



June 7, 2019

Consolidated Financial Results For the Three Months Ended April 30, 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
 Contact Person: Joji Yamauchi, Director & Chief Financial Officer
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Scheduled date to file Quarterly Securities Report: June 13, 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 three months ended April 30, 2019 (from February 1, 2019 to April 30, 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	%
Three months ended								
April 30, 2019	6,053	10.1	758	39.3	700	33.6	414	91.1
April 30, 2018	5,498	10.3	544	9.0	524	(0.7)	216	(22.7)

(Note) Comprehensive income

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

Three months ended April 30, 2018: ¥129 million (-31.9 %)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
April 30, 2019	10.95	10.94
April 30, 2018	6.05	6.04

(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	%
April 30, 2019	16,107	12,764	79.2
January 31, 2019	15,542	12,697	81.7

(Reference) Equity

As of April 30, 2019 : ¥12,764 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	–				
Fiscal year ending January 31, 2020 (Forecasts)		0.00	–	12.00	12.00

(Notes) Change in dividend forecasts for the fiscal year ending January 31, 2020 during the three months ended April 30, 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
Six months ending July 31, 2019	12,246	4.4	1,276	(13.4)	1,262	(11.9)	764	(9.0)	20.05
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 three months ended April 30, 2019: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended April 30, 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 April 30, 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 April 30, 2019 : 273,534 shares

As of January 31, 2019 : 273,534 shares

c. Average number of shares (Cumulative)

For the three months ended April 30, 2019 : 37,846,466 shares

For the three months ended April 30, 2018 : 35,843,412 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 4 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, although weakness would remain for the time being in some areas, 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 Chinese economy, overseas economic trends and policies, impact of financial and capital market fluctuations 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 first 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. To accommodate order expansion, PITCREW CO., LTD increased floor space for Kita Kyushu Service Center in April.

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 for defect detection (finding bugs), localization, Internet monitoring, and customer support.

As a result of these factors, consolidated net sales for the term were ¥6,053,361 thousand (up 10.1%). Operating profit was ¥758,642 thousand (up 39.3%). Ordinary profit was ¥700,174 thousand (up 33.6%) and Profit attributable to owners of parent was ¥414,319 thousand (up 91.1%).

Results by segment were as follows.

Segment name presented as "Medical Related Business", in the first quarter of the previous consolidated fiscal year, has been changed to be included in "Others" as its quantitative importance decreased. Segment information for the first 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, thus orders for outsourcing services including defect detection, localization customer support (overseas) and voice recording increased. Also, orders for outsourcing services for the amusement equipment increased. As a result, Testing/Verification & Evaluation Business sales increased by 9.4% year on year, to ¥4,569,192 thousand. Operating profit increased by 13.5%, to ¥669,302 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. To expand business for Customer Support in the game market, collaboration with Testing/Verification & Evaluation Business for sales activities was enhanced.

As a result, Internet Supporting Business sales increased by 17.8%, to ¥1,435,120 thousand. Operating profit increased by 94.9%, to ¥82,462 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. 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 53.5% to ¥49,049 thousand and operating loss of ¥6,544 thousand, down from operating loss of ¥92,477 thousand a year earlier.

(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 ¥511,865 thousand or 4.0% from the previous fiscal year-end, to ¥13,375,299 thousand. This was mainly attributable to an increase of ¥502,348 thousand in notes and accounts receivable-trade and ¥114,357 thousand in other current assets (mainly accounts receivable-other) which offset a decrease of ¥159,264 thousand in cash and deposits.

Non-current assets increased by ¥53,131 thousand, or 2.0% from the previous fiscal year-end, to ¥2,731,702 thousand. The key factor was an increase of ¥100,147 thousand in investment securities, offset by a decrease of ¥54,556 thousand in goodwill.

As a result, total assets increased by ¥564,996 thousand or 3.6% from the previous fiscal year-end, to ¥16,107,002 thousand.

Liabilities

Current liabilities increased by ¥483,825 thousand or 18.1% from the previous fiscal year-end, to ¥3,154,146 thousand. The key factors were rises of ¥199,657 thousand in accounts payable-other, ¥101,037 thousand in provision for bonuses and ¥312,498 thousand in other current liabilities (mainly deposits received) which offset a decrease of ¥186,400 thousand in income taxes payable.

Non-current liabilities increased by ¥14,689 thousand or 8.4% from the previous fiscal year-end, to ¥188,635 thousand. This was mainly due to increase of ¥5,023 thousand in net defined benefit liability.

As a result, total liabilities increased by ¥498,515 thousand or 17.5% from the end of the previous fiscal year-end, to ¥3,342,782 thousand.

Net assets

Net assets increased by ¥66,481 thousand or 0.5% from the previous fiscal year-end, to ¥12,764,220 thousand. This was mainly because there was a ¥1,991 thousand decrease of retained earnings for profit attributable to owners of parent and dividend payment but a ¥66,821 thousand increase in foreign currency translation adjustment.

(3) Qualitative Information on Consolidated Earnings Forecasts

Both revenues and earnings were broadly on target in the period under review. In the second 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)	1Q Fiscal 2020 (As of April 30, 2019)
Assets		
Current assets		
Cash and deposits	9,345,965	9,186,701
Notes and accounts receivable - trade	2,989,495	3,491,844
Merchandise and finished goods	14,491	13,929
Work in process	70,612	126,324
Other	445,822	560,179
Allowance for doubtful accounts	(2,952)	(3,680)
Total current assets	12,863,434	13,375,299
Non-current assets		
Property, plant and equipment		
Buildings and structures	792,005	792,416
Accumulated depreciation	(404,486)	(424,654)
Buildings and structures, net	387,518	367,761
Machinery, equipment and vehicles	19,444	23,142
Accumulated depreciation	(12,285)	(12,688)
Machinery, equipment and vehicles, net	7,159	10,454
Tools, furniture and fixtures	1,268,742	1,316,050
Accumulated depreciation	(1,013,000)	(1,054,059)
Tools, furniture and fixtures, net	255,741	261,990
Total property, plant and equipment	650,419	640,206
Intangible assets		
Goodwill	820,472	765,916
Software	102,925	96,081
Other intangible assets	72,352	62,889
Other	2,395	2,395
Total intangible assets	998,146	927,282
Investments and other assets		
Investment securities	152,014	252,161
Lease and guarantee deposits	521,147	527,423
Deferred tax assets	225,155	224,337
Other	219,452	257,653
Allowance for doubtful accounts	(87,763)	(97,363)
Total investments and other assets	1,030,005	1,164,213
Total non-current assets	2,678,571	2,731,702
Total assets	15,542,005	16,107,002

(Thousands of yen)

	Fiscal 2019 (As of January 31, 2019)	1Q Fiscal 2020 (As of April 30, 2019)
Liabilities		
Current liabilities		
Accounts payable - other	1,404,034	1,603,691
Accrued expenses	181,837	238,871
Income taxes payable	461,186	274,786
Provision for bonuses	36,471	137,508
Other	586,790	899,288
Total current liabilities	2,670,320	3,154,146
Non-current liabilities		
Net defined benefit liability	69,571	74,594
Deferred tax liabilities	15,836	15,102
Other	88,538	98,938
Total non-current liabilities	173,946	188,635
Total liabilities	2,844,267	3,342,782
Net assets		
Shareholders' equity		
Capital stock	1,237,642	1,237,642
Capital surplus	2,377,651	2,377,651
Retained earnings	9,334,880	9,332,889
Treasury shares	(170,059)	(170,059)
Total shareholders' equity	12,780,115	12,778,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,778	14,429
Foreign currency translation adjustment	(95,155)	(28,333)
Total accumulated other comprehensive income	(82,377)	(13,903)
Total net assets	12,697,738	12,764,220
Total liabilities and net assets	15,542,005	16,107,002

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income (Three-month period ended April 30, 2019)

(Thousands of yen)

	Three months ended April 30, 2018	Three months ended April 30, 2019
Net sales	5,498,770	6,053,361
Cost of sales	3,739,671	4,189,487
Gross profit	1,759,099	1,863,874
Selling, general and administrative expenses	1,214,626	1,105,232
Operating profit	544,472	758,642
Non-operating income		
Subsidy income	2,842	7,098
Other	3,063	7,057
Total non-operating income	5,906	14,156
Non-operating expenses		
Interest expenses	401	—
Foreign exchange losses	21,943	69,619
Share of loss of entities accounted for using equity method	—	2,241
Other	3,847	762
Total non-operating expenses	26,193	72,623
Ordinary profit	524,185	700,174
Extraordinary income		
Gain on sales of investment securities	4,499	—
Total extraordinary income	4,499	—
Extraordinary losses		
Loss on retirement of non-current assets	1,996	—
Loss on sales of non-current assets	47	—
Directors' retirement benefits	71,887	—
Total extraordinary losses	73,931	—
Profit before income taxes	454,753	700,174
Income taxes	237,986	285,855
Profit	216,766	414,319
Profit attributable to owners of parent	216,766	414,319

Consolidated Statement of Comprehensive Income (Three-month period ended April 30, 2019)

(Thousands of yen)

	Three months ended April 30, 2018	Three months ended April 30, 2019
Profit	216,766	414,319
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,021)	1,651
Foreign currency translation adjustment	(86,593)	66,821
Total other comprehensive income	(87,614)	68,473
Comprehensive income	129,151	482,793
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	129,151	482,793
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 first quarter under review, multiplying quarterly income before income taxes and minority interests by the relevant estimated effective tax rate.

(Additional information)

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. Three months ended April 30, 2018 (from February 1, 2018 to April 30, 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	4,175,615	1,217,779	5,393,395	105,375	5,498,770	-	5,498,770
Transactions with other segments	66,964	9,846	76,811	-	76,811	(76,811)	-
Net sales	4,242,580	1,227,626	5,470,206	105,375	5,575,581	(76,811)	5,498,770
Segment profit (loss)	589,938	42,300	632,238	(92,477)	539,761	4,710	544,472

- *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 ¥4,710 thousand comprises elimination of intersegment transactions of ¥138,842 thousand and unallocated corporate expenses of - ¥134,131 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, 2019 (from February 1, 2019 to April 30, 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	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 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

(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.