



December 4, 2020

## Consolidated Financial Results For the Nine Months Ended October 31, 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: December 10, 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 Nine months ended October 31, 2020 (from February 1, 2020 to October 31, 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	%
Nine months ended								
October 31, 2020	19,203	1.9	2,231	-13.2	2,468	-0.6	1,535	4.1
October 31, 2019	18,843	4.3	2,569	6.8	2,481	5.9	1,475	3.1

(Note) Comprehensive income

Nine months ended October 31, 2020: ¥1,237 million / -16.6 %

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

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
October 31, 2020	40.55	40.53
October 31, 2019	38.98	38.95

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
October 31, 2020	19,621	15,109	76.8
January 31, 2020	17,763	14,320	80.1

(Reference) Equity

As of October 31, 2020 : ¥15,078million

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

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

\* Notes:

(1) Changes in significant subsidiaries during the Nine months ended October 31, 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 October 31, 2020 : 38,156,000 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 October 31, 2020 : 269,734 shares

As of January 31, 2020 : 272,934 shares

c. Average number of shares (Cumulative)

For the Nine months ended October 31, 2020 : 37,858,126 shares

For the Nine months ended October 31, 2019 : 37,846,990 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 “Qualitative Information on Consolidated Earnings Forecasts” on page 5 of 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, conditions for the Japanese economy are expected to continue to pick up as social and economic activity stages are gradually raised, various policies are effective, overseas economics recovering, and preventive measures are taken against COVID-19. However, both Japanese and overseas impact of COVID-19 and financial & capital market warrant close attention.

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 the main trend. Also, in order to prevent spread of COVID-19, the number of people staying at home increased thus resulting in expansion of game market. With the Japanese government promoting the GIGA School Project, demands for support services related to ICT environment preparation is increasing.

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 requires human input on a contractual basis to corporate clients. The demand for such outsourcing services has been growing as client's business has diversified and have expanded overseas. Another reason behind this is that 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, the Group operated joint ventures for game development, management, publishing etc., and formed capital and business alliance with ViSUALIZE Co. Ltd in February, 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 February, in order to aggregate and consolidate domestic Testing/Verification & Evaluation Business and improve service for clients. In October, QBIST Inc. made colorful Inc. its subsidiary in order to expand graphic creation business. In February, PTW International Holdings Limited newly established PTW Japan Co., Ltd. in order to specially support domestic clients wanting to globally expand their business. In October, PTW America, Inc. established 1518 Studios, Inc. in order to expand graphic creation business. In August, PITCREW CO., LTD. absorbed and merged with its wholly owned subsidiary PITCREW COREOPS CO., LTD. in order to aggregate and consolidate the internet support business and improve service ability for client companies. Collaboration has stepped up between seventeen delivery centers in ten countries The Group promoted to globally 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 ¥19,203,644 thousand (up 1.9%). Operating profit was ¥2,231,175 thousand (down 13.2%). Ordinary profit was ¥2,468,234 thousand (down 0.6%) and Profit attributable to owners of parent was ¥1,535,249 thousand (up 4.1%). 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 local companies increased and in non-game market orders for third party verification services increased. Due to COVID-19, some customer company's business was suspended or pushed back. Pole To Win Co., Ltd. received orders to create ICT environment at schools for the GIGA School Project. Specifically, preparing kitting service for tablets. CREST Inc. launched a game, "ARIA CHRONICLE" on Steam in October. The game had 10,000 downloads within 2 days of launch. 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 the eight months of February to September. As a result, Testing/Verification & Evaluation Business sales increased by 1.5% year on year, to ¥14,414,067 thousand. With upfront investment to CREST Inc., operating profit decreased by 19.3%, to ¥1,895,938 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 4.0%, to ¥4,660,750 thousand. Operating profit increased by 92.4%, to ¥371,623 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. Due to COVID-19, new production of movies was retained and orders saw decrease. 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 22.4% to ¥128,826 thousand and operating loss of ¥97,535 thousand, down from operating loss of ¥62,488 thousand a year earlier.

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

### **Total Assets**

Current assets increased by ¥1,539,621 thousand or 10.5% from the previous fiscal year-end, to ¥16,244,949 thousand. This was mainly attributable to an increase of ¥311,963 thousand in cash and deposits, ¥398,727 thousand in notes and accounts receivable - trade, ¥114,924 thousand in work in process, and ¥722,223 thousand in other current assets (mainly advance payments).

Non-current assets increased by ¥317,619 thousand, or 10.4% from the previous fiscal year-end, to ¥3,376,138 thousand. The key factor was an increase of ¥200,162 thousand in other of intangible assets (copyrights, etc.) and ¥71,502 thousand in leasehold and guarantee deposits.

As a result, total assets increased by ¥1,857,240 thousand, or 10.5% from the previous fiscal year-end, to ¥19,621,088 thousand.

## **Liabilities**

Current liabilities increased by ¥1,006,461 thousand, or 32.0% from the previous fiscal year-end, to ¥4,153,363 thousand. The key factors were rises of ¥183,768 thousand in accrued expenses, of ¥254,849 thousand in income taxes payable, of ¥173,857 thousand in provision for bonuses and of ¥369,105 thousand in other current liabilities (mainly advance received).

Non-current liabilities increased by ¥61,596 thousand, or 20.8% from the previous fiscal year-end, to ¥357,913 thousand. This was mainly due to decrease of ¥57,505 thousand in deferred tax liabilities but offset by ¥92,313 thousand increase in long-term borrowings.

As a result, total liabilities increased by ¥1,068,058 thousand, or 31.0% from the end of the previous fiscal year-end, to ¥4,511,276 thousand.

## **Net assets**

Net assets increased by ¥789,182 thousand or 5.5% from the previous fiscal year-end, to ¥15,109,811 thousand. This was mainly because there was decrease in ¥117,175 thousand in valuation difference on available-for-sale securities and ¥121,547 thousand in foreign currency translation adjustment but offset by ¥1,081,074 thousand increase of retained earnings for profit attributable to owners of parent and dividend payment.

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

During the third quarter of the consolidated fiscal year under review, state of emergency declaration or lockdowns was issued in many countries due to COVID-19. Many of the group's overseas subsidiaries continued business from WFH (work from home). The domestic subsidiaries continued business while taking prevention measures with some businesses continuing WFH. Although some businesses saw order increase as the number of people who stayed at home also increased, on the other hand some businesses saw cancellation or order delays. For fourth quarter and onward, as games, apps and amusement equipment, etc. development may see delay or cancellation for the Group's clients, and 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 than originally expected. Again, 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. As both Testing/Verification & Evaluation Business and Internet Supporting Business are receiving order increase related to the GIGA School Project, and colorful Inc.'s performance will be consolidated, the management retained the consolidated earnings forecasts that it disclosed on March 12, 2020, which is in perspective with disclosure standards defined by the Tokyo Stock Exchange.

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)	3Q Fiscal 2021 (As of October 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	10,514,170	10,826,034
Notes and accounts receivable - trade	3,669,689	4,068,416
Merchandise and finished goods	8,009	6,426
Work in process	63,797	178,722
Other	453,236	1,175,460
Allowance for doubtful accounts	(3,575)	(10,111)
Total current assets	14,705,328	16,244,949
Non-current assets		
Property, plant and equipment		
Buildings and structures	878,691	879,163
Accumulated depreciation	(479,298)	(524,626)
Buildings and structures, net	399,393	354,536
Machinery, equipment and vehicles	23,065	28,258
Accumulated depreciation	(14,180)	(15,412)
Machinery, equipment and vehicles, net	8,884	12,846
Tools, furniture and fixtures	1,470,181	1,565,059
Accumulated depreciation	(1,159,574)	(1,243,955)
Tools, furniture and fixtures, net	310,606	321,103
Total property, plant and equipment	718,885	688,486
Intangible assets		
Goodwill	725,510	718,493
Software	153,066	202,800
Other intangible assets	27,229	—
Other	2,395	202,558
Total intangible assets	908,202	1,123,853
Investments and other assets		
Investment securities	587,131	634,953
Leasehold and guarantee deposits	575,098	646,600
Deferred tax assets	170,172	176,115
Other	175,423	216,024
Allowance for doubtful accounts	(76,394)	(109,894)
Total investments and other assets	1,431,432	1,563,799
Total non-current assets	3,058,519	3,376,138
Total assets	17,763,847	19,621,088

(Thousands of yen)

	Fiscal 2020 (As of January 31, 2020)	3Q Fiscal 2021 (As of October 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	10,299	2,228
Current portion of long-term borrowings	6,536	67,620
Accounts payable - other	1,725,334	1,697,202
Accrued expenses	158,241	342,009
Income taxes payable	387,666	642,515
Provision for bonuses	30,458	204,316
Other	828,363	1,197,469
Total current liabilities	3,146,901	4,153,363
Non-current liabilities		
Long-term borrowings	41,924	134,238
Retirement benefit liability	76,303	94,771
Deferred tax liabilities	93,066	35,560
Other	85,022	93,343
Total non-current liabilities	296,316	357,913
<b>Total liabilities</b>	<b>3,443,217</b>	<b>4,511,276</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,237,674	1,239,064
Capital surplus	2,377,916	2,379,899
Retained earnings	10,706,356	11,787,431
Treasury shares	(169,686)	(167,696)
Total shareholders' equity	14,152,260	15,238,698
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	163,869	46,694
Foreign currency translation adjustment	(85,133)	(206,681)
Total accumulated other comprehensive income	78,735	(159,986)
Non-controlling interests	89,633	31,100
<b>Total net assets</b>	<b>14,320,629</b>	<b>15,109,811</b>
<b>Total liabilities and net assets</b>	<b>17,763,847</b>	<b>19,621,088</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income (Nine-month period ended October 31, 2020)**

(Thousands of yen)

	Nine months ended October 31, 2019	Nine months ended October 31, 2020
Net sales	18,843,809	19,203,644
Cost of sales	12,988,350	13,479,842
Gross profit	5,855,458	5,723,802
Selling, general and administrative expenses	3,285,902	3,492,627
Operating profit	2,569,556	2,231,175
Non-operating income		
Subsidy income	17,094	135,085
Surrender value of insurance policies	11,596	106,643
Other	16,942	18,622
Total non-operating income	45,633	260,351
Non-operating expenses		
Interest expenses	—	1,838
Foreign exchange losses	106,839	17,034
Share of loss of entities accounted for using equity method	17,231	—
Other	9,163	4,420
Total non-operating expenses	133,234	23,292
Ordinary profit	2,481,955	2,468,234
Extraordinary losses		
Loss on valuation of investment securities	99,999	—
Total extraordinary losses	99,999	—
Profit before income taxes	2,381,955	2,468,234
Income taxes	906,533	991,350
Profit	1,475,421	1,476,883
Loss attributable to non-controlling interests	—	(58,365)
Profit attributable to owners of parent	1,475,421	1,535,249



## Consolidated Statement of Comprehensive Income (Nine-month period ended October 31, 2020)

(Thousands of yen)

	Nine months ended October 31, 2019	Nine months ended October 31, 2020
Profit	1,475,421	1,476,883
Other comprehensive income		
Valuation difference on available-for-sale securities	145,907	(117,175)
Foreign currency translation adjustment	(137,003)	(121,714)
Total other comprehensive income	8,903	(238,889)
Comprehensive income	1,484,325	1,237,993
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,484,325	1,296,526
Comprehensive income attributable to non-controlling interests	—	(58,532)

### **(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.

**(Segment Information)**

1. 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* <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	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

2. Nine months ended October 31, 2020 (from February 1, 2020 to October 31, 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	14,414,067	4,660,750	19,074,818	128,826	19,203,644	—	19,203,644
Transactions with other segments	809	143,561	144,370	—	144,370	(144,370)	—
Net sales	14,414,876	4,804,311	19,219,188	128,826	19,348,015	(144,370)	19,203,644
Segment profit (loss)	1,895,938	371,623	2,267,562	(97,535)	2,170,026	61,148	2,231,175

- \*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 ¥61,148 thousand comprises elimination of intersegment transactions of ¥567,886 thousand and unallocated corporate expenses of - ¥506,738 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