



June 7, 2024

Consolidated Financial Results For the Three Months Ended April 30, 2024 (Japanese Accounting Standards)

Name of Listed Company: Pole To Win Holdings, Inc.
 Listing: Tokyo Stock Exchange, Prime Market
 Stock code: 3657 URL: <https://www.phd.inc>
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 Scheduled date to file Quarterly Securities Report: June 13, 2024
 Scheduled date to commence dividends 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, 2024 (From February 1, 2024, to April 30, 2024)

(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, 2024	11,963	9.5	-123	-	-91	-	-404	-
April 30, 2023	10,924	-	298	-	331	-	97	-

(Note) Comprehensive income: Three months ended April 30, 2024: -198 million yen (-%)
 Three months ended April 30, 2023: 210 million yen (-%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
Three months ended April 30, 2024	-11.44	-
April 30, 2023	2.62	-

(Note) 1. Figures for the three months ended April 30, 2023 have been retrospectively restated to reflect the change in accounting policies.

2. Year-on-year percentage change for the three months ended April 30, 2023 is not stated as the change in accounting policy has been applied retrospectively.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of Yen	Millions of Yen	%
April 30, 2024	23,838	12,677	53.2
January 31, 2024	24,436	13,441	55.0

(Reference) Equity: As of April 30, 2024: 12,671 million yen

As of January 31, 2024: 13,435 million yen

(Note) Figures for FY2024 have been retrospectively adjusted to reflect changes in accounting policies.

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, 2024	—	0.00	—	16.00	16.00
Fiscal year ending January 31, 2025	—	—	—	—	—
Fiscal year ending January 31, 2025 (forecast)	—	8.00	—	8.00	16.00

(Note) Change from the latest pressed dividends forecasts: Yes

3. Consolidated Financial Forecasts for the Fiscal Year Ending January 31, 2025 (from February 1, 2024 to January 31, 2025)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2024 (cumulative)	23,840	8.9	-118	-	-124	-	-860	-	-24.34
Fiscal year ending January 31, 2025	52,028	11.4	2,212	396.2	2,201	318.9	246	-	6.96

(Notes) 1. Change from the latest pressed financial forecasts: No

2. As changes in accounting policies have been applied retrospectively, the percentage change from the previous fiscal year and the percentage change from the same period of the previous fiscal year have been calculated using retrospectively adjusted figures.

* Notes:

(1) Changes in significant subsidiaries during the period: : No
(Changes in specified subsidiaries resulting in a change in the scope of consolidation)

(2) Use of particular accounting treatments in preparation of quarterly consolidated financial statements : Yes

(Note) For details, please refer to '2. Consolidated Financial Statements (3) Notes to Consolidated Financial Statements (Use of particular accounting treatments in preparation of quarterly consolidated financial statements)' on p. 9 of the attached document.

(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: : Yes
- c. Changes in accounting estimates: : No
- d. Restatement of revisions : No

(Note) For details, please refer to '2. Consolidated Financial Statements (3) Notes to Consolidated Financial Statements (Changes in accounting policies)' on p. 9 of the attached document.

(4) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury shares)

As of April 30, 2024	38,156,000 shares	Fiscal year ended January 31, 2024	38,156,000 shares
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b. Number of shares of treasury stock at the end of the period

As of April 30, 2024	2,795,730 shares	Fiscal year ended January 31, 2024	2,795,730 shares
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c. Average number of shares (Cumulative)

As of April 30, 2024	35,360,270 shares	As of April 30, 2023	37,188,588 shares
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* 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 p. 3 of the Attachment Materials to this report.

(How to obtain Supplementary Information to the Financial Results for the quarter)

The Company discloses the Supplementary Information to the Financial Results on the TDnet on the same day.

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1. Qualitative Information on Financial Results

As the method of converting revenues and expenses of overseas subsidiaries, which previously converted revenues and expenses into yen at the spot exchange rate on the date of account settlement, was changed to a method of converting revenues and expenses into yen at the average exchange rate during the period from the first quarter of the current fiscal year, comparative analysis has been carried out using retrospectively adjusted figures reflecting this change in accounting policies.

(1) Analysis of Operating Results

During the first quarter of the current fiscal year under review, the Japanese economy is expected to continue its mild recovery under the improving employment and income environment, partly due to the effects of various policies. However, amid continued global monetary tightening and concerns about the future of the Chinese economy, there is a risk that a downturn in overseas economies will put downward pressure on the Japanese economy. It is required to pay close attention to the effects of rising prices, the situation surrounding the Middle East region, fluctuations in financial and capital markets. Furthermore, attention should be paid to the impact of the 2024 Noto Peninsula earthquake on the economy.

Under these economic conditions, the Group is promoting Service Life Cycle Solutions Business that provides quality consulting, game testing/verification & evaluation, software third party verification, environment construction and transition support, monitoring, customer support, anti-fraud, BPR support, etc. globally, that occurs in the process of our clients' life cycle of planning, development, release, operation, and improvement. During the first quarter of the fiscal year under review, Pole To Win, Inc. has announced the development of 'FACT', a project management tool designed to standardize work, improve efficiency and quality assurance, create new businesses and develop human resources through big data analysis. HIKE Inc. has signed an industry-academia collaboration agreement with Chungkang College of Cultural Industries in South Korea, with the aim of jointly running educational programs and acquiring human resources in the animation and games fields. In terms of performance, sales increased, driven by Overseas Solutions. In terms of costs, there has been a significant decrease in the costs of integrating sites in Domestic Solutions, but there have been business reorganization costs in Overseas Solutions and additional game co-development burden costs in Media Contents.

As a result, the operating results for the first quarter of the current fiscal year were as follows: net sales of ¥11,963,587 thousand (increased 9.5% year-on-year), operating loss of ¥123,048 thousand (operating profit of ¥298,010 thousand for the same period previous year), ordinary loss of ¥91,548 thousand (ordinary profit of ¥331,085 thousand for the same period previous year) and net loss attributable to owners of the parent company was ¥404,501 thousand (net profit attributable to owners of the parent company of ¥97,512 thousand for the same period previous year).

Operating results by service category are as follows.

In the first quarter of the current fiscal year, the revenues of PTW Japan Co., Ltd. and Delfi Sound Inc. which were included in 'Domestic Solutions' in the first quarter of the previous fiscal year, have been included in 'Overseas Solutions' due to the change in classification method based on business management categories rather than the location of the companies.

Domestic Solutions

In this service category, domestic subsidiaries provide services for the game market, including testing, customer support, localization, and overseas expansion support. For the Technology market, the Group provides services related to software third-party verification, environment construction, server monitoring, data center operation, and kitting. For the e-commerce market, the Group provides monitoring and customer support services. Third-party verification and system development for the Technology market saw an increase in the size of projects, driving sales growth in this service category. As a result, net sales of Domestic Solutions totaled to ¥6,189,623 thousand (increased 9.3% year-on-year).

Overseas Solutions

In this service category, mainly overseas subsidiaries provide services related to testing, localization, voice recording, customer support, product development support, and art production. Net sales increased as a result of a pick-up in the gaming industry environment, an increase in voice recordings and customer support, as well as the effect of the yen's depreciation. As a result, net sales of Overseas Solutions totaled to ¥4,306,057 thousand yen (increased 17.2% year-on-year).

Media Contents

In this service category, mainly through the domestic subsidiaries, the Group provides services related to animation production, game publishing, art production, marketing support, and barrier-free subtitling and voice guidance production, with '360-Degree development of Intellectual Property' as the main focus. Although net sales increased in animation production, partly due to higher billing rates, net sales in the merchandising business decreased due to selection and concentration in the business, resulting in sales of ¥1,467,906 thousand (decreased 7.5% year-on-year) in Media Contents.

(2) Analysis of Financial Position

Assets

Current assets decreased by ¥640,158 thousand or 3.7% from the previous fiscal year-end, to ¥16,583,341 thousand. This was mainly due to a decrease of ¥1,284,653 thousand in cash and deposits, despite increases of ¥289,132 thousand in notes, accounts receivable – trade, and contract assets, ¥193,767 thousand in work in process and ¥110,518 thousand in others (such as accounts receivable - other).

Non-current assets increased ¥41,812 thousand or 0.6% from the previous fiscal year-end, to ¥7,254,734 thousand. This was mainly due to an increase of ¥126,143 thousand in software, despite a decrease of ¥60,781 thousand in goodwill and ¥25,528 thousand in other (investments in capital, etc.) in investments and other assets.

As a result, total assets decreased ¥598,346 thousand or 2.4% from the previous fiscal year-end, to ¥23,838,075 thousand.

Liabilities

Current liabilities increased ¥316,980 thousand or 3.1% from the previous fiscal year-end, to ¥10,389,549 thousand. This was mainly due to an increase in other (such as consumption tax payable) of ¥330,422 thousand.

Non-current liabilities decreased by ¥151,233 thousand or 16.4% from the previous fiscal year-end, to ¥771,352 thousand. This was mainly due to a decrease of ¥87,773 thousand in long-term borrowings, ¥24,049 thousand in retirement benefit liability, and ¥36,824 thousand in deferred tax liabilities.

As a result, total liabilities increased ¥165,747 thousand or 1.5% from the previous fiscal year-end, to ¥11,160,901 thousand.

Net assets

Total net assets decreased by ¥764,094 thousand or 5.7% from the previous fiscal year-end, to ¥12,677,173 thousand. This was mainly due to a decrease in retained earnings of ¥970,265 thousand due to the net loss attributable to owners of the parent and payment of dividends, despite an increase in foreign currency translation adjustments of ¥176,430 thousand.

(3) Qualitative Information on Consolidated Earnings Forecasts

In the first quarter of the current fiscal year under review, net sales in Overseas Solutions, and profits in all operations exceeded internal plans. The forecast for the second quarter onwards is generally expected to be in line with the plan and remains unchanged from the consolidated earnings forecasts announced on March 12, 2024.

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 results may differ due to several factors.

2. Consolidated Financial Statements**(1) Consolidated Balance Sheets**

(Thousands of yen)

	As of January 31, 2024	As of April 30, 2024
Assets		
Current assets		
Cash and deposits	7,843,562	6,558,909
Notes and accounts receivable - trade and contract assets	6,448,144	6,737,277
Merchandise and finished goods	9,000	60,355
Work in process	821,129	1,014,896
Other	2,135,561	2,246,079
Allowance for doubtful accounts	-33,899	-34,176
Total current assets	17,223,499	16,583,341
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,269,548	2,330,867
Accumulated depreciation	-816,941	-886,091
Buildings and structures, net	1,452,606	1,444,776
Machinery, equipment and vehicles	74,934	77,448
Accumulated depreciation	-30,723	-31,959
Machinery, equipment and vehicles, net	44,211	45,488
Tools, furniture and fixtures	3,261,567	3,450,265
Accumulated depreciation	-2,441,588	-2,612,459
Tools, furniture and fixtures, net	819,979	837,806
Other	48,902	51,624
Total property, plant and equipment	2,365,699	2,379,695
Intangible assets		
Goodwill	1,064,982	1,004,201
Software	520,587	646,731
Intangible asset	735,000	710,500
Other	3,997	3,997
Total intangible assets	2,324,568	2,365,430
Investments and other assets		
Investment securities	624,036	622,371
Leasehold and guarantee deposits	1,166,062	1,175,652
Deferred tax assets	464,159	467,415
Other	622,625	597,097
Allowance for doubtful accounts	-354,229	-352,929
Total investments and other assets	2,522,654	2,509,608
Total non-current assets	7,212,922	7,254,734
Total assets	24,436,422	23,838,075

	As of January 31, 2024	As of April 30, 2024
Liabilities		
Current liabilities		
Short-term borrowings	4,505,970	4,505,970
Current portion of long-term borrowings	248,227	172,548
Accounts payable - other	2,912,845	2,999,962
Accrued expenses	545,172	567,191
Income taxes payable	521,845	437,778
Provision for bonuses	28,629	65,797
Other	1,309,878	1,640,301
Total current liabilities	10,072,568	10,389,549
Non-current liabilities		
Long-term borrowings	240,666	152,893
Retirement benefit liability	153,553	129,503
Deferred tax liabilities	328,281	291,457
Other	200,085	197,498
Total non-current liabilities	922,586	771,352
Total liabilities	10,995,154	11,160,901
Net assets		
Shareholders' equity		
Share capital	1,239,064	1,239,064
Capital surplus	2,183,442	2,183,442
Retained earnings	11,925,454	10,955,189
Treasury shares	-2,552,259	-2,552,259
Total shareholders' equity	12,795,701	11,825,436
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-28,957	107
Foreign currency translation adjustment	669,089	845,520
Total accumulated other comprehensive income	640,131	845,628
Non-controlling interests	5,434	6,109
Total net assets	13,441,267	12,677,173
Total liabilities and net assets	24,436,422	23,838,075

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income (Three-month period ended April 30, 2024)

(Thousands of yen)

	Three months ended April 30, 2023	Three months ended April 30, 2024
Net sales	10,924,567	11,963,587
Cost of sales	8,181,395	9,495,383
Gross profit	2,743,172	2,468,203
Selling, general and administrative expenses	2,445,161	2,591,251
Operating profit (loss)	298,010	-123,048
Non-operating income		
Foreign exchange gains	-	33,279
Subsidy income	38,537	3,014
Other	5,024	10,378
Total non-operating income	43,562	46,672
Non-operating expenses		
Interest expense	2,977	3,709
Foreign exchange losses	6,107	-
Loss on investment securities	-	8,011
Other	1,401	3,451
Total non-operating expenses	10,486	15,172
Ordinary profit (loss)	331,085	-91,548
Extraordinary losses		
Loss on retirement of non-current assets	1,805	11,413
Loss on valuation of investment securities	-	49,990
Total extraordinary losses	1,805	61,404
Profit (loss) before income taxes	329,280	-152,952
Income taxes	233,096	250,873
Profit (loss)	96,183	-403,825
Profit (loss) attributable to non-controlling interests	-1,329	675
Profit (loss) attributable to owners of parent	97,512	-404,501

Consolidated Statement of Comprehensive Income
(Three-month period ended April 30, 2024)

(Thousands of yen)

	Three months ended April 30, 2023	Three months ended April 30, 2024
Profit (loss)	96,183	-403,825
Other comprehensive income		
Valuation difference on available-for-sale securities	-3,594	29,065
Foreign currency translation adjustment	118,277	176,430
Total other comprehensive income	114,683	205,496
Comprehensive income	210,866	-198,329
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	212,195	-199,005
Comprehensive income attributable to non-controlling interests	-1,329	675

(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.

(Changes in accounting policies)**(Change in method of converting profit and expenses of overseas subsidiaries into Japanese currency)**

Profit and expenses of overseas subsidiaries had previously been converted into yen at the spot exchange rate on the date of account settlement, but the importance of the results of overseas subsidiaries has increased in recent years amid significant fluctuations in exchange rates, and is expected to increase in the future due to the expansion of the overseas product business for general consumers. In order to mitigate the impact of temporary fluctuations in exchange rates on periodic profit and loss and to more appropriately reflect the performance of overseas subsidiaries to the Consolidated Financial Statements, the Company has changed to a method of converting into yen at the average exchange rate during the period effective from the year under review from the period of the three months ended April 30, 2024.

As the Company introduced a new consolidated accounting system in its seventh fiscal year (ended January 31, 2016) and the effect of the change in accounting policies on periods prior to the sixth fiscal year (ended January 31, 2015) was not material, the Company has applied the method of converting into yen at the average rate during the period from February 1, 2015.

The change in accounting policies has been applied retrospectively. The quarterly consolidated financial statements and consolidated financial statements for the three-month period ended April 30, 2023 and the previous consolidated fiscal year have been applied retrospectively.

As a result, in the consolidated statements of income for the three-month period ended April 30, 2023, compared to before retrospective application, net sales decreased by ¥24,382 thousand, operating profit increased by ¥3,176 thousand, ordinary profit by ¥989 thousand, profit before income taxes by ¥989 thousand and net profit attributable to owners of the parent company by ¥1,833 thousand.

As a result of the cumulative effect being reflected in the net assets at the beginning of previous consolidated fiscal year, the balance of retained earnings at the beginning of the previous consolidated fiscal year after retrospective application decreased by ¥2,798 thousand while the balance of foreign currency translation adjustments at the beginning of the previous consolidated fiscal year after retrospective application increased by the same amount.

(Segment information)

[Segment Information]

This information is omitted as the Group has a single segment, 'Service Life Cycle Solutions Business'.