



December 7, 2018

## Consolidated Financial Results For the Nine Months Ended October 31, 2018 (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  
 Contact Person: Joji Yamauchi, Chief Financial Officer  
 Tel: +81-3-5909-7911

Scheduled date to file Securities Report: December 13, 2018  
 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, 2018 (from February 1, 2018 to October 31, 2018)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
October 31, 2018	18,072	7.6	2,405	18.7	2,344	12.7	1,430	20.3
October 31, 2017	16,790	19.6	2,027	18.5	2,080	42.0	1,189	53.6

(Note) Comprehensive income

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

Nine months ended October 31, 2017: ¥1,264 million (- %)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
October 31, 2018	78.49	78.36
October 31, 2017	65.66	65.58

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
October 31, 2018	15,469	12,409	80.2
January 31, 2018	12,291	9,053	73.7

(Reference) Equity

As of October 31, 2018: ¥12,409 million

As of January 31, 2018: ¥ 9,053 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, 2018	–	0.00	–	19.00	19.00
Fiscal year ending January 31, 2019	–	0.00			
Fiscal year ending January 31, 2019(Forecasts)			–	10.00	10.00

(Notes)

1. Change in dividend forecasts for the fiscal year ending January 31, 2019 during the nine months ended October 31, 2018: No
2. The Group plans to conduct a two-for-one split of its common shares effective as of January 1, 2019. The cash dividends per share forecast for the fiscal year ending January 31, 2019 reflects the two-for-one share split.

## 3. Consolidated financial forecasts for the fiscal year ending January 31, 2019

(from February 1, 2018 to January 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		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, 2019	25,108	12.8	2,612	16.1	2,624	11.6	1,614	46.8	42.35

(Notes)

1. Change in financial forecasts for the fiscal year ending January 31, 2019 during the nine months ended October 31, 2018: No
2. The net income per share of consolidated financial forecast for the fiscal year ending January 31, 2019 reflects the two-for-one share split of common shares that will become effective January 1, 2019 .

\* Notes:

- (1) Changes in significant subsidiaries during the nine months ended October 31, 2018 (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, 2018	19,060,000 shares
As of January 31, 2018	19,058,400 shares
  - b. Number of shares of treasury stock at the end of the period

As of October 31, 2018	136,767 shares
As of January 31, 2018	1,136,694 shares
  - c. Average number of shares (Cumulative)

For the nine months ended October 31, 2018	18,227,172 shares
For the nine months ended October 31, 2017	18,109,325 shares

\* This report falls outside the scope of quarterly review procedures of a certified public accountant or an audit corporation.

\* 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 6 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.

(Share split)

At the Board Meeting held on November 20, 2018 the Group decided to split one share of common share into two shares with January 1, 2019 as the effective date. However, the effect of the share split is not reflected in the per share information in the consolidated financial results for the third quarter of the fiscal year ending January 31, 2019.

## 1. Qualitative Information on Financial Results

### (1) Analysis of Operating Results

During the third quarter of the consolidated fiscal year under review, the Japanese economy looked set for a mild recovery owing to an ongoing improvement in the employment outlook, income climates and government policies. Under these circumstances, impact of trade issue trends on global economy, uncertainties about the overseas economies, impact of financial and capital market fluctuations warrant close attention. The impact on economy due to the numerous natural disasters must also be taken into careful consideration.

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 PlayStation 4 and Nintendo Switch.

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 monitoring postings and other types of user support services to make safe and reliable Internet access ubiquitous. In the e-commerce market, there is growing 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. A recent rise in the incidence of Internet usage problems among the young has prompted municipal boards of education and private schools to put efforts to handle and prevent internet trouble by establishing consultation service, monitoring youth Internet usage and providing Internet literacy education for both students, parents and guardians.

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. New services are being provided to sharing economy, smart speakers and FinTech markets. During the third consolidated quarter cumulative accounting period, to accommodate order expansion, Pole To Win Co., Ltd. opened Shijyo (Kyoto Prefecture) Studio in October and PITCREW CO., LTD increased floor space for Kita Kyushu Service Center in May. In order to improve service capabilities for our clients and business efficiency, the restructuring of three organizations, PITCREW CO., LTD, PITCREW COREOPS CO., LTD., and PITCREW X-LAB CO., LTD was conducted in February. Also, in order to expand the service scope of server monitoring business, the Group made Situs Management Inc. a consolidated subsidiary in March, and in August PITCREW CO., LTD absorbed and merged with its subsidiary Situs Management Inc. In September, in order to offshore services such as Internet monitoring, user support, and quality evaluation for orders received from Japanese customers, PITCREW CO., LTD., QaaS Co., Ltd. and Pole To Win International Limited jointly invested and established a corporation in Vietnam called POLE TO WIN VIET NAM JOINT STOCK COMPANY.

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

As a result of these factors, consolidated net sales for the term were ¥18,072,461 thousand (up 7.6%). Operating income was ¥2,405,627 thousand (up 18.7%). Ordinary income was ¥2,344,498 thousand (up 12.7%) and Profit attributable to owners of parent was ¥1,430,690 thousand (up 20.3%).

Results by segment were as follows.

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

Reflecting collaboration between seventeen delivery centers in nine countries and Japanese Group companies in supporting the global deployments of domestic and foreign game makers, outsourcing services including defect detection, localization, and customer support (overseas) expanded. Although there was a decrease in orders for outsourcing services for the amusement equipment, orders for testing services for social games (domestic & overseas), localization and customer support (overseas) increased. In Overseas Group Companies, business for localization and voice recording is increasing for non-game markets. As a result, Testing/Verification & Evaluation Business sales increased by 2.3% year on year, to ¥14,041,896 thousand. Operating income increased by 22.9%, to ¥2,445,367 thousand.

### **Internet Supporting Business**

In the Internet Supporting Business, the Group increased orders for outsourcing services including merchandise check services for E-commerce sites, advertisements review services based on the Pharmaceuticals and Medical Devices Act, the Act against Unjustifiable Premiums and Misleading Representations, and other laws and regulations, and customer support (domestic) services for handling charges and product delivery schedules from end-users by phone call, e-mail and chat. As a result of alignment with Testing/Verification & Evaluation Business, business expanded for Customer Support in game market. Also, as AI is being integrated into many services, in order to improve quality of AI, new support services such as data cleansing (\*1), annotation (\*2), and evaluation of data recognition has started. As a result, Internet Supporting Business sales increased by 40.5%, to ¥3,795,018 thousand. Operating income increased by 42.5%, to ¥164,749 thousand.

(\*1) Data cleansing: Finding errors, correcting the errors and improving data quality

(\*2) Annotation: For a specific data, adding information and notes (tags, metadata)

### **Medical Related Business**

IMAid Inc. offers medical recruitment staffing service and education services for caregivers and certified care workers. One of the business is providing educational programs for Technical Internship Program for foreigners. However, due to delay in legislation and government approval of licenses for in the related country, it has been decided to withdraw from this service. Going forward, only follow-up service for the existing personnel already recruited to medical institutes will be conducted. As a result, the sales resulted in a decrease of 52.6% to ¥132,480 thousand and operating loss of ¥245,214

thousand, up from ¥121,096 thousand a year earlier. For extraordinary losses, loss on withdrawal from business was ¥77,370 thousand.

### **Others**

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program to prepare for the advent of barrier-free motion pictures. Sales of this segment increased by 16.8%, to ¥103,065 thousand. Operating profit was ¥12,269 thousand, increasing 141.8%, up from the same period last year.

## **(2) Qualitative information concerning consolidated financial position**

### **Total Assets**

Current assets rose by ¥3,162,188 thousand or 33.6% from the previous fiscal year, to ¥12,560,802 thousand. This was mainly attributable to an increase of ¥2,662,613 thousand in cash and deposits and ¥580,419 thousand in notes and accounts receivable – trade but there was also ¥143,748 thousand decrease of accounts receivable-other.

Noncurrent assets rose by ¥15,016 thousand, or 0.5% higher than the previous fiscal year, to ¥2,908,369 thousand. Key factors were increase of ¥21,226 thousand in lease and guarantee deposits, ¥114,519 thousand in deferred tax assets which offset decrease of ¥73,937 thousand in goodwill and ¥39,115 thousand other intangible assets.

As a result, total assets increased by ¥3,177,204 thousand or 25.8% year on year, to ¥15,469,172 thousand.

### **Liabilities**

Current liabilities decreased by ¥176,553 thousand or 5.8%, to ¥2,875,794 thousand. The prime factors were increase of ¥36,751 thousand in accrued expenses and ¥205,824 thousand in provision for bonuses but was offset by decrease of ¥276,953 thousand in income taxes payable and ¥79,341 thousand in accounts payable- other.

Noncurrent liabilities decreased by ¥1,826 thousand or 1.0%, to ¥184,011 thousand. This was mainly due to increase of ¥11,440 thousand in net defined benefit liability but was offset by decrease of ¥10,835 thousand in deferred tax liabilities and ¥2,431 thousand in non-current liabilities-other.

As a result, total liabilities decreased by ¥178,380 thousand or 5.5% year on year, to ¥3,059,805 thousand.

### **Net assets**

Net assets increased by ¥3,355,584 thousand or 37.1%, to ¥12,409,366 thousand. This was because profit attributable to owners of parent added ¥1,090,177 thousand in retained earnings, and disposal of treasury shares of ¥1,242,841 thousand.

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

Both revenues and earnings were broadly on target in the period under review. In the Testing/Verification & Evaluation segment, testing for social games is gradually increasing.

However, trends in the amusement equipment market and exchange rate continues to warrant close attention.

In the Internet Supporting Business, although the Group has increased outsourcing services for the e-commerce market, rapid changes in competition environment also warrant close attention. In the fourth quarter, therefore, management expects to generally remain on target, and has therefore retained the consolidated earnings forecasts that it disclosed on March 12, 2018.

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 2018 (As of January 31, 2018)	3Q Fiscal 2019 (As of October 31, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,746,832	8,409,446
Notes and accounts receivable-trade	2,814,309	3,394,728
Merchandise and finished goods	17,393	17,790
Work in process	61,837	140,741
Deferred tax assets	85,274	95,015
Other	681,179	537,430
Allowance for doubtful accounts	(8,212)	(34,350)
Total current assets	9,398,614	12,560,802
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	866,891	871,716
Accumulated depreciation	(395,910)	(410,702)
Buildings and structures, net	470,981	461,014
Machinery, equipment and vehicles	19,444	19,444
Accumulated depreciation	(10,548)	(11,851)
Machinery, equipment and vehicles, net	8,896	7,593
Tools, furniture and fixtures	1,112,401	1,278,451
Accumulated depreciation	(843,193)	(998,612)
Tools, furniture and fixtures, net	269,207	279,838
Total property, plant and equipment	749,085	748,446
<b>Intangible assets</b>		
Goodwill	979,700	905,763
Software	50,599	92,746
Software in progress	—	1,890
Other intangible assets	127,705	88,589
Other	2,244	2,395
Total intangible assets	1,160,250	1,091,385
<b>Investments and other assets</b>		
Investment securities	192,454	172,361
Lease and guarantee deposits	559,425	580,652
Deferred tax assets	57,727	172,247
Other	232,409	228,604
Allowance for doubtful accounts	(58,000)	(85,327)
Total investments and other assets	984,017	1,068,537
<b>Total noncurrent assets</b>	2,893,353	2,908,369
<b>Total assets</b>	12,291,968	15,469,172

(Thousands of yen)

	Fiscal 2018 (As of January 31, 2018)	3Q Fiscal 2019 (As of October 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-other	1,484,551	1,405,209
Accrued expenses	174,737	211,489
Income taxes payable	583,958	307,004
Provision for bonuses	53,453	259,278
Other	755,646	692,812
Total current liabilities	3,052,347	2,875,794
Noncurrent liabilities		
Provision for retirement benefits	59,444	70,885
Deferred tax liabilities	30,105	19,270
Other	96,288	93,856
Total noncurrent liabilities	185,838	184,011
Total liabilities	3,238,186	3,059,805
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	1,237,517	1,237,642
Capital surplus	1,283,971	2,377,651
Retained earnings	7,836,269	8,926,447
Treasury shares	(1,412,900)	(170,059)
Total shareholders' equity	8,944,857	12,371,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,243	13,005
Foreign currency translation adjustments	93,680	24,679
Total accumulated other comprehensive income	108,924	37,684
Total net assets	9,053,781	12,409,366
Total liabilities and net assets	12,291,968	15,469,172

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**(Nine month period ended October 31, 2018)**

(Thousands of yen)

	Nine months ended October 31, 2017 (From February 1, 2017 to October 31, 2017)	Nine months ended October 31, 2018 (From February 1, 2018 To October 31, 2018)
Net sales	16,790,625	18,072,461
Cost of sales	11,151,252	12,293,822
Gross profit	5,639,373	5,778,639
Selling, general and administrative expenses	3,612,369	3,373,011
Operating income	2,027,004	2,405,627
Non-operating income		
Interest income	2,032	1,806
Dividend income	382	389
Foreign exchange losses	30,162	—
Subsidy income	8,147	5,005
Insurance premiums refunded cancellation	12,197	5,979
Commission fees	2,938	—
Other	8,249	9,702
Total non-operating income	64,110	22,882
Non-operating expenses		
Interest expenses	—	635
Foreign exchange losses	—	69,921
Share issuance cost	—	5,560
Commission for purchase of treasury shares	6,799	—
Other	3,524	7,894
Total non-operating expenses	10,324	84,011
Ordinary income	2,080,791	2,344,498
Extraordinary gains		
Gain on retirement of noncurrent assets	80	44
Gain on sales of investment securities	—	4,499
Total extraordinary gains	80	4,544
Extraordinary losses		
Loss on retirement of noncurrent assets	—	16,219
Loss on sales of noncurrent assets	—	51
Loss on valuation of investment securities	33,000	16,999
Payments for directors' retirement benefits	—	71,887
Loss on business withdrawal	—	77,370
Total extraordinary losses	33,000	182,528
Income before income taxes and minority interests	2,047,871	2,166,515
Income taxes	864,641	735,825
Net income	1,183,229	1,430,690
Profit (loss) attributable to non-controlling interests	(5,830)	—
Profit attributable to owners of parent	1,189,060	1,430,690

**Consolidated Statement of Comprehensive Income**  
**(Nine month period ended October 31, 2018)**

(Thousands of yen)

	Nine months ended October 31, 2017 (From February 1, 2017 to October 31, 2017)	Nine months ended October 31, 2018 (From February 1, 2018 to October 31, 2018)
Profit	1,183,229	1,430,690
Other comprehensive income		
Valuation difference on available-for-sale securities	1,371	(2,238)
Foreign currency translation adjustments	79,500	(69,001)
Total other comprehensive income	80,872	(71,239)
Total comprehensive income	1,264,101	1,359,450
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,261,239	1,359,450
Comprehensive income attributable to non-controlling interests	2,861	—

### **(3) Notes to Consolidated Financial Statements**

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

With the disposal of treasury shares due to the exercise of second exercise price adjustable stock acquisition rights issued to Mizuho Securities Co. on July 5<sup>th</sup>, 2018, capital surplus increased ¥1,093,680 thousand, while treasury shares decreased ¥1,242,841 thousand for the nine months ended October 31, 2018. Capital surplus was ¥2,377,651 thousand and the amount of treasury shares was ¥170,059 thousand as of the end of this term.

(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.

(Segment Information)

1. Nine months ended October 31, 2017 (from February 1, 2017 to October 31, 2017)

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

(Thousands of yen)

	Reporting segment				Others* <sup>1</sup>	Total	Adjustments* <sup>2</sup>	Amounts in the consolidated statements of income* <sup>3</sup>
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Total				
Net sales								
Sales to third parties	13,722,243	2,700,650	279,511	16,702,405	88,220	16,790,625	—	16,790,625
Inter-segment sales and transfers	11,770	31,069	—	42,839	650	43,489	(43,489)	—
Total	13,734,013	2,731,719	279,511	16,745,244	88,870	16,834,115	(43,489)	16,790,625
Segment income (loss)	1,989,789	115,635	(121,096)	1,984,328	5,074	1,989,402	37,602	2,027,004

- \*Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing and media businesses.  
2. Adjustment for segment income (loss) of ¥37,602 thousand comprises elimination of intersegment transactions of ¥416,299 thousand and unallocated corporate expenses of - ¥378,697 thousand. Unallocated corporate expenses are mainly general administrative expenses.  
3. Segment income (loss) is adjusted against the operating income 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, 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	Amounts in the consolidated statements of income*3
	Testing/ Verification & Evaluation Business	Internet Supporting Business	Medical Related Business	Total				
Net sales								
Sales to third parties	14,041,896	3,795,018	132,480	17,969,395	103,065	18,072,461	—	18,072,461
Inter-segment sales and transfers	106,495	30,031	—	136,527	360	136,887	(136,887)	—
Total	14,148,392	3,825,050	132,480	18,105,923	103,425	18,209,349	(136,887)	18,072,461
Segment income (loss)	2,445,367	164,749	(245,214)	2,364,903	12,269	2,377,173	28,454	2,405,627

- \*Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.  
2. Adjustment for segment income (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 income (loss) is adjusted against the operating income 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” previously included in “Others” has increased, it is changed to the method of posting as a reportable segment. Following this change, the segment information of the same period of previous year was revised.