



September 10, 2024

Consolidated Financial Results for 2nd Quarter (Interim Period) Ended July 31, 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>
 Representative: Teppei Tachibana, President & CEO
 Contact Person: Joji Yamauchi, Director & CFO Tel: +81-3-5909-7911
 Scheduled date to file interim report: September 13, 2024
 Scheduled date to commence dividends payments: October 8, 2024
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (for analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the six months ended July 31, 2024 (interim period)

(1) Consolidated operating results

(Percentages represent the change from the previous interim period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period of FY 2025	24,288	11.0	359	(36.2)	410	(8.3)	(184)	—
Interim period of FY 2024	21,884	—	564	—	447	—	(321)	—

(Note) Comprehensive income: Interim period of FY 2025: 216 million yen (26.7%)
 Interim period of FY 2024: 170 million yen (-%)

	Interim profit per share	Interim profit per share fully diluted
	Yen	Yen
Interim period of FY2025	(5.22)	—
Interim period of FY2024	(8.74)	—

(Notes) 1. The figures for the interim period of FY2024 have been retrospectively adjusted to reflect changes in accounting policies.
 2. The percentage change from the previous year's interim period to the interim period FY2024 is not stated because the accounting policy has been retroactively applied.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Interim period of FY 2025	24,800	13,092	52.8
January 31, 2024	24,436	13,441	55.0

(Reference) Equity: Interim period of FY 2025: 13,083 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				
	1st quarter	2nd quarter	3rd quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2024	—	0.00	—	16.00	16.00
Fiscal year ended January 31, 2025	—	8.00			
Fiscal year ending January 31, 2025 (forecast)			—	8.00	16.00

(Note) Change from the latest pressed dividends forecasts: No

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
Fiscal year ending January 31, 2025	51,007	9.2	1,803	304.5	1,849	251.9	322	—	9.11

(Notes) 1. Change from the latest pressed financial forecasts: Yes

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

* Notes:

(1) Important changes in the scope of consolidation during the interim period : No

(2) Application of accounting treatment specific to preparation of interim consolidated financial statements : Yes

(Note) See “(4) Notes on Interim Consolidated Financial Statements (Application of Accounting Methods Specific to the Preparation of Interim Consolidated Financial Statements)” under “2. Interim Consolidated Financial Statements and Main Notes” on page 9 of the attachment for details.

(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) See “(4) Notes on Interim Consolidated Financial Statements (Changes in Accounting Policies)” under “2. Interim Consolidated Financial Statements and Main Notes” on page 9 of the attachment for details.

(4) Number of common shares issued

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

Interim period of FY1/2025	38,156,000 shares	FY1/2024	38,156,000 shares
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b. Number of shares of treasury stock at the end of the period

Interim period of FY1/2025	2,795,751 shares	FY1/2024	2,795,730 shares
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c. Average number of shares (interim period)

Interim period of FY1/2025	35,360,270 shares	Interim period of FY1/2024	36,770,968 shares
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* 2nd quarter (interim period) financial results summaries are not subject to audit.

* 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. See “(3)Analysis of Consolidated Earnings Forecasts and Other Projection” under “1. Qualitative Information on the Interim Financial Results ” on page 3 of the attachment for the underlying assumptions of and precautions for using the forecasts.

(How to Obtain Supplementary Information to the Financial Results and the Content of the Financial Results Briefing)
Supplementary information to the financial statements is disclosed on TDnet on the same day.

In addition, the Company plans to hold an online briefing for analysts and institutional investors on Thursday, September 12, 2024. A video of the briefing and the briefing materials will be published on the Company’s website immediately after the event.

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1. Qualitative Information on the Interim Financial Results

The method for converting the income and expenses of overseas subsidiaries into yen was previously based on the spot exchange rate on the closing date. However, starting from the current interim consolidated accounting period, it has been changed to using the average exchange rate for the period. As a result, the figures for the current interim consolidated accounting period reflect retroactive adjustments based on this accounting policy change for comparison.

(1) Analysis of Operating Results

During the current interim consolidated accounting period, the Japanese economy is expected to continue its gradual recovery, supported by improvements in employment and income conditions as well as the effects of various policies. However, risks remain, including potential downturns in overseas economies due to continued high interest rates in Europe and the United States, and stagnation in China's real estate market, which would put downward pressure on Japan's economy. Additionally, close attention must be paid to rising prices, the situation in the Middle East, and fluctuations in financial and capital markets.

Under these economic conditions, the Group is promoting a Service Life Cycle Solutions Business that provides quality consulting, game testing, third-party software verification, infrastructure setup and transition support, monitoring, customer support, anti-fraud, BPR support, and more globally, that occurs in the process of our clients' service and product life cycle of planning, development, release, operation, and improvement. During the current interim consolidated accounting period, Pole To Win, Inc. announced the development of FACT, a project management tool designed to standardize and streamline operations, ensure quality, foster new business opportunities through big data analysis, and support human resource development. 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 game fields. To enhance its integrated media content production capabilities and expand its business, it acquired the recording studio operations and audio production business from PTW Japan, Co., Ltd. in June. 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 operational bases in Domestic Solutions, but there have been business restructuring costs in Overseas Solutions and additional joint game development costs in Media Contents.

As a result, net sales for the current interim consolidated accounting period reached 24,288,314 thousand yen (up 11.0% year on year), while operating profit was 359,954 thousand yen (down 36.2% year on year). Ordinary profit amounted to 410,517 thousand yen (down 8.3% year on year), and the interim net loss attributable to owners of parent was 184,643 thousand yen, compared to a loss of 321,232 thousand yen in the same period of the previous year.

Operating results by service category were as follows.

In the previous interim consolidated accounting period, the income of PTW Japan, Co., Ltd. and Delfi Sound Inc., which were included in Domestic Solutions, were reclassified based on management control categories rather than company location. As a result, in the current interim consolidated accounting period, they are now included in Overseas Solutions. Comparative analysis is being conducted using the reclassified figures that reflect this change in presentation method.

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 tech market, domestic subsidiaries provide services related to third-party software verification, infrastructure setup, server monitoring, data center operation, and kitting. For the e-commerce market, domestic subsidiaries provide monitoring and customer support services. Third-party verification and system development for the tech market saw an increase in the size of projects, driving sales growth in this service category.

As a result, Domestic Solutions sales amounted to 12,261,849 thousand yen (up 8.5% year on year).

Overseas Solutions

In this service category, overseas subsidiaries provide services, including testing, localization, voice recording, customer support, product development support, and art production. During the current interim consolidated accounting period, the overseas game industry environment improved, leading to increased sales driven by the weaker yen as well as a rise in demand for voice recording and customer support services.

As a result, Overseas Solutions sales amounted to 9,029,260 thousand yen (up 23.1% year on year).

Media Contents

In this service category, the Group provides services—mainly through its domestic subsidiaries—related to animation production, game publishing, art production, marketing support, and barrier-free subtitling and voice guidance production, with the 360-Degree development of Intellectual Property concept as the main focus. Although higher production unit prices in the animation production business pushed net sales up, withdrawing from unprofitable businesses through the selection and concentration of businesses pushed them down.

As a result, Media Contents sales amounted to 2,997,205 thousand yen (down 7.8% year on year).

(2) Analysis of Financial Position

Assets

Current assets increased by 459,280 thousand yen (2.7%) from the end of the previous consolidated fiscal year, reaching 17,682,780 thousand yen. This increase was primarily due to an increase of 354,387 thousand yen in notes and accounts receivable - trade, and contract assets and a 616,519 thousand yen increase in work in process despite a decrease of 343,283 thousand yen in cash and deposits and a decrease of 200,576 thousand yen in other accounts (such as accounts receivable).

Non-current assets decreased by 95,560 thousand yen (1.3%) from the end of the previous consolidated fiscal year, falling to 7,117,362 thousand yen. This is primarily due to a 265,563 thousand yen increase in software, a 139,962 thousand yen decrease in buildings and structures, a 112,552 thousand yen decrease in goodwill, and a 50,316 thousand yen increase in the allowance for doubtful accounts.

As a result, total assets increased by 363,720 thousand yen (1.5%) from the end of the previous consolidated fiscal year, reaching 24,800,142 thousand yen.

Liabilities

Current liabilities increased by 915,004 thousand yen (9.1%) from the end of the previous consolidated fiscal year, reaching 10,987,572 thousand yen. This was primarily due to a decrease of 114,668 thousand yen in the current portion of long-term borrowings, along with increases of 513,996 thousand yen in accounts payable - other, 113,886 thousand yen in income taxes payable, and 390,855 thousand yen in other liabilities (such as advance payments).

Non-current liabilities decreased by 202,027 thousand yen (21.9%) from the end of the previous consolidated fiscal year, falling to 720,559 thousand yen. This was primarily due to a decrease of 140,501 thousand yen in long-term borrowings.

As a result, total liabilities increased by 712,977 thousand yen (6.5%) from the end of the previous consolidated fiscal year, reaching 11,708,132 thousand yen.

Net assets

Total net assets decreased by 349,257 thousand yen (2.6%) from the end of the previous consolidated fiscal year, falling to 13,092,010 thousand yen. This was mainly due to an increase of 371,414 thousand yen in foreign currency translation adjustments, along with a decrease of 750,407 thousand yen in retained earnings due to the recording of an interim net loss attributable to owners of parent and the payment of dividends.

(3) Analysis of Consolidated Earnings Forecasts and Other Projections

In the current interim consolidated accounting period, Overseas Solutions surpassed the consolidated earnings forecast, with both net sales and profits exceeding the plan. Based on the results for the current interim consolidated accounting period, we have revised our earnings forecast for the 3rd quarter and beyond. Because the profit attributable to owners of parent is expected to increase at a rate exceeding the criteria for timely disclosure, as announced today (September 10, 2024) in the notice titled “Differences Between Forecasted and Actual Consolidated Financial Results for the 2nd Quarter (Interim Period) and Revision of Full-Year Consolidated Earnings Forecast,” we have updated our full-year consolidated earnings forecast.

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. Interim Consolidated Financial Statements and Main Notes

(1) Interim Consolidated Balance Sheets

(Thousands of yen)

	As of January 31, 2024	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	7,843,562	7,500,278
Notes and accounts receivable - trade, and contract assets	6,448,144	6,802,532
Merchandise and finished goods	9,000	37,379
Work in process	821,129	1,437,649
Other	2,135,561	1,934,985
Allowance for doubtful accounts	-33,899	-30,045
Total current assets	17,223,499	17,682,780
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,269,548	2,091,904
Accumulated depreciation	-816,941	-779,260
Buildings and structures, net	1,452,606	1,312,644
Machinery, equipment and vehicles	74,934	79,758
Accumulated depreciation	-30,723	-36,685
Machinery, equipment and vehicles, net	44,211	43,073
Tools, furniture and fixtures	3,261,567	3,672,744
Accumulated depreciation	-2,441,588	-2,897,421
Tools, furniture and fixtures, net	819,979	775,322
Other	48,902	20,411
Total property, plant and equipment	2,365,699	2,151,451
Intangible assets		
Goodwill	1,064,982	952,429
Software	520,587	786,151
Intangible assets	735,000	686,000
Other	3,997	3,997
Total intangible assets	2,324,568	2,428,579
Investments and other assets		
Investment securities	624,036	630,708
Leasehold and guarantee deposits	1,166,062	1,180,371
Deferred tax assets	464,159	512,923
Other	622,625	617,874
Allowance for doubtful accounts	-354,229	-404,545
Total investments and other assets	2,522,654	2,537,331
Total non-current assets	7,212,922	7,117,362
Total assets	24,436,422	24,800,142

(Thousands of yen)

	As of January 31, 2024	As of July 31, 2024
Liabilities		
Current liabilities		
Short-term borrowings	4,505,970	4,505,970
Current portion of long-term borrowings	248,227	133,559
Accounts payable - other	2,912,845	3,426,841
Accrued expenses	545,172	529,096
Income taxes payable	521,845	635,732
Provision for bonuses	28,629	55,639
Other	1,309,878	1,700,734
Total current liabilities	10,072,568	10,987,572
Non-current liabilities		
Long-term borrowings	240,666	100,165
Retirement benefit liability	153,553	135,455
Deferred tax liabilities	328,281	309,025
Other	200,085	175,912
Total non-current liabilities	922,586	720,559
Total liabilities	10,995,154	11,708,132
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	11,175,047
Treasury shares	-2,552,259	-2,552,270
Total shareholders' equity	12,795,701	12,045,284
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-28,957	-2,060
Foreign currency translation adjustment	669,089	1,040,504
Total accumulated other comprehensive income	640,131	1,038,443
Non-controlling interests	5,434	8,282
Total net assets	13,441,267	13,092,010
Total liabilities and net assets	24,436,422	24,800,142

(2) Interim Consolidated Statements of Income and Interim Consolidated Statement of Comprehensive Income

(Interim Consolidated Statements of Income)
(Interim Consolidated Accounting Period)

(Thousands of yen)

	Six months ended July 31, 2023	Six months ended July 31, 2024
Net sales	21,884,909	24,288,314
Cost of sales	16,451,956	18,749,072
Gross profit	5,432,953	5,539,242
Selling, general and administrative expenses	4,868,558	5,179,287
Operating profit	564,395	359,954
Non-operating income		
Foreign exchange gains	30,603	12,979
Subsidy income	42,061	49,372
Surrender value of insurance policies	–	5,783
Other	18,300	18,454
Total non-operating income	90,965	86,590
Non-operating expenses		
Interest expenses	6,229	9,218
Loss on investment securities	5,166	15,446
Provision of allowance for doubtful accounts	188,390	–
Commission for purchase of treasury shares	4,955	–
Other	2,895	11,362
Total non-operating expenses	207,637	36,027
Ordinary profit	447,723	410,517
Extraordinary income		
Gain on sale of non-current assets	–	6,895
Gain on sale of investment securities	27,429	–
Total extraordinary income	27,429	6,895
Extraordinary losses		
Loss on retirement of non-current assets	2,713	11,413
Loss on valuation of investment securities	–	49,990
Impairment losses	316,677	26,654
Total extraordinary losses	319,391	88,058
Profit before income taxes	155,761	329,354
Income taxes	477,737	511,148
Loss	–321,975	–181,794
Profit (loss) attributable to non-controlling interests	–743	2,848
Loss attributable to owners of parent	–321,232	–184,643

(Interim Consolidated Statement of Comprehensive Income)
(Interim Consolidated Accounting Period)

(Thousands of yen)

	Six months ended July 31, 2023	Six months ended July 31, 2024
Loss	-321,975	-181,794
Other comprehensive income		
Valuation difference on available-for-sale securities	-15,087	26,897
Foreign currency translation adjustment	508,017	371,414
Total other comprehensive income	492,929	398,311
Comprehensive income	170,954	216,517
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	171,697	213,668
Comprehensive income attributable to non-controlling interests	-743	2,848

(3) Interim Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended July 31, 2023	Six months ended July 31, 2024
Cash flows from operating activities		
Profit before income taxes	155,761	329,354
Depreciation	362,746	444,428
Impairment losses	316,677	26,654
Amortization of goodwill	167,886	141,018
Increase (decrease) in allowance for doubtful accounts	201,116	46,462
Increase (decrease) in provision for bonuses	19,715	26,703
Increase (decrease) in retirement benefit liability	-1,722	-28,077
Interest and dividend income	-1,952	-3,719
Subsidy income	-42,061	-49,372
Interest expenses	6,229	9,218
Foreign exchange losses (gains)	-73,038	3,088
Loss (profit) on investment securities	5,166	15,446
Loss (gain) on sale of non-current assets	-	-6,895
Loss on retirement of non-current assets	2,713	11,413
Loss (gain) on valuation of investment securities	-	49,990
Loss (gain) on sale of investment securities	-27,429	-
Decrease (increase) in trade receivables and contract assets	40,353	513,591
Decrease (increase) in inventories	-312,560	-644,898
Decrease (increase) in accounts receivable - other	-112,802	370,579
Increase (decrease) in accounts payable - other	-513,093	-443,655
Increase (decrease) in accrued expenses	61,444	-68,322
Increase (decrease) in accrued consumption taxes	-108,553	21,145
Increase (decrease) in deposits received	16,006	60,129
Other, net	150,407	83,284
Subtotal	313,011	907,567
Interest and dividends received	14,252	3,719
Subsidies received	42,061	49,372
Interest paid	-13,515	-9,869
Income taxes paid	-210,236	-232,340
Net cash provided by (used in) operating activities	145,573	718,449
Cash flows from investing activities		
Purchase of property, plant and equipment	-696,737	-228,422
Proceeds from sale of property, plant and equipment	-	213,370
Purchase of intangible assets	-371,064	-356,460
Purchase of investment securities	-154,674	-25,000
Proceeds from sale of investment securities	63,299	-
Payments for acquisition of businesses	-	-38,077
Loan advances	-12,218	-
Proceeds from collection of loans receivable	2,427	2,044
Payments of leasehold and guarantee deposits	-298,924	-41,139
Proceeds from refund of leasehold and guarantee deposits	132,761	24,144
Net cash provided by (used in) investing activities	-1,335,131	-449,540
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,000,000	-
Repayments of long-term borrowings	-224,026	-255,169
Dividends paid	-559,892	-565,764
Purchase of treasury shares	-1,863,617	-10
Net cash provided by (used in) financing activities	-1,647,535	-820,943
Effect of exchange rate change on cash and cash equivalents	192,112	208,750
Net increase (decrease) in cash and cash equivalents	-2,644,980	-343,283
Cash and cash equivalents at beginning of period	11,192,774	7,843,562
Cash and cash equivalents at end of period	8,547,793	7,500,278

(4) Notes on Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Application of Accounting Methods Specific to the Preparation of Interim Consolidated Financial Statements)

(Calculation of Income Taxes Payable)

Tax expenses for the Company and some consolidated subsidiaries are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before taxes for the consolidated fiscal year, including the current interim period. This estimate is then multiplied by the income before taxes to determine the tax expenses.

(Changes in Accounting Policies)

(Change in Method of Converting Profit and Expenses of Overseas Subsidiaries into Japanese Currency)

Previously, we converted the income and expenses of our overseas subsidiaries into yen using the spot exchange rate on the closing date. However, due to significant exchange rate fluctuations and the increasing importance of these subsidiaries, as well as the expected growth in our overseas consumer product business, we have updated our approach. Starting from the current interim period, we now use the average exchange rate for the period to convert these figures into yen. This adjustment helps reduce the impact of temporary exchange rate fluctuations on our financial results and provides a more accurate reflection of the overseas subsidiaries' performance in our consolidated financial statements.

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 exchange rate during the period starting from February 1, 2015.

The change in accounting policies is applied retroactively. As a result, the interim consolidated financial statements and the consolidated financial statements for both the previous interim period and the previous fiscal year reflect this retroactive application.

As a result of the retroactive application, the interim consolidated statements of income for the previous period show a decrease in sales amounting to 455,847 thousand yen. However, operating profit increased by 72,460 thousand yen, ordinary profit went up by 25,298 thousand yen, and profit before income taxes increased by 25,298 thousand yen. The interim net loss attributable to owners of parent decreased by 33,383 thousand yen. Additionally, the interim consolidated cash flow statement for the previous period indicates a reduction in net cash provided by operating activities of 32,180 thousand yen and an increase in net cash provided by investing activities of 32,043 thousand yen.

Additionally, the cumulative impact was reflected in the net assets at the beginning of the previous consolidated fiscal year. As a result, the beginning balance of retained earnings for that fiscal year decreased by 2,798 thousand yen, while the beginning balance of foreign currency translation adjustments increased by the same amount.

(Notes on Segment Information)

[Segment Information]

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