

## Consolidated Financial Results For the Nine Months Ended October 31, 2017 (Japanese Accounting Standards)

Name of the Listed Company: **Poletowin Pitcrew Holdings, Inc.**  
 Listing: First Section of Tokyo Stock Exchange  
 Stock code: 3657  
 URL: <http://www.poletowin-pitcrew-holdings.co.jp>  
 Representative: Naoto Konishi, President  
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Scheduled date to file Securities Report: December 14, 2016  
 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, 2017 (from February 1, 2017 to October 31, 2017)

(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, 2017	16,790	19.6	2,027	18.5	2,080	42.0	1,189	53.6
October 31, 2016	14,035	2.3	1,710	(11.4)	1,465	(21.6)	773	(30.7)

(Note) Comprehensive income

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

Nine months ended October 31, 2016: -¥46 million (- %)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
October 31, 2017	65.66	65.58
October 31, 2016	41.92	41.35

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
October 31, 2017	12,312	9,282	74.1
January 31, 2017	11,842	9,046	75.1

(Reference) Equity

As of October 31, 2017: ¥9,129 million

As of January 31, 2017: ¥8,895 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, 2017	–	0.00	–	19.00	19.00
Fiscal year ending January 31, 2018	–	0.00	–		
Fiscal year ending January 31, 2018(Forecasts)			–	19.00	19.00

(Notes)

Change in dividend forecasts for the fiscal year ending January 31, 2018 during the nine months ended October 31, 2017: No

## 3. Consolidated financial forecasts for the fiscal year ending January 31, 2018

(from February 1, 2017 to January 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending January 31, 2018	21,951	11.8	2,442	1.4	2,385	3.1	1,468	25.7	77.07

(Note) Change in financial forecasts for the fiscal year ending January 31, 2018 during the nine months ended October 31, 2017: No

\* Notes:

(1) Changes in significant subsidiaries during the nine months ended October 31, 2017 (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, 2017 19,058,000 shares

As of January 31, 2017 19,053,600 shares

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

As of October 31, 2017 1,136,645 shares

As of January 31, 2017 740,000 shares

c. Average number of shares (Cumulative)

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

For the nine months ended October 31, 2016 18,463,485 shares

\* This report falls outside the scope of quarterly review procedures.

\* 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.

## 1. Qualitative Information on Financial Results

### (1) Analysis of Operating Results

During the nine months ended October 31, 2017, 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, uncertainties about overseas economies, 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 social games market, which major developers of software for consumer electronic game consoles also entered, amid the rising popularity of smartphones and tablet PCs. To increase opportunities to steadily recoup their development expenses, social game developers increasingly deployed their offerings globally, just as has happened with consumer electronic game software. As a result, demand expanded for localization in multiple languages and for user support, augmenting services in detecting defects (bugs). At the same time, sales were favorable in the consumer electronic game market for new next-generation game consoles and virtual reality systems.

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 to put efforts into monitoring youth Internet usage and providing Internet literacy education for students, parents and guardians. As a result, monitoring work has increased, as have educational activities, including through leaflets and seminar lecturers.

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. During the third quarter under review, the Group established SIDE LA, LLC in February and Pole To Win Canada, Inc. in August. Pole To Win Singapore Pte. Ltd. opened Taipei Studio in May to prepare for globalization of software for consumer electronic game consoles. To accommodate order expansion, Pole To Win Co., Ltd. opened Sendai Studio in February and Osaki Studio in August. Pole To Win Networks Co., Ltd. also opened Sapporo office in April. IMAid Inc. which offers medical staffing services established IMAID VIETNAM CO., LTD. in May. Collaboration has stepped up between nineteen 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 ¥16,790,625 thousand (up 19.6%). Operating income was ¥2,027,004 thousand (up 18.5%). Ordinary income was ¥2,080,791 thousand (up 42.0%) and Profit attributable to owners of parent was ¥1,189,060 thousand (up 53.6%).

Results by segment were as follows.

The Group has changed the presentation of segment name "Internet Monitoring Business" to "Internet Supporting Business" from the first quarter under review. This change has no impact on segment information.

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

Reflecting collaboration between eighteen 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 software testing services for the PlayStation 4 increased.

As a result, Testing/Verification & Evaluation Business sales increased by 20.2% year on year, to ¥13,722,243 thousand. Operating income increased by 6.5%, to ¥1,989,789 thousand.

## **Internet Supporting Business**

In the Internet Supporting Business, the Group increased orders for outsourcing services including merchandise check services for Internet shopping, auction sites, and free market apps, 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. School underground website patrolling business that aims to improve teenagers Internet literacy received orders from 30 local governments during the term and undertook a new project from Ministry of Health, Labor, and Welfare which certifies the baby-sitter matching sites to be complied with the guidelines.

As a result, Internet Supporting Business sales increased by 12.6%, to ¥2,700,650 thousand. Operating income was ¥115,635 thousand, although there was an operating loss of ¥71,262 thousand a year earlier.

## **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. offers medical staffing services. Sales of this segment increased by 68.1%, to ¥367,732 thousand, although there was an operating loss of ¥116,022 thousand, up from ¥100,811 thousand a year earlier.

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

### **Total Assets**

Current assets increased by ¥622,553 thousand or 7.2% from the previous fiscal year, to ¥9,326,054 thousand. The key factors were rises of ¥221,529 thousand in cash and deposits, ¥218,531 thousand in notes and accounts receivable - trade and ¥151,534 thousand in accounts receivable - other.

Noncurrent assets fell by ¥151,998 thousand, or 4.8% lower than the previous fiscal year, to ¥2,986,584 thousand. The key factors were decrease of ¥155,750 thousand in goodwill and ¥57,218 thousand in other intangible assets, which offset an increase of ¥70,217 thousand in lease and guarantee deposits.

As a result, total assets increased by ¥470,555 thousand or 4.0% year on year, to ¥12,312,638 thousand.

### **Liabilities**

Current liabilities rose by ¥235,122 thousand or 9.0%, to ¥2,839,371 thousand. The prime factors were rises of ¥67,276 thousand in accounts payable – other, ¥57,095 thousand in accrued expenses, ¥188,017 thousand in provision for bonuses and ¥183,194 thousand in other (deposits received), which offset a ¥260,460 thousand decrease in income taxes payable.

Noncurrent liabilities decreased by ¥1,191 thousand or 0.6%, to ¥190,412 thousand. This was mainly due to a ¥10,603 thousand decrease in deferred tax liabilities.

As a result, total liabilities increased by ¥233,930 thousand or 8.4% year on year, to ¥3,029,784 thousand.

#### **Net assets**

Net assets increased by ¥236,624 thousand or 2.6%, to ¥9,282,854 thousand. This was because profit attributable to owners of parent added ¥841,101 thousand to retained earnings and foreign currency translation adjustment increased by ¥70,808 thousand, although the group repurchased treasury shares increased by ¥680,209 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, software testing services for the PlayStation 4 is gradually increasing. Trends in the amusement equipment market and rate of exchange continue 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 13, 2017.

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 2017 (As of January 31, 2017)	3Q Fiscal 2018 (As of October 31, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,075,574	5,297,104
Notes and accounts receivable-trade	2,930,818	3,149,349
Merchandise and finished goods	39,460	32,128
Work in process	72,881	110,543
Deferred tax assets	73,149	73,374
Other	517,626	669,160
Allowance for doubtful accounts	(6,009)	(5,606)
<b>Total current assets</b>	<b>8,703,500</b>	<b>9,326,054</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	711,846	797,706
Accumulated depreciation	(280,470)	(385,635)
Buildings and structures, net	431,375	412,071
Machinery, equipment and vehicles	12,803	12,803
Accumulated depreciation	(9,666)	(10,254)
Machinery, equipment and vehicles, net	3,137	2,549
Tools, furniture and fixtures	963,296	1,099,046
Accumulated depreciation	(716,985)	(830,732)
Tools, furniture and fixtures, net	246,310	268,314
<b>Total property, plant and equipment</b>	<b>680,824</b>	<b>682,935</b>
<b>Intangible assets</b>		
Goodwill	1,188,202	1,032,452
Software	47,504	51,032
Software in progress	3,960	400
Other intangible assets	350,987	293,768
Other	2,244	2,244
<b>Total intangible assets</b>	<b>1,592,899</b>	<b>1,379,899</b>
<b>Investments and other assets</b>		
Investment securities	202,695	172,116
Lease and guarantee deposits	469,364	539,581
Deferred tax assets	46,275	50,475
Other	149,265	215,137
Allowance for doubtful accounts	(2,742)	(53,561)
<b>Total investments and other assets</b>	<b>864,858</b>	<b>923,749</b>
<b>Total noncurrent assets</b>	<b>3,138,582</b>	<b>2,986,584</b>
<b>Total assets</b>	<b>11,842,083</b>	<b>12,312,638</b>

(Thousands of yen)

	Fiscal 2017 (As of January 31, 2017)	3Q Fiscal 2018 (As of October 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-other	1,398,662	1,465,938
Accrued expenses	124,383	181,479
Income taxes payable	628,355	367,894
Provision for bonuses	40,631	228,648
Other	412,216	595,410
Total current liabilities	2,604,249	2,839,371
Noncurrent liabilities		
Provision for retirement benefits	53,061	59,933
Deferred tax liabilities	78,020	67,417
Other	60,521	63,062
Total noncurrent liabilities	191,604	190,412
Total liabilities	2,795,853	3,029,784
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	1,237,140	1,237,485
Capital surplus	1,283,594	1,283,940
Retained earnings	7,084,238	7,925,340
Treasury shares	(732,600)	(1,412,809)
Total shareholders' equity	8,872,373	9,033,956
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,998	15,369
Foreign currency translation adjustments	9,368	80,176
Total accumulated other comprehensive income	23,366	95,546
Non-controlling interests	150,490	153,352
Total net assets	9,046,230	9,282,854
Total liabilities and net assets	11,842,083	12,312,638



**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Income**  
**(Nine-month period ended October 31, 2017)**

(Thousands of yen)

	Nine months ended October 31, 2016 (From February 1, 2016 to October 31, 2016)	Nine months ended October 31, 2017 (From February 1, 2017 to October 31, 2017)
Net sales	14,035,915	16,790,625
Cost of sales	9,342,002	11,151,252
Gross profit	4,693,913	5,639,373
Selling, general and administrative expenses	2,983,219	3,612,369
Operating income	1,710,694	2,027,004
Non-operating income		
Interest income	2,196	2,032
Dividends income	1,863	382
Foreign exchange gains	—	30,162
Subsidy income	4,602	8,147
Insurance premiums refunded cancellation	18,846	12,197
Commission fees	5,738	2,938
Other	5,937	8,249
Total non-operating income	39,184	64,110
Non-operating expenses		
Interest expenses	1,390	—
Foreign exchange losses	276,687	—
Compensation expenses	2,979	—
Commission for purchase of treasury shares	1,140	6,799
Other	1,948	3,524
Total non-operating expenses	284,146	10,324
Ordinary income	1,465,731	2,080,791
Extraordinary gains		
Loss on retirement of noncurrent assets	—	80
Gain on sales of investment securities	2,479	—
Total extraordinary gains	2,479	80
Extraordinary losses		
Loss on retirement of noncurrent assets	6,409	—
Loss on sales of noncurrent assets	2,643	—
Loss on valuation of investment securities	—	33,000
Total extraordinary losses	9,052	33,000
Income before income taxes and minority interests	1,459,159	2,047,871
Income taxes	690,897	864,641
Net income	768,261	1,183,229
Profit (loss) attributable to non-controlling interests	(5,718)	(5,830)
Profit attributable to owners of parent	773,980	1,189,060

**Consolidated Statement of Comprehensive Income**  
**(Nine-month period ended October 31, 2017)**

(Thousands of yen)

	Nine months ended October 31, 2016 (From February 1, 2016 to October 31, 2016)	Nine months ended October 31, 2017 (From February 1, 2017 to October 31, 201)
Profit	768,261	1,183,229
Other comprehensive income		
Valuation difference on available-for-sale securities	(254)	1,371
Foreign currency translation adjustments	(814,571)	79,500
Total other comprehensive income	(814,825)	80,872
Total comprehensive income	(46,564)	1,264,101
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	11,387	1,261,239
Comprehensive income attributable to non-controlling interests	(57,951)	2,861

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

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

The Group repurchased 396,500 shares in accordance with the resolution made at the meeting of its board of directors held on June 9, 2017. As a result, treasury shares increased by ¥680,209 thousand for the nine months ended October 31, 2017 and the amount of treasury shares was ¥1,412,809 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.

(Additional information)

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Group applied the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standard Board of Japan Implementation Guidance No. 26 issued on March 28, 2016) from the first quarter under review.

(Segment Information)

1. Nine months ended October 31, 2016 (from February 1, 2016 to October 31, 2016)

(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 Monitoring Business	Total				
Net sales							
Sales to third parties	11,419,518	2,397,620	13,817,139	218,776	14,035,915	—	14,035,915
Inter-segment sales and transfers	18,871	14,480	33,352	—	33,352	(33,352)	—
Total	11,438,389	2,412,101	13,850,491	218,776	14,069,267	(33,352)	14,035,915
Segment income (loss)	1,867,724	(71,262)	1,796,461	(100,811)	1,695,650	15,043	1,710,694

\*Notes: 1. Others covers operations not included in reporting segments, and mainly encompasses the publishing, and media businesses.

2. Adjustment for segment income of ¥15,043 thousand comprises elimination of intersegment transactions of ¥401,080 thousand and unallocated corporate expenses of -¥386,036 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

(Material changes in goodwill)

In the Testing/Verification & Evaluation Business segment, Entalize Co., Ltd., became a consolidated subsidiary following the acquisition of its stock during the first quarter under review, increasing goodwill by ¥318,417 thousand for the term.

2. 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 Monitoring Business	Total				
Net sales							
Sales to third parties	13,722,243	2,700,650	16,422,893	367,732	16,790,625	—	16,790,625
Inter-segment sales and transfers	11,770	31,069	42,839	—	42,839	(42,839)	—
<b>Total</b>	<b>13,734,013</b>	<b>2,731,719</b>	<b>16,465,733</b>	<b>367,732</b>	<b>16,833,465</b>	<b>(42,839)</b>	<b>16,790,625</b>
Segment income (loss)	1,989,789	115,635	2,105,424	(116,022)	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 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.  
4. The Group has changed the presentation of segment name “Internet Monitoring Business” to “Internet Supporting Business” from the first quarter under review. This change has no impact on segment information. Additionally, the changed name is presented to the reporting segment of the Nine months ended October 31, 2017.

(2) Information regarding impairment losses on fixed assets and goodwill by reporting segment  
Not applicable