



December 6, 2019

Consolidated Financial Results For the Nine Months ended October 31, 2019 (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: December 12, 2019
 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 Nine months ended October 31, 2019 (from February 1, 2019 to October 31, 2019)

(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	%
Nine months ended October 31, 2019	18,843	4.3	2,569	6.8	2,481	5.9	1,475	3.1
October 31, 2018	18,072	7.6	2,405	18.7	2,344	12.7	1,430	20.3

(Note) Comprehensive income

Nine months ended October 31, 2019: ¥1,484 million (9.2 %)

Nine months ended October 31, 2018: ¥1,359 million (7.5 %)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
October 31, 2019	38.98	38.95
October 31, 2018	39.25	39.18

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. “Net income per share” and “diluted net income per share” are calculated on the assumption that the said share split was implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
October 31, 2019	17,037	13,766	80.8
January 31, 2019	15,542	12,697	81.7

(Reference) Equity

As of October 31, 2019 : ¥13,766 million

As of January 31, 2019 : ¥12,697 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, 2019	–	0.00	–	11.00	11.00
Fiscal year ending January 31, 2020	–	0.00	–		
Fiscal year ending January 31, 2020 (Forecasts)				12.00	12.00

(Notes) Change in dividend forecasts for the fiscal year ending January 31, 2020 during the nine months ended October 31, 2019: No

3. Consolidated financial forecasts for the fiscal year ending January 31, 2020 (from February 1, 2019 to January 31, 2020)

(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, 2020	26,217	10.3	3,179	0.5	3,150	2.2	2,045	11.2	53.65

(Note) Change in financial forecasts for the fiscal year ending January 31, 2020 during the nine months ended October 31, 2019: No

* Notes:

(1) Changes in significant subsidiaries during the nine months ended October 31, 2019 (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 October 31, 2019 : 38,120,000 shares

As of January 31, 2019 : 38,120,000 shares

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

As of October 31, 2019 : 272,934 shares

As of January 31, 2019 : 273,534 shares

c. Average number of shares (Cumulative)

For the Nine months ended October 31, 2019 : 37,846,990 shares

For the Nine months ended October 31, 2018 : 36,454,344 shares

(Note) The Group conducted a two-for-one split of its common shares effective as of January 1, 2019. "Average number of shares (Cumulative)" is calculated on the assumption that the said share split was implemented at the beginning of the previous fiscal year.

* 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.

1. Qualitative Information on Financial Results

(1) Analysis of Operating Results

During the third quarter of the consolidated fiscal year under review, although weakness would remain for the time being, the Japanese economy looked set for a mild recovery owing to an ongoing improvement in the employment outlook, income climates and government policies. However, overseas economic trends such as tensions in trade issue, uncertainties about the Chinese economy and effects of Brexit, impact of financial and capital market fluctuations and trend of consumer confidence after rise in consumption tax warrant close attention.

It was against that backdrop the Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business experienced ongoing growth in the global social games market and demand expanded for testing in multiple languages, localization and for customer support amid the rising popularity of smartphones and tablet PCs. At the same time, sales were favorable in the consumer electronic game market for Nintendo Switch. Additionally, game companies and internet companies have announced they will launch into cloud games thus a revitalization of the game market is expected.

In markets related to the Group's Internet Supporting Business, online shopping, flea market apps, video, e-book, and other forms of e-commerce are catching on. This, in turn, is pushing up demand for handling merchandise checks, the review of Internet advertising based on the Pharmaceuticals and Medical Devices Act (formerly the Pharmaceutical Affairs Act), the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and for handling the rights infringement investigations and end-user inquiries and so forth. Also, new internet business such as AI and FinTech services is creating demand for data recognition evaluation and fraud prevention services.

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 third quarter of the consolidated fiscal year under review, in order to expand BPO service for client companies, Pole To Win Co., Ltd. formed a capital and business alliance with CREST JOB Inc., making it an equity method affiliate in March and in order to improve service for client companies, merged SARUGAKUCHO Inc. in May. PITCREW CO., LTD increased floor space for Kita Kyushu Service Center in April and October, Nagoya Service Center in July and Sendai Service Center in August to accommodate order expansion,

Collaboration has stepped up between seventeen delivery centers in ten countries and Japanese Group companies to provide a one-stop, full-service platform in areas for defect detection (finding bugs), localization, Internet monitoring, and customer support.

As a result of these factors, consolidated net sales for the term were ¥18,843,809 thousand (up 4.3%). Operating profit was ¥2,569,556 thousand (up 6.8%). Ordinary profit was ¥2,481,955 thousand (up 5.9%) and Profit attributable to owners of parent was ¥1,475,421 thousand (up 3.1%).

Results by segment were as follows.

Segment name presented as "Medical Related Business", in the third quarter of the previous consolidated fiscal year, has been changed to be included in "Others" as its quantitative importance decreased. Segment information for the third quarter of the previous consolidated fiscal year is presented in accordance with current period. For fair comparison, the amounts reported in the same period of the previous year are modified according to the new classification.

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, also domestic and overseas companies received orders for the same game title, thus orders for outsourcing services including defect detection, localization customer support (overseas) and voice recording increased. Orders for outsourcing services for the amusement equipment also increased. Due to rise of yen and other factors, orders from overseas companies decreased in both sales and profit. As a result, Testing/Verification & Evaluation Business sales increased by 1.1% year on year, to ¥14,196,698 thousand. Operating profit decreased by 3.9%, to ¥2,349,428 thousand.

Internet Supporting Business

In the Internet Supporting Business, the Group increased orders for outsourcing services such as customer support (domestic) services for end-users by phone call, e-mail chat and chatbot for E-commerce sites. Additionally, orders for AI related services such as evaluation of data recognition increased. FinTech related services such as QR code settlement or virtual currency and support services for infringement also increased. Collaboration with Testing/Verification & Evaluation Business for sales activities was strengthened thus leading to business increase for customer support in the game market. As a result, Internet Supporting Business sales increased by 18.1%, to ¥4,481,074 thousand. Operating profit increased by 17.3%, to ¥193,177 thousand.

Others

Palabra Inc. provide services to produce barrier-free subtitles and audio guides to prepare for the advent of SDGs and barrier-free motion pictures. To provide these services, Palabra Inc. also develops and operates * UDCast service. Recently, promotion of barrier-free is increasing in theatrical entertainment, and Palabra Inc. provides barrier-free subtitles and audio guides to theaters such as “The Little Prince” and “Helen Keller”. 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 a decrease of 29.5% to ¥166,036 thousand and operating loss of ¥62,488 thousand, down from operating loss of ¥232,944 thousand a year earlier.

* UDCast: An application that displays subtitles & sign language and plays audio guide by using mobile devices such as smartphones where the microphone picks up sounds from films and visual. This is the first application in Japan that corresponds to barrier-free motion pictures and it handles the largest number of barrier-free motion pictures in Japan.

(2) Analysis of Financial Position

The group has applied the amendments from “Partial Amendments to Accounting Standard for the Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) from the beginning of quarter under review. Therefore, comparisons for financial position have been made after replacing the figures for previous consolidated fiscal year.

Total Assets

Current assets increased by ¥1,336,114 thousand or 10.4% from the previous fiscal year-end, to ¥14,199,548 thousand. This was mainly attributable to an increase of ¥831,036 thousand in cash and deposits, ¥360,501 thousand in notes and accounts receivable-trade, ¥83,021 thousand in work in process and ¥62,775 thousand in other current assets (such as prepaid expenses).

Non-current assets increased by ¥159,220 thousand, or 5.9% from the previous fiscal year-end, to ¥2,837,791 thousand. The key factor was a decrease of ¥214,911 thousand in goodwill but offset by an increase of ¥73,656 thousand in software and ¥305,927 thousand in investment securities.

As a result, total assets increased by ¥1,495,334 thousand or 9.6% from the previous fiscal year-end, to ¥17,037,339 thousand.

Liabilities

Current liabilities increased by ¥358,387 thousand or 13.4% from the previous fiscal year-end, to ¥3,028,707 thousand. The key factors were rises of ¥137,088 thousand in accounts payable-other, ¥83,252 thousand in accrued expenses, and ¥151,239 thousand in provision for bonuses.

Non-current liabilities increased by ¥68,263 thousand or 39.2% from the previous fiscal year-end, to ¥242,210 thousand. This was mainly due to increase of ¥68,700 thousand in deferred tax liabilities.

As a result, total liabilities increased by ¥426,651 thousand or 15.0% from the end of the previous fiscal year-end, to ¥3,270,918 thousand.

Net assets

Net assets increased by ¥1,068,683 thousand or 8.4% from the previous fiscal year-end, to ¥13,766,421 thousand. This was mainly because there was a ¥137,003 thousand decrease in foreign currency translation adjustment but an increase of ¥1,059,110 thousand in retained earnings for profit attributable to owners of parent and dividend payment and ¥145,907 thousand in valuation difference on available-for-sale securities.

(3) Qualitative Information on Consolidated Earnings Forecasts

Both revenues and earnings were broadly on target in the period under review. In the third quarter, therefore, management expects to generally remain on target, and has therefore retained the consolidated earnings forecasts that it disclosed on March 11, 2019.

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 2019 (As of January 31, 2019)	3Q Fiscal 2020 (As of October 31, 2019)
Assets		
Current assets		
Cash and deposits	9,345,965	10,177,001
Notes and accounts receivable - trade	2,989,495	3,349,996
Merchandise and finished goods	14,491	14,129
Work in process	70,612	153,633
Other	445,822	508,597
Allowance for doubtful accounts	(2,952)	(3,810)
Total current assets	12,863,434	14,199,548
Non-current assets		
Property, plant and equipment		
Buildings and structures	792,005	819,968
Accumulated depreciation	(404,486)	(449,469)
Buildings and structures, net	387,518	370,499
Machinery, equipment and vehicles	19,444	23,027
Accumulated depreciation	(12,285)	(13,679)
Machinery, equipment and vehicles, net	7,159	9,347
Tools, furniture and fixtures	1,268,742	1,382,489
Accumulated depreciation	(1,013,000)	(1,091,518)
Tools, furniture and fixtures, net	255,741	290,970
Total property, plant and equipment	650,419	670,816
Intangible assets		
Goodwill	820,472	605,561
Software	102,925	176,582
Other intangible assets	72,352	35,973
Other	2,395	2,395
Total intangible assets	998,146	820,513
Investments and other assets		
Investment securities	152,014	457,941
Lease and guarantee deposits	521,147	552,862
Deferred tax assets	225,155	227,173
Other	219,452	232,679
Allowance for doubtful accounts	(87,763)	(124,194)
Total investments and other assets	1,030,005	1,346,461
Total non-current assets	2,678,571	2,837,791
Total assets	15,542,005	17,037,339

(Thousands of yen)

	Fiscal 2019 (As of January 31, 2019)	3Q Fiscal 2020 (As of October 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - other	1,404,034	1,541,122
Accrued expenses	181,837	265,090
Income taxes payable	461,186	407,175
Provision for bonuses	36,471	187,711
Other	586,790	627,608
Total current liabilities	2,670,320	3,028,707
Non-current liabilities		
Net defined benefit liability	69,571	84,240
Deferred tax liabilities	15,836	84,537
Other	88,538	73,432
Total non-current liabilities	173,946	242,210
Total liabilities	2,844,267	3,270,918
Net assets		
Shareholders' equity		
Capital stock	1,237,642	1,237,674
Capital surplus	2,377,651	2,377,916
Retained earnings	9,334,880	10,393,991
Treasury shares	(170,059)	(169,686)
Total shareholders' equity	12,780,115	13,839,895
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,778	158,685
Foreign currency translation adjustment	(95,155)	(232,159)
Total accumulated other comprehensive income	(82,377)	(73,473)
Total net assets	12,697,738	13,766,421
Total liabilities and net assets	15,542,005	17,037,339

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income (Nine-month period ended October 31, 2019)

(Thousands of yen)

	Nine months ended October 31, 2018	Nine months ended October 31, 2019
Net sales	18,072,461	18,843,809
Cost of sales	12,293,822	12,988,350
Gross profit	5,778,639	5,855,458
Selling, general and administrative expenses	3,373,011	3,285,902
Operating profit	2,405,627	2,569,556
Non-operating income		
Subsidy income	5,005	17,094
Insurance premiums refunded cancellation	5,979	11,596
Other	11,898	16,942
Total non-operating income	22,882	45,633
Non-operating expenses		
Interest expenses	635	—
Foreign exchange losses	69,921	106,839
Share issuance cost	5,560	—
Share of loss of entities accounted for using equity method	—	17,231
Other	7,894	9,163
Total non-operating expenses	84,011	133,234
Ordinary profit	2,344,498	2,481,955
Extraordinary income		
Gain on sales of non-current assets	44	—
Gain on sales of investment securities	4,499	—
Total extraordinary income	4,544	—
Extraordinary losses		
Loss on retirement of non-current assets	16,219	—
Loss on sales of non-current assets	51	—
Loss on valuation of investment securities	16,999	99,999
Directors' retirement benefits	71,887	—
Loss on business withdrawal	77,370	—
Total extraordinary losses	182,528	99,999
Profit before income taxes	2,166,515	2,381,955
Income taxes	735,825	906,533
Profit	1,430,690	1,475,421
Profit attributable to owners of parent	1,430,690	1,475,421

Consolidated Statement of Comprehensive Income (Nine-month period ended October 31, 2019)

(Thousands of yen)

	Nine months ended October 31, 2018	Nine months ended October 31, 2019
Profit	1,430,690	1,475,421
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,238)	145,907
Foreign currency translation adjustment	(69,001)	(137,003)
Total other comprehensive income	(71,239)	8,903
Comprehensive income	1,359,450	1,484,325
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,359,450	1,484,325
Comprehensive income attributable to non-controlling interests	—	—

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

(Additional information)

(Use of "Partial Amendments to Accounting Standard for the Tax Effect Accounting")

The group has applied the amendments from "Partial Amendments to Accounting Standard for the Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) the beginning of quarter under review. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

(Segment Information)

1. Nine months ended October 31, 2018 (from February 1, 2018 to October 31, 2018)

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

(Thousands of yen)

	Reporting segment			Others* ¹	Total	Adjustments* ²	Per quarterly consolidated financial statements* ³
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Total				
Sales							
Revenues from external customers	14,041,896	3,795,018	17,836,915	235,546	18,072,461	—	18,072,461
Transactions with other segments	106,495	30,031	136,527	—	136,527	(136,527)	—
Net sales	14,148,392	3,825,050	17,973,442	235,546	18,208,989	(136,527)	18,072,461
Segment profit (loss)	2,445,367	164,749	2,610,117	(232,944)	2,377,173	28,454	2,405,627

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media and medical related businesses.
2. Adjustment for segment profit (loss) of ¥28,454 thousand comprises elimination of intersegment transactions of ¥434,581 thousand and unallocated corporate expenses of - ¥406,126 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. Nine months ended October 31, 2019 (from February 1, 2019 to October 31, 2019)

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

(Thousands of yen)

	Reporting segment			Others* ¹	Total	Adjustments* ²	Per quarterly consolidated financial statements* ³
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Total				
Sales							
Revenues from external customers	14,196,698	4,481,074	18,677,773	166,036	18,843,809	—	18,843,809
Transactions with other segments	2,428	74,497	76,926	154	77,080	(77,080)	—
Net sales	14,199,127	4,555,571	18,754,699	166,190	18,920,889	(77,080)	18,843,809
Segment profit (loss)	2,349,428	193,177	2,542,606	(62,488)	2,480,118	89,437	2,569,556

- *Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, media and medical related businesses.
2. Adjustment for segment profit (loss) of ¥89,437 thousand comprises elimination of intersegment transactions of ¥600,677 thousand and unallocated corporate expenses of - ¥511,239 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

(3) Information on changes in reporting segments

From the previous consolidated fiscal year, as the quantitative importance of “Medical Related Business” has decreased, it is changed to be included in “Others”. Following this change, the segment information of the same period of previous year was revised.