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December 10, 2024

Consolidated Financial Results for the Nine Months Ended October 31, 2024 (Under Japanese GAAP)

Company name: Pole To Win Holdings, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3657
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Scheduled date to commence dividend payments: —
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended October 31, 2024 (from February 1, 2024 to October 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
October 31, 2024	37,259	10.8	634	-9.8	614	-23.0	-226	—
October 31, 2023	33,622	—	703	—	797	—	-291	—

Note: Comprehensive income: For the nine months ended October 31, 2024: -505 million [—%]
For the nine months ended October 31, 2023: 213 million [—%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
October 31, 2024	-6.41	—
October 31, 2023	-8.02	—

Note: 1. Figures for the nine months ended October 31, 2023 have been retrospectively adjusted to reflect changes in accounting policies.
2. Percentage change from the same period of the previous year for the nine months ended October 31, 2023 is not stated because changes in accounting policies have been applied retroactively.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
October 31, 2024	27,113	12,087	44.5
January 31, 2024	24,436	13,441	55.0

Reference: Equity:

As of October 31, 2024: 12,078 million

As of January 31, 2024: 13,435 million

Note: Figures as of January 31, 2024 have been retrospectively adjusted to reflect changes in accounting policies.

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	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: Revisions to the forecast of cash dividends most recently announced: None

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

Note: 1. Revisions to the financial forecasts most recently announced: None

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) Significant changes in the scope of consolidation during the period: None

Newly included: — companies

Excluded: — companies

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: See “(3) Notes to Quarterly Consolidated Financial Statements (Notes on Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements)” under “2. Quarterly Consolidated Financial Statements and Main Notes” on page 8 of the attachment for details.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: Yes

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: See “(3) Notes to Quarterly Consolidated Financial Statements (Notes on Changes in Accounting Policies)” under “2. Quarterly Consolidated Financial Statements and Main Notes” on page 8 of the attachment for details.

(4) Number of issued shares (common shares)

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

As of October 31, 2024	38,156,000 shares
As of January 31, 2024	38,156,000 shares

(ii) Number of treasury shares at the end of the period

As of October 31, 2024	2,795,751 shares
As of January 31, 2024	2,795,730 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended October 31, 2024	35,360,263 shares
Nine months ended October 31, 2023	36,295,568 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 several factors. See “(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements” under “1. Overview of the Financial Results” on page 3 of the attachment for the underlying assumptions of and precautions for using the forecasts.

(How to obtain supplementary material on financial results)

Supplementary material on financial results is disclosed on TDnet on the same day.

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1. Overview of Operating 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 first quarter consolidated accounting period, it has been changed to using the average exchange rate for the period. As a result, the figures for the current consolidated accounting period reflect retroactive adjustments based on this accounting policy change for comparison.

(1) Overview of Quarterly Operating Results

During the third quarter consolidated cumulative accounting period under review, 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, 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 third quarter consolidated cumulative accounting period under review, 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. In September, PTW America Inc. acquired the business of Ghostpunch Games, LLC, which operates a game development outsourcing business. This has enabled the Group to offer its existing clients not only conventional services associated with game development but also outsourcing services for the development process itself. 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 third quarter consolidated cumulative accounting period under review reached 37,259,580 thousand yen (up 10.8% year on year), while operating profit was 634,336 thousand yen (down 9.8% year on year). Ordinary profit amounted to 614,457 thousand yen (down 23.0% year on year), and the quarterly net loss attributable to owners of parent was 226,595 thousand yen, compared to a loss of 291,161 thousand yen in the same period of the previous year.

Results by service category were as follows.

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

(i) 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 software verification, infrastructure setup, server monitoring, data center operation, and kitting. For the e-commerce market, domestic subsidiaries provide monitoring and customer support services. Software 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 18,449,026 thousand yen (up 6.6% year on year).

(ii) Overseas Solutions

In this service category, primarily overseas subsidiaries provide services, including testing, localization, voice recording, customer support, product development support, and art production. During the third quarter consolidated cumulative accounting period under review, net sales increased due to a recovery in the overseas game industry, growth in voice recording and customer support services, the contribution of the newly consolidated business following the acquisition of Ghostpunch Games, LLC, and the impact of yen depreciation.

As a result, Overseas Solutions sales amounted to 13,998,672 thousand yen (up 19.3% year on year).

(iii) 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 withdrawing from unprofitable businesses through the selection and concentration of businesses pushed net sales down, higher production unit prices in the animation production business pushed them up.

As a result, Media Contents sales amounted to 4,811,881 thousand yen (up 5.2% year on year).

(2) Overview of the Quarterly Financial Position

(Assets)

Current assets increased by 1,083,622 thousand yen (6.3%) from the end of the previous consolidated fiscal year, reaching 18,307,122 thousand yen. This increase was primarily due to an increase of 1,296,484 thousand yen in notes and accounts receivable - trade, and contract assets and an 892,792 thousand yen increase in work in process despite a decrease of 1,100,190 thousand yen in cash and deposits.

Non-current assets increased by 1,593,140 thousand yen (22.1%) from the end of the previous consolidated fiscal year, reaching 8,806,063 thousand yen. This is primarily due to a 1,558,076 thousand yen increase in goodwill and a 298,258 thousand yen increase in software, despite a 103,316 thousand yen decrease in tools, furniture, and fixtures.

As a result, total assets increased by 2,676,763 thousand yen (11.0%) from the end of the previous consolidated fiscal year, reaching 27,113,185 thousand yen.

(Liabilities)

Current liabilities increased by 4,219,669 thousand yen (41.9%) from the end of the previous consolidated fiscal year, reaching 14,292,238 thousand yen. This was primarily due to a decrease of 198,228 thousand yen in the current portion of long-term borrowings, along with increases of 2,494,029 thousand yen in short-term borrowings, 1,088,076 thousand yen in accounts payable – other, and 803,782 thousand yen in other liabilities (such as advance payments).

Non-current liabilities decreased by 188,698 thousand yen (20.5%) from the end of the previous consolidated fiscal year, falling to 733,888 thousand yen. This was primarily due to a decrease of 144,191 thousand yen in long-term borrowings.

As a result, total liabilities increased by 4,030,971 thousand yen (36.7%) from the end of the previous consolidated fiscal year, reaching 15,026,126 thousand yen.

(Net assets)

Total net assets decreased by 1,354,208 thousand yen (10.1%) from the end of the previous consolidated fiscal year, falling to 12,087,059 thousand yen. This was mainly due to a decrease of 1,075,241 thousand yen in retained earnings resulting from the recording of a quarterly net loss attributable to owners of parent and the payment of dividends.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

There are no changes to the full-year consolidated earnings forecasts announced in the September 10, 2024 notice titled “Differences Between Forecasted and Actual Consolidated Financial Results for the 2nd Quarter (Interim Period) and Revision of 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. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of January 31, 2024	As of October 31, 2024
Assets		
Current assets		
Cash and deposits	7,843,562	6,743,372
Notes and accounts receivable - trade, and contract assets	6,448,144	7,744,628
Merchandise and finished goods	9,000	19,016
Work in process	821,129	1,713,921
Other	2,135,561	2,113,748
Allowance for doubtful accounts	-33,899	-27,565
Total current assets	17,223,499	18,307,122
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,269,548	2,086,775
Accumulated depreciation	-816,941	-699,330
Buildings and structures, net	1,452,606	1,387,444
Machinery, equipment and vehicles	74,934	76,789
Accumulated depreciation	-30,723	-38,132
Machinery, equipment and vehicles, net	44,211	38,657
Tools, furniture and fixtures	3,261,567	3,546,409
Accumulated depreciation	-2,441,588	-2,829,747
Tools, furniture and fixtures, net	819,979	716,662
Other	48,902	25,395
Total property, plant and equipment	2,365,699	2,168,159
Intangible assets		
Goodwill	1,064,982	2,623,059
Software	520,587	818,845
Intangible assets	735,000	661,500
Other	3,997	3,997
Total intangible assets	2,324,568	4,107,403
Investments and other assets		
Investment securities	624,036	709,829
Leasehold and guarantee deposits	1,166,062	1,168,205
Deferred tax assets	464,159	474,207
Other	622,625	587,982
Allowance for doubtful accounts	-354,229	-409,724
Total investments and other assets	2,522,654	2,530,499
Total non-current assets	7,212,922	8,806,063
Total assets	24,436,422	27,113,185

(Thousands of yen)

	As of January 31, 2024	As of October 31, 2024
Liabilities		
Current liabilities		
Short-term borrowings	4,505,970	7,000,000
Current portion of long-term borrowings	248,227	49,999
Accounts payable - other	2,912,845	4,000,921
Accrued expenses	545,172	522,493
Income taxes payable	521,845	531,602
Provision for bonuses	28,629	73,560
Other	1,309,878	2,113,660
Total current liabilities	10,072,568	14,292,238
Non-current liabilities		
Long-term borrowings	240,666	96,475
Retirement benefit liability	153,553	130,667
Deferred tax liabilities	328,281	293,278
Other	200,085	213,466
Total non-current liabilities	922,586	733,888
Total liabilities	10,995,154	15,026,126
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	10,850,212
Treasury shares	-2,552,259	-2,552,270
Total shareholders' equity	12,795,701	11,720,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-28,957	-8,778
Foreign currency translation adjustment	669,089	367,144
Total accumulated other comprehensive income	640,131	358,366
Non-controlling interests	5,434	8,242
Total net assets	13,441,267	12,087,059
Total liabilities and net assets	24,436,422	27,113,185

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

(Quarterly Consolidated Statements of Income for the Nine Months Ended October 31, 2024)

(Thousands of yen)

	Nine months ended October 31, 2023	Nine months ended October 31, 2024
Net sales	33,622,202	37,259,580
Cost of sales	25,622,479	28,825,431
Gross profit	7,999,722	8,434,148
Selling, general and administrative expenses	7,296,455	7,799,812
Operating profit	703,266	634,336
Non-operating income		
Foreign exchange gains	87,597	—
Subsidy income	47,260	59,432
Surrender value of insurance policies	—	5,783
Other	21,835	47,691
Total non-operating income	156,693	112,906
Non-operating expenses		
Interest expenses	9,201	34,286
Foreign exchange losses	—	61,294
Loss on investment securities	11,002	19,520
Provision of allowance for doubtful accounts	20,000	—
Commission for purchase of treasury shares	4,955	—
Other	17,042	17,684
Total non-operating expenses	62,202	132,785
Ordinary profit	797,758	614,457
Extraordinary income		
Gain on sale of non-current assets	—	7,675
Gain on sale of investment securities	27,429	—
Total extraordinary income	27,429	7,675
Extraordinary losses		
Loss on retirement of non-current assets	2,713	12,003
Loss on valuation of investment securities	177,137	49,990
Impairment losses	316,677	26,356
Total extraordinary losses	496,528	88,350
Profit before income taxes	328,659	533,782
Income taxes	622,446	757,569
Loss	-293,787	-223,786
Profit (loss) attributable to non-controlling interests	-2,626	2,808
Loss attributable to owners of parent	-291,161	-226,595

(Quarterly Consolidated Statement of Comprehensive Income for the Nine Months Ended October 31, 2024)

(Thousands of yen)

	Nine months ended October 31, 2023	Nine months ended October 31, 2024
Loss	-293,787	-223,786
Other comprehensive income		
Valuation difference on available-for-sale securities	-28,651	20,179
Foreign currency translation adjustment	536,144	-301,945
Total other comprehensive income	507,492	-281,765
Comprehensive income	213,705	-505,551
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	216,331	-508,360
Comprehensive income attributable to non-controlling interests	-2,626	2,808

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on 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 three months ended April 30, 2024, 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 quarterly consolidated financial statements for the nine months ended October 31, 2023 and the consolidated financial statements for the previous fiscal year reflect this retroactive application.

As a result of the retroactive application, the quarterly consolidated statements of income for the previous period reflect a decrease in sales of 638,075 thousand yen. Operating profit increased by 25,822 thousand yen. However, ordinary profit decreased by 13,946 thousand yen, profit before income taxes decreased by 13,946 thousand yen, and the quarterly net loss attributable to owners of the parent decreased by 3 thousand yen.

Additionally, the cumulative impact was reflected in the net assets at the beginning of the previous 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 Accounting Treatment Specific to the Preparation of Quarterly 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 fiscal year, including the current quarterly period ended October 31, 2024. This estimate is then multiplied by the income before taxes to determine the tax expenses.

(Notes on Segment Information)

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

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Premise of Going Concern)

Not applicable.

(Notes to Quarterly Consolidated Statement of Cash Flows)

We have not prepared the quarterly consolidated statement of cash flows for the nine months ended October 31, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine-month period are as follows.

	(Thousands of yen)	
	Nine months ended October 31, 2023	Nine months ended October 31, 2024
Depreciation	546,075	715,938
Amortization of goodwill	224,217	227,586