 31, 2021

(from February 1, 2020 to January 31, 2021)

(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
Six months ending July 31, 2020	13,768	11.0	1,554	(3.6)	1,560	1.2	1,000	4.8	26.26
Fiscal year ending January 31, 2021	28,744	10.0	3,587	1.6	3,576	2.9	2,341	30.9	61.41

(Note) Change in financial forecasts for the fiscal year ending January 31, 2021 during the three months ended April 30, 2020: No

\* Notes:

(1) Changes in significant subsidiaries during the three months ended April 30, 2020 (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

(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 : No
- b. Changes in accounting policies due to reasons other than a. above : No
- c. Changes in accounting estimates : No
- d. Restatement of revisions : No

(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, 2020 : 38,124,000 shares

As of January 31, 2020 : 38,120,800 shares

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

As of April 30, 2020 : 272,934 shares

As of January 31, 2020 : 272,934 shares

c. Average number of shares (Cumulative)

For the three months ended April 30, 2020 : 37,850,053 shares

For the three months ended April 30, 2019 : 35,846,466 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 5 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.

## 1. Qualitative Information on Financial Results

### (1) Analysis of Operating Results

During the first quarter of the consolidated fiscal year under review, conditions for the Japanese economy is expected to be severe with the impact of COVID-19. Both Japanese and overseas economy warrant close attention for further downward risk due to COVID-19.

Under these economic conditions, Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business saw order expansion for testing in multiple languages, localization, audio recording and customer support. This is because the related market for this segment is home game software and social games market and recently global deployment is main trend. Also, in order to prevent spread of COVID-19, the number of people staying at home increased therefore the number of daily active user (DAU) also increased, thus resulting in expansion of game market.

For Internet Supporting Business, as the Japanese government is promoting cashless economy, the demands for anti-infringement monitoring for QR code mobile payment, identification verification, detection of anti-money laundering and spoofing related services increased. Likewise Testing/Verification & Evaluation Business as the number of people staying at home increased, E-commerce expanded thus resulting in pushing up demand for monitoring check of regulation violation for exhibited merchandise, the review of Internet advertising based on the Pharmaceuticals and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and end-user inquiries.

The Group provides checking, testing, monitoring and inspection services that require human input on a contractual basis to corporate clients. The demand for such services has been growing as these clients have diversified and expanded overseas, and as business processes have become more advanced and sophisticated. As new services are created in the market, both Testing/Verification & Evaluation Business and Internet Supporting Business, are seeing new business opportunities.

During the first quarter of the consolidated fiscal year under review, the Group operated joint ventures for game development, management, publishing etc., and formed capital and business alliance with ViSUALIZE Co.Ltd in order to receive profit distribution. Pole To Win Co., Ltd. absorbed and merged with its wholly owned subsidiary Pole To Win Networks Co., Ltd. in order to aggregate and consolidate domestic Testing/Verification & Evaluation Business and improve service for clients. PTW International Holdings Limited newly established PTW Japan Co., Ltd. in order to specially support domestic clients wanting to globally expand their business.

Collaboration has stepped up between eighteen delivery centers in ten countries and Japanese Group companies to provide a one-stop, full service platform in areas such as defect detection (finding bugs), localization, audio recording, game development & marketing support, internet monitoring, and customer support.

As a result of these factors, consolidated net sales for the term were ¥6,332,309 thousand (up 4.6%). Operating profit was ¥606,260 thousand (down 20.1%). Ordinary profit was ¥651,527 thousand (down 6.9%) and Profit attributable to owners of parent was ¥383,579 thousand (down 7.4%). For further information on impact of COVID-19 please see (3) Qualitative Information on Consolidated Earnings Forecasts.

Results by segment were as follows.

### **Testing/Verification & Evaluation Business**

By promoting collaboration between domestic and overseas group companies the group strived to support global deployment for domestic and foreign game makers, and promoted orders for outsourcing services such as defect detection, localization customer support (overseas) and voice recording, etc. for game software developers. In game market, business with overseas companies increased and in non-game market orders for third party verification services increased. During the first quarter of the consolidated fiscal year under review, PTW Japan Co., Ltd. (On February 3<sup>rd</sup>, 2020, PTW Japan Co., Ltd. was newly established by incorporation-type split with Pole To Win Co., Ltd., a consolidated subsidiary of the Group, as the splitting company.) and ENTALIZE CO., LTD. changed the fiscal year to December 31st, thus for both companies the consolidated financial statements reflects only the two months of February and March. As a result, Testing/Verification & Evaluation Business sales increased by 3.8% year on year, to ¥4,742,525 thousand. Operating profit decreased by 16.4%, to ¥559,610 thousand.

### **Internet Supporting Business**

In the Internet Supporting Business, the Group increased orders for monitoring fraud for FinTech related services such as QR code settlement and virtual currency. Services related to identity verification, detection of anti-money laundering and spoofing also increased orders. Also, as people who stayed at home increased and usage of E-commerce sites also increased, thus resulting in pushing up demand for monitoring exhibited merchandise for regulation violation, outsourcing services such as customer support (domestic) services for end-users by phone call, e-mail, chat and chatbot for E-commerce sites. Collaborating sales activities with Testing/Verification & Evaluation Business enhanced business in customer support in game market. As a result, Internet Supporting Business sales increased by 5.7%, to ¥1,516,453 thousand. Operating profit increased by 23.7%, to ¥101,989 thousand.

### **Others**

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program and movies to prepare for the advent of barrier-free motion pictures. IMAid Inc. provides support services such as visa obtainment, school enrollment and daily life procedures for foreign personnel working in medical institutes. The sales resulted in an increase of 49.5% to ¥73,331 thousand and operating loss of ¥52,302 thousand, up from operating loss of ¥6,544 thousand a year earlier.

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

### **Total Assets**

Current assets increased by ¥825,991 thousand or 5.6% from the previous fiscal year-end, to ¥15,531,319 thousand. This was mainly attributable to an increase of ¥282,832 thousand in cash and deposits, ¥146,404 thousand in notes and accounts receivable-trade and ¥363,262 thousand in other current assets (mainly accounts receivable-other).

Non-current assets increased by ¥68,893 thousand, or 2.3% from the previous fiscal year-end, to ¥3,127,412 thousand. The key factor was an increase of ¥200,000 thousand in other of intangible assets (copyrights, etc.), offset by a decrease of ¥87,131 thousand in goodwill.

As a result, total assets increased by ¥894,884 thousand or 5.0% from the previous fiscal year-end, to ¥18,658,732 thousand.

### **Liabilities**

Current liabilities increased by ¥1,300,592 thousand or 41.3% from the previous fiscal year-end, to ¥4,447,493 thousand. The key factors were rises of ¥997,308 thousand in short-term borrowings, of ¥104,499 thousand in accounts payable-other, and ¥103,031 thousand in provision for bonuses.

Non-current liabilities decreased by ¥52,551 thousand or 17.7% from the previous fiscal year-end, to ¥243,765 thousand. This was mainly due to decrease of ¥60,961 thousand in deferred tax liabilities.

As a result, total liabilities increased by ¥1,248,041 thousand or 36.2% from the end of the previous fiscal year-end, to ¥4,691,259 thousand.

### **Net assets**

Net assets decreased by ¥353,156 thousand or 2.5% from the previous fiscal year-end, to ¥13,967,473 thousand. This was mainly because there was a ¥70,594 thousand decrease of retained earnings for profit attributable to owners of parent and dividend payment, ¥117,103 thousand in valuation difference on available-for-sale securities and ¥153,155 thousand in foreign currency translation adjustment.

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

Although there was partial suspension of business due to COVID-19, both revenues and earnings were broadly on target in the period under review. For second quarter and onward, there are state of emergency declaration or lockdowns issued in many countries due to COVID-19 and many of the group's overseas subsidiaries will continue business from WFH (work from home). The domestic subsidiaries will continue business while taking infection prevention measures with some businesses continuing WFH. As games, apps and amusement equipment, etc. development is being delayed or suspended for the Group's clients, there is possibility that the Group may also be impacted by this. But in turn, when development re-starts there is chance that the Group may receive orders pushed back then originally expected. Overall, orders for defect detection and customer support for existing operating game contents, monitoring fraud activity for E-commerce and QR code settlement etc. remains strong, therefore management expects to generally remain on target, and has therefore retained the consolidated earnings forecasts that it disclosed on March 12, 2020.

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)

	Fiscal 2020 (As of January 31, 2020)	1Q Fiscal 2021 (As of April 30, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,514,170	10,797,003
Notes and accounts receivable - trade	3,669,689	3,816,094
Merchandise and finished goods	8,009	7,511
Work in process	63,797	102,650
Other	453,236	816,498
Allowance for doubtful accounts	(3,575)	(8,439)
<b>Total current assets</b>	<b>14,705,328</b>	<b>15,531,319</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	878,691	891,583
Accumulated depreciation	(479,298)	(486,675)
Buildings and structures, net	399,393	404,908
Machinery, equipment and vehicles	23,065	22,988
Accumulated depreciation	(14,180)	(14,513)
Machinery, equipment and vehicles, net	8,884	8,475
Tools, furniture and fixtures	1,470,181	1,457,288
Accumulated depreciation	(1,159,574)	(1,166,694)
Tools, furniture and fixtures, net	310,606	290,594
<b>Total property, plant and equipment</b>	<b>718,885</b>	<b>703,978</b>
<b>Intangible assets</b>		
Goodwill	725,510	638,379
Software	153,066	155,834
Other intangible assets	27,229	14,457
Other	2,395	202,395
<b>Total intangible assets</b>	<b>908,202</b>	<b>1,011,067</b>
<b>Investments and other assets</b>		
Investment securities	587,131	584,790
Leasehold and guarantee deposits	575,098	566,699
Deferred tax assets	170,172	171,162
Other	175,423	198,311
Allowance for doubtful accounts	(76,394)	(108,594)
<b>Total investments and other assets</b>	<b>1,431,432</b>	<b>1,412,367</b>
<b>Total non-current assets</b>	<b>3,058,519</b>	<b>3,127,412</b>
<b>Total assets</b>	<b>17,763,847</b>	<b>18,658,732</b>

(Thousands of yen)

	Fiscal 2020 (As of January 31, 2020)	1Q Fiscal 2021 (As of April 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	10,299	1,007,607
Current portion of long-term borrowings	6,536	7,415
Accounts payable - other	1,725,334	1,829,834
Accrued expenses	158,241	237,141
Income taxes payable	387,666	321,063
Provision for bonuses	30,458	133,490
Other	828,363	910,941
Total current liabilities	3,146,901	4,447,493
Non-current liabilities		
Long-term borrowings	41,924	39,507
Retirement benefit liability	76,303	79,751
Deferred tax liabilities	93,066	32,104
Other	85,022	92,402
Total non-current liabilities	296,316	243,765
<b>Total liabilities</b>	<b>3,443,217</b>	<b>4,691,259</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,237,674	1,237,800
Capital surplus	2,377,916	2,378,042
Retained earnings	10,706,356	10,635,761
Treasury shares	(169,686)	(169,686)
Total shareholders' equity	14,152,260	14,081,918
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	163,869	46,765
Foreign currency translation adjustment	(85,133)	(238,289)
Total accumulated other comprehensive income	78,735	(191,523)
Non-controlling interests	89,633	77,078
<b>Total net assets</b>	<b>14,320,629</b>	<b>13,967,473</b>
<b>Total liabilities and net assets</b>	<b>17,763,847</b>	<b>18,658,732</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income (Three-month period ended April 30, 2020)**

(Thousands of yen)

	Three months ended April 30, 2019	Three months ended April 30, 2020
Net sales	6,053,361	6,332,309
Cost of sales	4,189,487	4,511,898
Gross profit	1,863,874	1,820,410
Selling, general and administrative expenses	1,105,232	1,214,150
Operating profit	758,642	606,260
Non-operating income		
Foreign exchange gains	—	31,788
Subsidy income	7,098	10,817
Other	7,057	4,981
Total non-operating income	14,156	47,587
Non-operating expenses		
Interest expenses	—	502
Foreign exchange losses	69,619	—
Share of loss of entities accounted for using equity method	2,241	—
Other	762	1,817
Total non-operating expenses	72,623	2,320
Ordinary profit	700,174	651,527
Profit before income taxes	700,174	651,527
Income taxes	285,855	280,503
Profit	414,319	371,024
Loss attributable to non-controlling interests	—	(12,555)
Profit attributable to owners of parent	414,319	383,579

## Consolidated Statement of Comprehensive Income (Three-month period ended April 30, 2020)

(Thousands of yen)

	Three months ended April 30, 2019	Three months ended April 30, 2020
Profit	414,319	371,024
Other comprehensive income		
Valuation difference on available-for-sale securities	1,651	(117,103)
Foreign currency translation adjustment	66,821	(153,155)
Total other comprehensive income	68,473	(270,259)
Comprehensive income	482,793	100,764
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	482,793	113,320
Comprehensive income attributable to non-controlling interests	—	(12,555)

### (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.

**(Segment Information)**

1. Three months ended April 30, 2019 (from February 1, 2019 to April 30, 2019)

(1) Net sales and income (loss) by reporting segment

(Thousands of yen)

	Reporting segment			Others* <sup>1</sup>	Total	Adjustments* <sup>2</sup>	Per quarterly consolidated financial statements* <sup>3</sup>
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Total				
Sales							
Revenues from external customers	4,569,192	1,435,120	6,004,312	49,049	6,053,361	—	6,053,361
Transactions with other segments	2,428	8,186	10,615	—	10,615	(10,615)	—
Net sales	4,571,621	1,443,306	6,014,928	49,049	6,063,977	(10,615)	6,053,361
Segment profit (loss)	669,302	82,462	751,765	(6,544)	745,220	13,421	758,642

- \*Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media and medical personnel related businesses.  
2. Adjustment for segment profit (loss) of ¥13,421 thousand comprises elimination of intersegment transactions of ¥195,165 thousand and unallocated corporate expenses of - ¥181,743 thousand. Unallocated corporate expenses are mainly general administrative expenses.  
3. Segment profit (loss) is adjusted against the operating profit recorded in the consolidated statements of income.

(2) Information regarding impairment losses on fixed assets and goodwill by reporting segment

Not applicable

2. Three months ended April 30, 2020 (from February 1, 2020 to April 30, 2020)

(1) Net sales and income (loss) by reporting segment

(Thousands of yen)

	Reporting segment			Others* <sup>1</sup>	Total	Adjustments* <sup>2</sup>	Per quarterly consolidated financial statements* <sup>3</sup>
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Total				
Sales							
Revenues from external customers	4,742,525	1,516,453	6,258,978	73,331	6,332,309	—	6,332,309
Transactions with other segments	—	44,273	44,273	—	44,273	(44,273)	—
Net sales	4,742,525	1,560,726	6,303,251	73,331	6,376,583	(44,273)	6,332,309
Segment profit (loss)	559,610	101,989	661,599	(52,302)	609,297	(3,036)	606,260

- \*Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media and medical personnel related businesses.  
2. Adjustment for segment profit (loss) of - ¥3,036 thousand comprises elimination of intersegment transactions of ¥171,890 thousand and unallocated corporate expenses of - ¥174,927 thousand. Unallocated corporate expenses are mainly general administrative expenses.  
3. Segment profit (loss) is adjusted against the operating profit recorded in the consolidated statements of income.

(2) Information regarding impairment losses on fixed assets and goodwill by reporting segment

Not applicable