
Pole To Win Holdings, Inc.

Annual Review 2023

For the Year Ended January 31, 2023

◆ Corporate Philosophy

• Create Customer Value:

All that a person is capable of, all that a technology is capable of

◆ Vision

• Global Excellence:

From foremost in Japan to foremost in the world

• Create Added Value:

Provide services maximizing proprietary systems and all that a person is capable of

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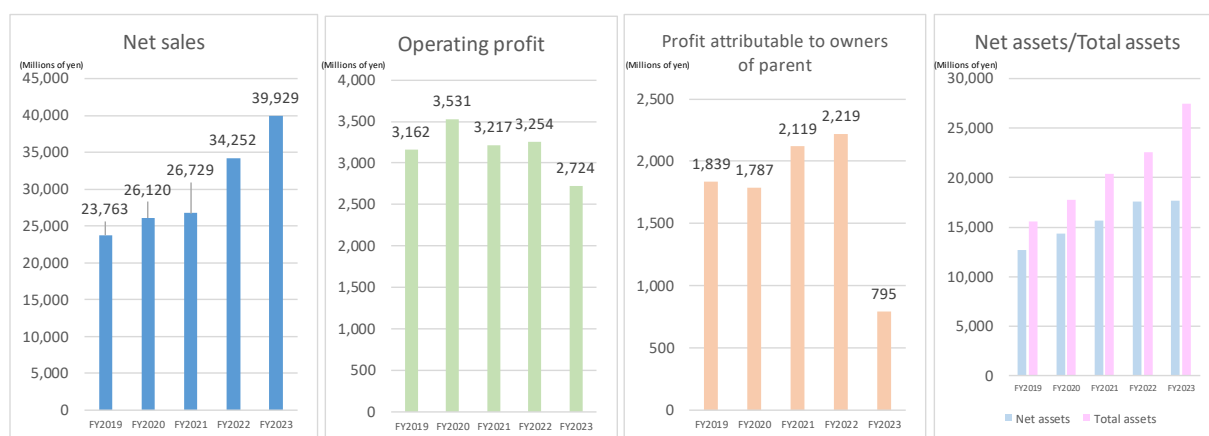
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1. Consolidated Financial Highlights

(Millions of yen)	FY2019/1	FY2020/1	FY2021/1	FY2022 /1	FY2023/1
Net sales	23,763	26,120	26,729	34,252	39,929
Operating profit	3,162	3,531	3,217	3,254	2,724
Ordinary profit	3,082	3,473	3,595	3,331	2,689
Profit attributable to owners of parent	1,839	1,787	2,119	2,219	795
Comprehensive income	1,647	1,948	1,803	2,559	963
Net assets	12,697	14,320	15,675	17,624	17,693
Total assets	15,542	17,763	20,389	22,581	27,459
Net assets per share (¥)	335.51	376.01	413.64	466.60	473.76
Net income per share (¥)	49.97	47.24	55.99	58.59	21.18
Diluted net income per share (¥)	49.89	47.20	55.96	-	-
Equity ratio (%)	81.7	80.1	76.9	78.0	64.4
Return on equity (ROE) (%)	16.9	13.3	14.2	13.3	4.5
P/E multiple	17.4	19.4	20.7	16.0	41.2
Cash flows from operating activities	2,346	2,402	2,040	1,844	1,920
Cash flows from investing activities	(240)	(850)	(963)	(2,661)	(2,563)
Cash flows from financing activities	1,587	(416)	(468)	(659)	2,011
Cash and cash equivalents at end of year	9,345	10,514	11,158	9,735	11,192
Number of employees (persons)	1,575	1,813	2,276	2,466	2,998

Notes:

1. Diluted net income per share for the fiscal year ended January 31, 2022 and 2023 are not stated because there are no dilutive shares.
2. The Company conducted stock splits on January 1, 2019 at a ratio of two shares of common stock per share of common stock. The figures for net income per share and diluted net income per share are calculated on the assumption that these stock splits were conducted at the beginning of the fiscal year ended January 31, 2019.
3. In the current consolidated fiscal year, the provisional account processing for corporate integration was finalized, and for the major management indicators related to the previous consolidated fiscal year, the number reflects the initial allocation of the acquisition cost after the provisional account process was finalized.
4. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the current consolidated fiscal year. As a result, the major management indicators, etc. relative to the current consolidated fiscal year have applied the said accounting standards, etc.



Forward-looking statements:

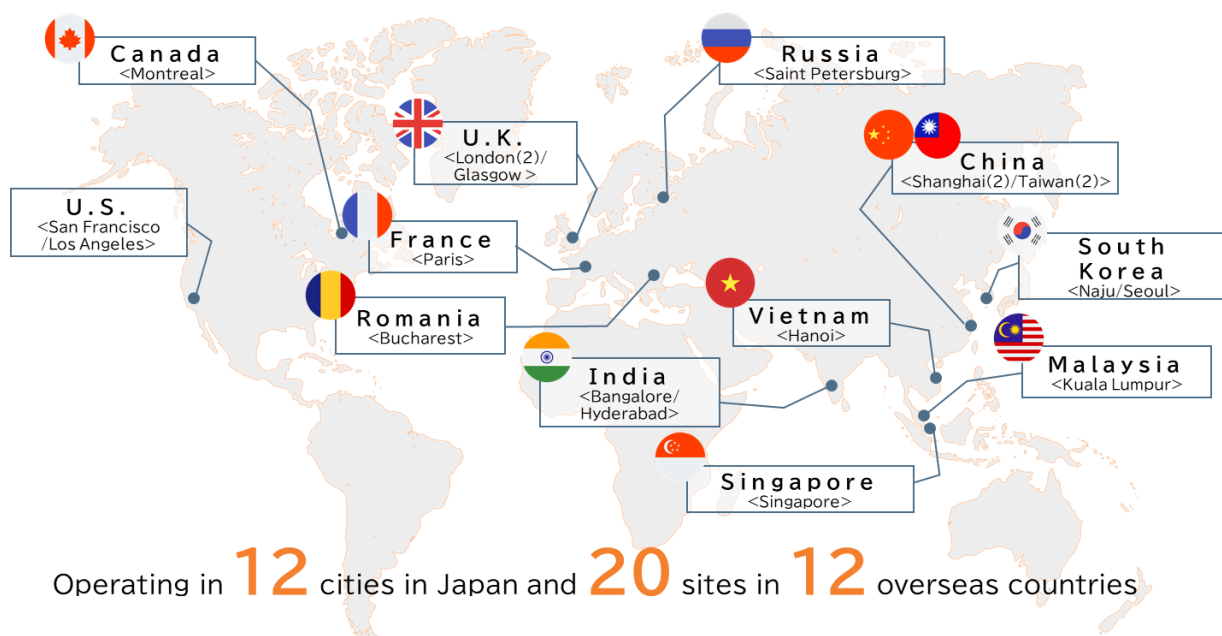
Earnings forecasts in this Annual Review are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

2. Company Profile

Pole To Win Holdings, Inc. was established in February 2009 as a pure holding company via joint share transfer between Pole To Win, Inc., which was established as Japan's first debug outsourcing company, and PITCREW CO., LTD., the first net support company established in the industry. Pole To Win Holdings, Inc., is listed on the Prime Market of the Tokyo Stock Exchange, and has 38 consolidated subsidiaries as of January 31, 2023.

The Group provides Service Life Cycle Solutions Business that provides quality consulting, game testing/verification & evaluation, software third party verification, system environment building and transition support, monitoring, customer support, anti-fraud, BPR support, etc. that occurs in the process of our clients' lifecycle of planning, development, release, operation, and improvement. The Group provides solutions to various issues in markets such as games, the Internet, e-commerce, and technology. It is actively working on global expansion, via acquiring overseas companies, etc., as well as expanding its business operations in Japan.

3. Business Sites (As of January 31, 2023)



Domestic locations:
Sapporo / Hachinohe / Sendai / Niigata / Tokyo / Kofu / Nagoya / Gifu / Kyoto / Osaka /
Kitakyushu / Hakata

4. Business Segments and Business Companies

(As of January 31, 2023)

Service Category	Main Service	Company Names
Domestic Solutions	<p>Domestic subsidiaries provide services for the game market, including testing, customer support, localization, and overseas expansion support.</p> <p>For the Technology market, the Group provides services related to software third-party verification, environment construction, server monitoring, data center operation, and kitting.</p> <p>For the e-commerce market, the Group provides services related monitoring and customer support services.</p>	<p>(Domestic subsidiaries)</p> <ul style="list-style-type: none"> • Pole To Win, Inc. • MSD Holdings Inc. • MIRAI Service Design Co. Ltd. • Ninjastars Inc. • PTW Japan Co., Ltd. • Delfi Sound Inc.
Overseas Solutions	<p>The overseas subsidiaries provide services related to game testing, localization, voice recording, customer support, product development support, and graphics development.</p>	<p>(Overseas subsidiaries)</p> <ul style="list-style-type: none"> • PTW International Holdings Limited • PTW Shanghai Co., Ltd. • PTW America, Inc. • PTWI India Private Limited • PTW International UK Limited • PTW (Singapore) Pte. Ltd. • PTW Korea Co., Ltd. • SIDE UK Limited • PTW Romania SRL. • PTW International (Malaysia) Sdn. Bhd. • SIDE LA, LLC • PTW Canada Solutions, Inc. • 1518 Studios, Inc. • OneXP LLC • OneXP UK Limited • 1518 Studios Rus LLC • SIDE France SAS • PTW New Zealand Limited • PTW Brazil LTDA • PTWI Mexico, S. de R.L. de C.V. • PTWI Poland LLC • POLE TO WIN VIET NAM JOINT STOCK COMPANY
Media Contents	<p>Mainly through domestic subsidiaries, the Group provides services related to graphics development, game publishing, animation production, marketing support, and barrier-free subtitling and audio guide production.</p>	<p>(Domestic subsidiaries)</p> <ul style="list-style-type: none"> • QBIST Inc. • CREST Inc. • CREST JOB Inc. • SANETTY Produce Co., Ltd. • AQUAPLUS Co., Ltd • FIXRECORDS Co., Ltd • Palabra Inc. <p>(Overseas subsidiaries)</p> <ul style="list-style-type: none"> • CREST company Inc. • Panda Graphics TAIWAN INC. • Panda Graphics (Shanghai) Technology Co., Ltd.
Company-wide	<p>Operations ancillary and pertaining to the control and management of business activities of the Company and the Group's 38 consolidated subsidiaries</p>	<ul style="list-style-type: none"> • Pole To Win Holdings, Inc.

5. Company Information (As of January 31, 2023)

- **Company Name:** Pole To Win Holdings, Inc.
- **Date of Establishment:** February 2, 2009
- **Listing Date:** October 26, 2011 (changed stock market listing to the First Section of the Tokyo Stock Exchange in November 2012 and the Prime Market of the Tokyo Stock Exchange in April 2022)
- **Business Year:** From February 1 to January 31
- **Paid-in Capital:** 1,239 million yen
- **Number of Employees:** 7,287 (including 2,998 full-time employees)
- **Head Office:** Shinjuku NS Building, 2-4-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
- **Telephone:** +81-3-5909-7911

6. Directors (including Audit and Supervisory Committee) (As of January 31, 2023)

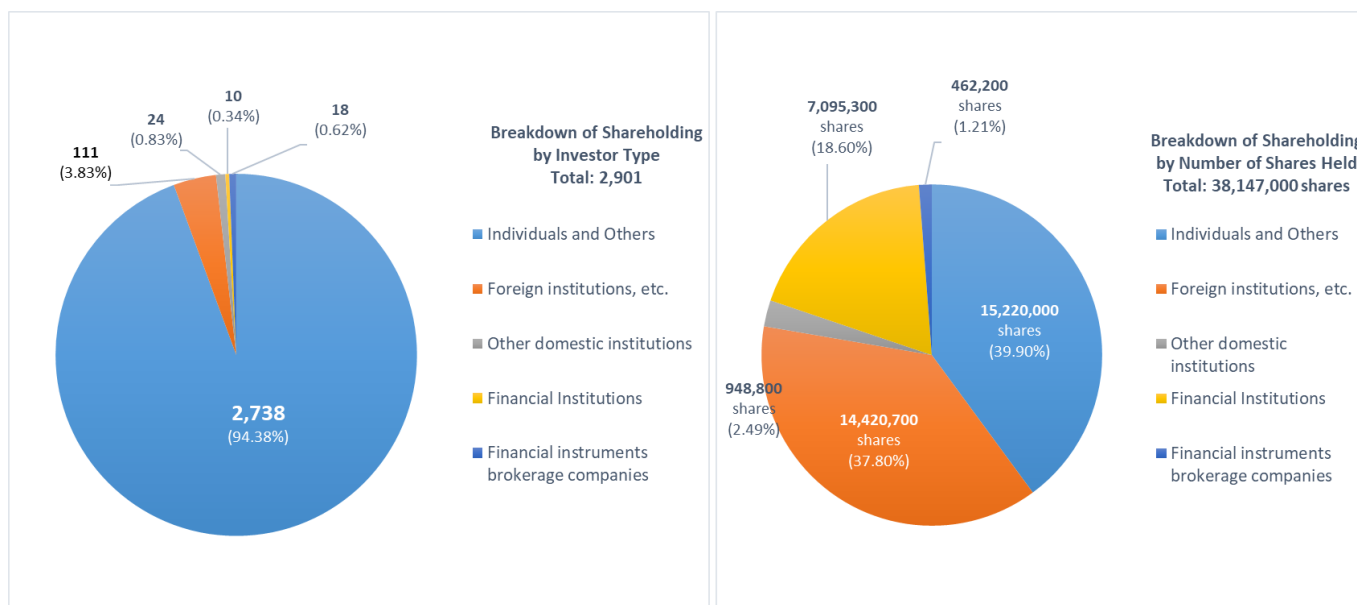
- **Chairman** Tamiyoshi Tachibana
- **President** Teppei Tachibana
- **Directors** Tetsuji Tsuda
Joji Yamauchi
Kozo Matsumoto
Mitsutaka Motoshige
Deborah Kirkham
Hajime Saito (Audit and Supervisory Committee, outside)
Hisaaki Shirai (Audit and Supervisory Committee, outside)
Masaharu Tsutsumi (Audit and Supervisory Committee, outside)
Hideaki Okamoto (Audit and Supervisory Committee, outside)

7. Stock Information (As of January 31, 2023)

- **Number of Shares Authorized:** 112,000,000
- **Number of Shares Issued:** 38,156,000
- **Number of Shareholders:** 3,544 (10 increase from the end of the previous term)
- **Major Shareholders (Top 10)**

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,759	15.4
Mitsutaka Motoshige	2,981	8.0
Kozo Matsumoto	2,280	6.1
CEP LUX-ORBIS SICAV	2,111	5.7
Tamiyoshi Tachibana	1,898	5.1
JP MORGAN CHASE BANK (385632)	1,706	4.6
Teppei Tachibana	1,206	3.2
State Street Bank and Trust Company (505103)	1,197	3.2
Custody Bank of Japan, Ltd. (Trust Account)	1,093	2.9
THE BANK OF NEW YORK (Treaty Jasdec Account)	996	2.7

● Share Distribution



● Shareholder returns

The Company maintains a basic policy of targeting a consolidated payout ratio of 25%. The annual dividend for the year was ¥15.00 per share.

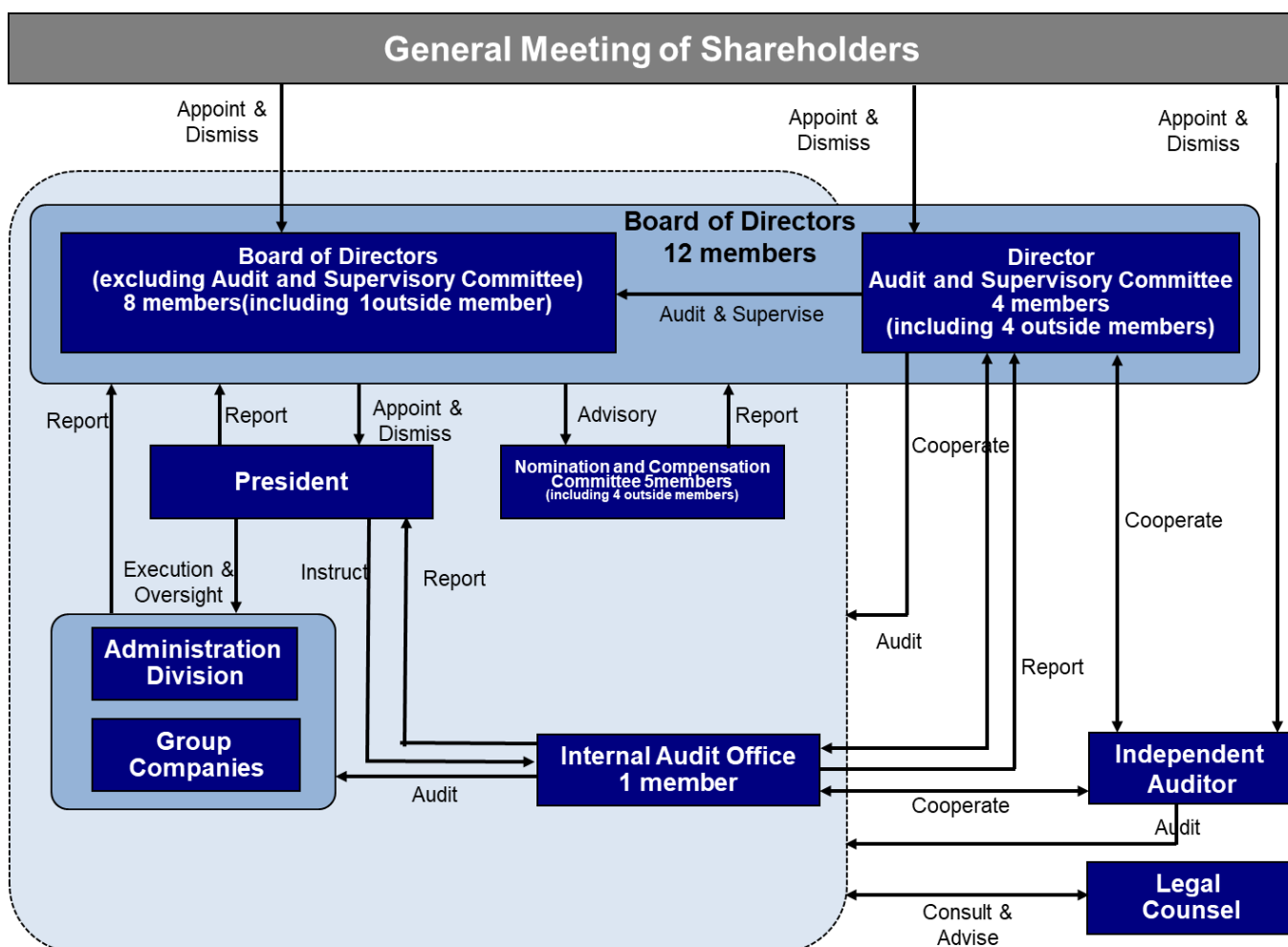
8. Management Structure

(1) Corporate Governance

Recognizing the need to conduct Group-wide management reflecting the Company's structure as a holding company, we aim to practice corporate governance optimal to developing the Group's business. To this end, we believe that it is important to fulfill our social responsibilities through our business activities, while seeking to enhance our corporate value over the long term, as we build relationships of trust with all stakeholders, including shareholders, suppliers, employees and local communities. From this perspective, we consider our key corporate governance priorities to be the following: ensuring corporate management premised on compliance with laws and regulations and all other relevant rules; enhancing the appropriateness, soundness and transparency of management; and establishing a framework for timely and appropriate disclosure of information. We are developing a corporate governance structure with emphasis on these key priorities.

(2) Corporate Governance Structure

In accordance with the Companies Act of Japan, the Company has a Board of Directors, an Audit and Supervisory Committee, Nomination & Compensation Committee, Independent Auditor and an Internal Audit Office. In addition, the Company receives advice on its corporate governance system as necessary from a lawyer with whom it has entered into an advisory agreement.



The Board of Directors comprises of seven individuals who are not Audit and Supervisory Committee and four who are (all four are outside members), and one individual who is not in Audit and Supervisory Committee but is an outside member. The Board of Directors holds regular monthly meetings to ensure effective management oversight among the directors. In addition, extraordinary meetings of the Board of Directors are convened as necessary to facilitate rapid decision-making. Barring any special reasons, these meetings are held with full attendance by directors. Group companies also hold regular monthly meetings of their respective boards of directors.

As stated above, the Board of Directors serves as a check on the business execution of the directors. Oversight of the operation of the Board of Directors and the business execution of the directors (excluding those who are Audit and Supervisory Committee) is also conducted through audits by the Audit and Supervisory Committee. In regard to the Company's internal control system, the Company ensures the appropriateness of business operations by establishing decision-making and reporting systems through the formulation and implementation of various internal rules.

In addition, the Nomination and Compensation Committee deliberates on matters related to the appointment and dismissal of directors and individual compensation for directors, and provides advice and recommendations to the board of directors in response to the consultation of the board of directors.

The Company has established the Rules on Legal Compliance stipulating the handling of compliance issues for the purpose of rigorously enforcing compliance and enhancing public trust in the Company. The Group has also entered into advisory agreements with external experts on legal affairs, taxation, labor affairs and other matters in order to put in place a framework for obtaining guidance and advice in the daily course of business.

(3) Internal and Independent Audits

The Internal Audit Office acts based on annual auditing plans and under the direct supervision of the Representative Director. The office has one person. Its audits cover compliance, risk management, and the adequacy and efficiency of business processes for the Company and all Group operations.

The office exchanges information with the Audit and Supervisory Committee and cooperates with them by providing them with periodic reports about internal auditing progress.

The Company maintains an Audit and Supervisory Committee system in which there are four outside members. They attend meetings of the Board of Directors and monitor director performance. They additionally attend board and other important meetings of Group companies and strictly monitor director performance while exchanging information and opinions with each other, deliberating on important matters for all Group companies and assessing business conditions for the Company and Group companies while sharing issues relating to them. The Internal Audit Office and Independent Auditor periodically exchange information and cooperate to enhance the implementation of audits.

(4) Financial Audits

The Company's external Independent Auditor is Ernst & Young ShinNihon LLC.

(5) Outside Director

Outside the Company are five directors. To ensure that the outside director can monitor management objectively, the Company maintains a system in which the Internal Audit Office and Independent Auditor periodically exchange information, thereby helping to enhance oversight and audit implementation.

(6) CSR

The Group fulfills its corporate social responsibilities in the course of business and ensures that it contributes to the communities in which it operates.

Social Contributions

PTWI India Private Limited collaborates with local NPOs to provide lunches for special elementary schools for children with economic difficulties and also donated a PC room for another special elementary school.

Barrier-free Initiatives

Examples of these efforts include Pole To Win Co., Ltd., supporting the activities of “SalsaGumtape”, a barrier-free rock band, and Palabra Inc. helping to sponsor film festivals through its production of subtitles.

Helping to operate the "Seminar for Considering Children's Internet Usage"

We have also cooperated in management efforts for the "Seminar for Considering Children's Internet Usage" an experts' conference that implements research surveys and social proposals, as well as education and training concerning youth Internet usage-related issues. These efforts are conducted from the viewpoint of providing parents and guardians with support.

9. Group Business Overview

During the current consolidated fiscal year under review, the Japanese economy is expected to pick up, partly due to the effects of various policies related to COVID-19, however, there is a risk that a downturn in overseas economies will put downward pressure on the Japanese economy as global monetary tightening and other factors continue. It is required to pay close attention to the effects of rising prices, supply-side constraints, fluctuations in financial and capital markets, and impact of COVID-19 cases increasing in China.

Under these economic conditions, the Group provides Service Life Cycle Solutions Business that provides quality consulting, game testing/verification & evaluation, software third party verification, system environment building and transition support, monitoring, customer support, anti-fraud, BPR support, etc. that occurs in the process of our clients' lifecycle of planning, development, release, operation, and improvement. During the current consolidated fiscal year, we merged three main operating companies, Pole To Win, Inc., PITCREW CO., LTD. and QaaS Co., Ltd., in February to solve issues occurring in the life cycle of clients' services and products seamlessly and to promote management efficiency. Similarly, in February, the Company merged MIRAI Service Design Co. Ltd, SOFTWISE Corporation, MSD Secure Service co., ltd. and Seitatsu Technology, Inc as well. As for Pole To Win, Inc., we absorbed and merged with Daiichi Shorin Co., Ltd. in May and relocated its head office. Relocated and integrated its Kamiyashiro Centre, Meieki Centre and Chikusa Centre to establish the Nagoya Centre in September, and opened the Kyoto Center in December to result further consolidate management resources and increase efficiency within the Group. ENTALIZE CO.,Ltd. merged with PTW Japan Co., Ltd. in May and changed its name to "PTW Japan Co., Ltd". QBIST Inc. merged with colorful Inc. and Panda Graphics Inc in August. In order to promote the 360-Degree development of Intellectual Property, CREST Inc. acquired as subsidiaries SANETTY Produce Inc. in November, which is engaged in stage play production and producing business, and AQUAPLUS Co., Ltd. in December, which is engaged in designing, development and sales of game software, and planning, production and sales of music and video content masters. Domestic and overseas subsidiaries are actively recruiting human resources, improving working environments, and implementing advertising measures. In addition, as a first attempt to improve synergy among subsidiaries, Pole To Win, Inc., PTW Japan Co., Ltd, CREST Inc., and QBIST Inc. jointly exhibited at "Tokyo Game Show 2022" and "Tokyo Game Show VR 2022". 1518 Studios, Inc. (a US subsidiary) outsourced 2D art development and other operations to staff in Russia and Ukraine. However, the recent situation in Ukraine has made it difficult to carry out the business as planned created at the time of the initial business transfer. Due to this, 609,590 thousand yen in impairment losses on goodwill and intangible assets relating to 1518 Studios, Inc., 168,660 thousand yen in losses of certain investment securities for using equity method, and 70,136 thousand yen in loss on valuation of investment securities were recorded.

As a result of these factors, consolidated net sales for the current consolidated fiscal year were ¥39,929,250 thousand (increased 16.6% year-on-year), operating profit was ¥2,724,359 thousand (decreased 16.3% year-on-year), ordinary profit was ¥2,689,112 thousand (decreased 19.3% year-on-year), and profit attributable to owners of the parent was ¥795,111 thousand (decreased 64.2% year-on-year).

Since the Company changed its reporting segment to a single segment of "Service Life Cycle Solutions Business" effective from the current consolidated fiscal year, the description of operating results by segment is omitted.

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 services related monitoring and customer support services. Taking advantage of the merger effect of the three companies, Pole To Win, Inc. has been promoting the development and cross-selling of various services, including "DX Assist", which supports the Digital Transformation of operations, and "Metaverse Plus", which supports the operation of Metaverse. One-time expense has increased to enhance merger effectiveness and accelerated investments in hiring personnel and implementing IT systems and center openings. MIRAI Service Design Co., Ltd. and Ninjastars Inc. were newly consolidated in August 2021 and February 2022, respectively. As a result, net sales of Domestic Solutions totaled ¥25,560,492 thousand.

Overseas Solutions

In this service category, the overseas subsidiaries provide services related to game testing, localization, voice recording, customer support, product development support, and art production. Orders from clients in Japan increased as a result of collaboration with Domestic Solutions. 1518 Studios, Inc. was affected by the situation in Ukraine and orders for art production declined. However, orders for voice recording, localization, and customer support remained strong and sales increased due to the depreciation of the yen. As a result, net sales of Overseas Solutions totaled ¥11,712,991 thousand.

Media Contents

In this service category, mainly through domestic subsidiaries, the Group provides services related to art production, game publishing, animation production, marketing support, and barrier-free subtitling and voice guidance production. QBIST Inc. receives orders for art production for various games, and CREST Inc. engages in 360° business that maximize the value of IP (Intellectual Property), including games, animation, cross-media, and MD (merchandising) business, and has expanded its IP development field by acquiring SANETTY Produce Co., Ltd. and AQUAPLUS Co., Ltd. as subsidiaries. As a result, net sales of Media Contents totaled ¥2,655,766 thousand.

10. Management's Discussion and Analysis

(1) Net Sales and Earnings

Net Sales

In the fiscal year ended January 31, 2023, the previous segment classifications of "Testing/Verification & Evaluation Business", "Internet Supporting Business", and "Others" were changed to a single segment of "Service Life Cycle Solutions Business" in line with the Group's actual businesses. Service Life Cycle Solutions Business provides quality consulting, game testing/verification & evaluation, software third party verification, system environment building and transition support, monitoring, customer support, anti-fraud, BPR support, etc. that occurs in the process of our clients' lifecycle of planning, development, release, operation, and improvement. The main service categories being Domestic Solutions, Overseas Solutions and Media Contents. Through these efforts, we promote the provision of holistic solution services that meet the challenges of the planning, development, release, operation, and improvement phases of our clients' services and products. Through collaboration between domestic solutions and overseas solutions the game field expanded. And as domestic and overseas solutions expanded in a well-balanced way and in addition, the e-commerce field and the tech field expanded steadily, the Group posted record-high sales. As a result of these factors, consolidated net sales for the year increased by ¥5,676,874 thousand or 16.6% to ¥39,929,250 thousand.

Gross Profit

The cost of sales increased by ¥4,342,974 thousand or 17.7% to ¥28,878,186 thousand. This was due to increased sales, soaring labor costs, opening/expansions/relocations/and integration of sites, equipment maintenance costs, and the full-year contribution of MSD Holdings Inc. and its subsidiaries which became the Company's consolidated subsidiary during the previous consolidated fiscal year. Gross profit thus increased by 13.7%, to ¥11,051,064 thousand.

Operating Profit

Selling, general and administrative expenses increased by ¥1,863,936 thousand or 28.8% to ¥8,326,705 thousand. In addition to the same reasons as cost of sales, this was due to increase in recruitment aiming to enhance the effect of mergers between subsidiaries, implementing IT systems and opening sites ahead of schedule, investment to expand order acceptance capacity in the Media Contents segment and increase in M&A advisory costs. Operating profit thus decreased by 16.3%, to ¥2,724,359 thousand.

Ordinary Profit

Non-operating income decreased by ¥7,089 thousand or 4.1% to ¥167,298 thousand, mainly due to a decrease in subsidy income, etc., despite foreign exchange gains due to the depreciation of the yen. In addition, non-operating expenses in the current consolidated fiscal year increased by ¥105,737 thousand, or 109.2%, to ¥202,545 thousand due to recorded share of loss of entities accounted for using equity method and others. As a result, ordinary profit therefore decreased by 19.3%, to ¥2,689,112 thousand.

Profit attributable to owners of parent

In the previous consolidated fiscal year, gains on sale of fixed assets of 230,813 thousand yen was recorded as extraordinary gain but in the current consolidated fiscal year, no extraordinary gain is recorded. Extraordinary loss for the current consolidated fiscal year increased by ¥320,981 thousand, or 86.2% from the previous consolidated fiscal year to ¥693,156 thousand. This is due to recording of loss on retirement of fixed assets, loss on valuation of investment securities, and an increase in impairment loss.

As a result, profit before income taxes was ¥1,995,955 thousand (down 37.4% year on year). Income tax burden after applying tax effect accounting was ¥1,199,300 thousand (up 23.0% year on year), and net income attributable to non-controlling shareholders was ¥1,544 thousand (-¥4,129 thousand in the same period last year). Profit attributable to owners of parent was ¥795,111 thousand (down 64.2% year on year).

(2) Financial Position

Assets

Current assets increased by ¥3,904,310 thousand or 23.9% from the previous fiscal year-end, to ¥20,244,340 thousand. This was mainly due to the increases of ¥1,457,556 thousand in cash and deposits, ¥1,407,998 thousand in notes and accounts receivable – trade, and contract assets, ¥228,519 thousand in work in process, and ¥738,010 thousand in others (accounts receivable - other, etc.).

Non-current assets increased by ¥973,633 thousand or 15.6% from the previous fiscal year-end, to ¥7,215,376 thousand. This was mainly due to the increases of ¥412,769 thousand in buildings and structures, 137,174 thousand yen in tools, furniture and fixtures, 309,089 thousand yen in software, 251,189 thousand yen in investment securities, 271,066 thousand yen in leasehold and guarantee deposits, and 238,197 thousand yen in investments and other assets, despite the decreases of 284,093 thousand yen in goodwill and 378,648 thousand yen in intangible assets.

As a result, total assets increased by 4,877,943 thousand yen or 21.6% from the previous fiscal year-end, to 27,459,716 thousand yen.

Liabilities

Current liabilities increased by 4,505,535 thousand yen or 108.3% from the previous fiscal year-end, to 8,664,176 thousand yen. This was mainly due to the increases of 3,005,970 thousand yen in short-term borrowings, 342,294 thousand yen in current portion of long-term borrowings, 1,253,593 thousand yen in accounts payable - other, and 237,854 thousand yen in others (advance received, etc.), despite the decrease of 234,158 thousand yen in income taxes payable.

Non-current liabilities increased by 303,777 thousand yen or 38.0% from the previous fiscal year-end, to 1,102,390 thousand yen. This was mainly due to the increase of 224,064 thousand yen in long-term borrowings.

As a result, total liabilities increased by 4,809,313 thousand yen or 97.0% from the end of the previous fiscal year-end, to 9,766,566 thousand yen.

Net assets

Net assets increased by 68,630 thousand yen or 0.4% from the previous fiscal year-end, to 17,693,150 thousand yen. This was mainly due to the increases of 310,128 thousand yen in retained earnings, mainly as a result of recording net profit attributable to owners of parent and dividend payments, 410,147 thousand yen in treasury shares, and 190,208 thousand yen in foreign currency translation adjustment.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") as of January 31, 2023 increased by 1,457,556 thousand yen from the previous fiscal year, to 11,192,774 thousand yen.

Cash flows for each activity and the reasons behind them for the current consolidated fiscal year are as follows.

Cash flows from operating activities

Operating activities provided net cash of +¥1,920,371 thousand compared to +¥1,844,490 thousand provided in the previous fiscal year. The main contributors included +¥1,995,955 thousand in profit before income taxes, +¥637,046 thousand in depreciation, +¥609,590 thousand in impairment loss, +¥400,258 thousand in amortization of goodwill, +¥168,660 thousand in share of loss of entities accounted for using equity method, -¥288,906 thousand in increase in trade receivables and contract assets, +¥683,521 thousand in increase of accounts payable–other, -¥1,467,659 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of -¥2,563,267 thousand compared to -¥2,661,898 thousand used in the previous fiscal year. Major factors included -¥815,318 thousand in purchase of property, plant and equipment, -¥305,204 thousand in purchase of intangible assets, -¥502,896 thousand in purchase of investment securities, -¥529,901 thousand in purchase of shares of subsidiaries resulting in change in scope of consolidation, -¥129,167 thousand in payments for acquisition of business, -¥385,566 thousand in payments of leasehold and guarantee deposits, +¥100,659 thousand in proceeds from refund of leasehold and guarantee deposits.

Cash flows from financing activities

Financing activities provided net cash of +¥2,011,214 thousand from -¥659,830 thousand used in the previous fiscal year. The main factor in this change was +¥3,000,000 thousand in short-term borrowings, -¥528,576 thousand in dividends paid, and -¥410,994 thousand in purchase of treasury shares.

(4) Earnings forecasts for the fiscal year ending January 31, 2024

In the fiscal year ended January 31, 2023, the previous segment classifications of "Testing/Verification & Evaluation Business", "Internet Supporting Business", and "Others" were changed to a single segment of "Service Life Cycle Solutions Business" in line with the Group's actual businesses. Through these efforts, we promote the provision of holistic solution services that meet the challenges of the planning, development, release, operation, and improvement phases of our clients' services and products. To consolidate management resources and improve efficiency, we actively engaged in mergers among subsidiaries and accelerated investments in hiring human resources and implementing IT systems and opening centers to enhance the effects of mergers.

In the fiscal year ending January 31, 2024, we will continue to aim to promote "Service Life Cycle Solutions" and enhance collaboration between the core businesses of Domestic Solutions and Overseas Solutions, and our new business, Media Contents to create a cycle of business expansion by providing the services that customers demand in all directions. In addition, we will continue to invest aggressively in both core and new businesses, and will accelerate growth through mergers and acquisitions to strengthen our management base, and grow and expand our businesses.

As a result, for the fiscal year ending January 31, 2024, we project net sales of ¥50,136 million (up 25.6% year-on-year), operating profit of ¥3,174 million (up 16.5% year-on-year), ordinary profit of ¥3,177 million (up 18.2% year-on-year), and profit attributable to owners of parent of ¥1,952 million (up 145.6% year-on-year).

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.

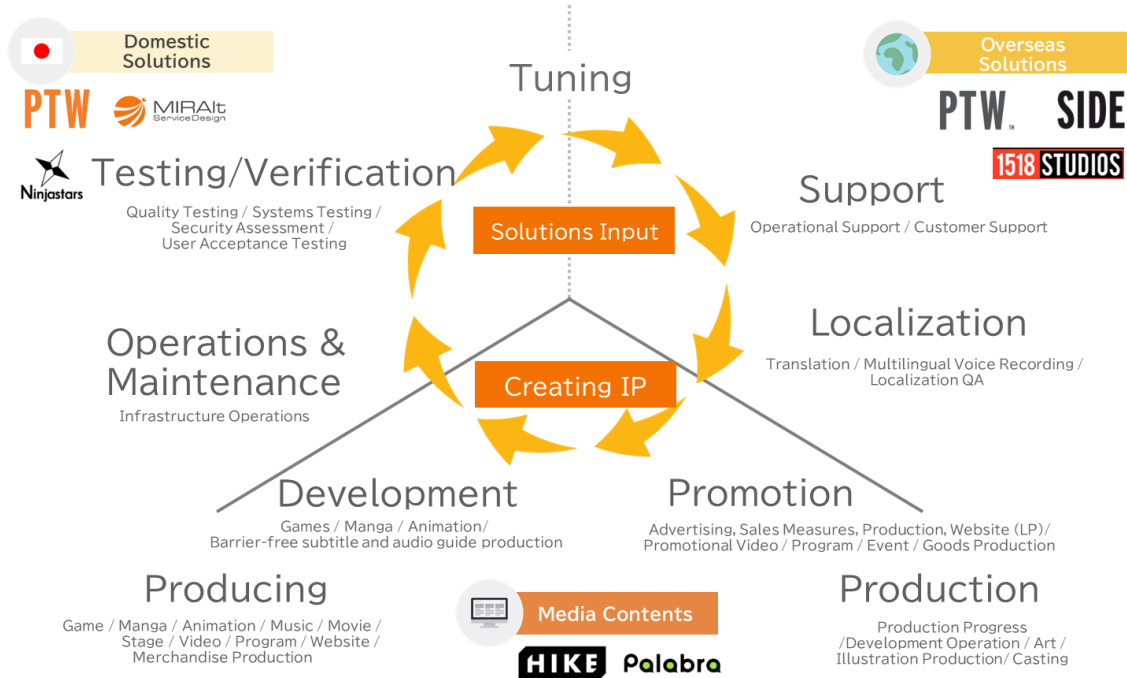
(5) Basic Policy on Selection of Accounting Standards

Considering the comparability of consolidated statements across periods and among companies, the Group has a policy of preparing its consolidated financial statements in accordance with Japanese Accounting Standards.

Regarding the application of International Financial Reporting Standards, the Group will respond appropriately, taking into account circumstances in Japan and abroad.

11. Future Business Strategy Approaches

- Service Life Cycle Solutions = providing services demanded by clients in all directions.
- Investment in both core and new businesses creating a business expansion cycle that accelerates our growth.



12. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of January 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	9,735,217	11,192,774
Notes and accounts receivable - trade	4,941,367	—
Notes and accounts receivable - trade, and contract assets	—	6,349,366
Merchandise and finished goods	203	6,512
Work in process	262,767	491,287
Other	1,479,892	2,217,903
Allowance for doubtful accounts	-79,419	-13,503
Total current assets	16,340,029	20,244,340
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,107,978	1,582,031
Accumulated depreciation	-689,863	-751,146
Buildings and structures, net	418,115	830,884
Machinery, equipment and vehicles	23,486	46,395
Accumulated depreciation	-17,741	-26,378
Machinery, equipment and vehicles, net	5,744	20,017
Tools, furniture and fixtures	2,013,467	2,538,126
Accumulated depreciation	-1,546,857	-1,934,342
Tools, furniture and fixtures, net	466,610	603,784
Other	—	92,830
Total property, plant and equipment	890,470	1,547,517
Intangible assets		
Goodwill	1,746,450	1,462,357
Software	263,463	572,552
Intangible assets	1,211,648	833,000
Other	3,007	3,997
Total intangible assets	3,224,571	2,871,908
Investments and other assets		
Investment securities	802,137	1,053,327
Leasehold and guarantee deposits	753,945	1,025,012
Deferred tax assets	500,422	418,638
Other	135,491	373,689
Allowance for doubtful accounts	-65,294	-74,717
Total investments and other assets	2,126,702	2,795,950
Total non-current assets	6,241,743	7,215,376
Total assets	22,581,773	27,459,716

(Thousands of yen)

	As of January 31, 2022	As of January 31, 2023
Liabilities		
Current liabilities		
Short-term borrowings	—	3,005,970
Current portion of long-term borrowings	48,394	390,688
Accounts payable - other	1,987,729	3,241,322
Accrued expenses	560,653	508,693
Income taxes payable	642,376	408,218
Provision for bonuses	79,077	31,019
Other	840,410	1,078,264
Total current liabilities	4,158,641	8,664,176
Non-current liabilities		
Long-term borrowings	251,389	475,453
Retirement benefit liability	120,856	136,291
Deferred tax liabilities	338,659	329,159
Other	87,706	161,486
Total non-current liabilities	798,612	1,102,390
Total liabilities	4,957,253	9,766,566
Net assets		
Shareholders' equity		
Share capital	1,239,064	1,239,064
Capital surplus	2,379,899	2,380,082
Retained earnings	14,099,008	14,409,137
Treasury shares	-293,102	-703,249
Total shareholders' equity	17,424,870	17,325,035
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,063	3,777
Foreign currency translation adjustment	164,658	354,866
Total accumulated other comprehensive income	191,721	358,643
Non-controlling interests	7,926	9,470
Total net assets	17,624,519	17,693,150
Total liabilities and net assets	22,581,773	27,459,716

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

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Net sales	34,252,376	39,929,250
Cost of sales	24,535,211	28,878,186
Gross profit	9,717,164	11,051,064
Selling, general and administrative expenses	6,462,768	8,326,705
Operating profit	3,254,395	2,724,359
Non-operating income		
Interest income	3,989	4,778
Dividends income	2,173	1,926
Foreign exchange gains	—	24,790
Subsidy income	122,465	101,441
Gain on adjustment of account payable	8,081	8,636
Other	37,679	25,724
Total non-operating income	174,387	167,298
Non-operating expenses		
Interest expenses	1,636	4,404
Foreign exchange losses	10,724	—
Share of loss of entities accounted for using equity method	67,028	168,660
Other	17,417	29,481
Total non-operating expenses	96,807	202,545
Ordinary profit	3,331,975	2,689,112
Extraordinary income		
Gain on sale of non-current assets	230,813	—
Total extraordinary income	230,813	—
Extraordinary losses		
Loss on retirement of non-current assets	59,788	13,429
Loss on valuation of investment securities	63,018	70,136
Impairment losses	249,367	609,590
Total extraordinary losses	372,175	693,156
Profit before income taxes	3,190,614	1,995,955
Income taxes - current	1,299,616	1,136,655
Income taxes - deferred	-324,227	62,644
Total income taxes	975,388	1,199,300
Profit	2,215,225	796,655
Profit (loss) attributable to non-controlling interests	-4,129	1,544
Profit attributable to owners of parent	2,219,355	795,111

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Profit	2,215,225	796,655
Other comprehensive income		
Valuation difference on available-for-sale securities	-21,309	-23,286
Foreign currency translation adjustment	342,384	184,714
Share of other comprehensive income of entities accounted for using equity method	23,130	5,017
Total other comprehensive income	344,204	166,445
Comprehensive income	2,559,430	963,101
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,563,380	962,033
Comprehensive income attributable to non-controlling interests	-3,950	1,068

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2022 (From February 1, 2021, to January 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,239,064	2,379,899	12,372,175	-167,696	15,823,442
Changes of item during period					
Dividends of surplus			-492,521		-492,521
Profit attributable to owners of parent			2,219,355		2,219,355
Purchase of treasury shares				-125,405	-125,405
Net changes in items other than shareholders' equity					
Total changes of item during period	—	—	1,726,833	-125,405	1,601,428
Balance at end of period	1,239,064	2,379,899	14,099,008	-293,102	17,424,870

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	48,373	-200,676	-152,303	3,950	15,675,089
Changes of item during period					
Dividends of surplus					-492,521
Profit attributable to owners of parent					2,219,355
Purchase of treasury shares					-125,405
Net changes in items other than shareholders' equity	-21,309	365,335	344,025	3,976	348,001
Total changes of item during period	-21,309	365,335	344,025	3,976	1,949,430
Balance at end of period	27,063	164,658	191,721	7,926	17,624,519

Fiscal 2023 (From February 1, 2022, to January 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,239,064	2,379,899	14,099,008	-293,102	17,424,870
Cumulative effects of changes in accounting policies			43,594		43,594
Restated balance	1,239,064	2,379,899	14,142,603	-293,102	17,468,465
Changes of item during period					
Dividends of surplus			-528,576		-528,576
Profit attributable to owners of parent			795,111		795,111
Purchase of treasury shares				-410,994	-410,994
Disposal of treasury shares		183		846	1,030
Net changes in items other than shareholders' equity					
Total changes of item during period	—	183	266,534	-410,147	-143,429
Balance at end of period	1,239,064	2,380,082	14,409,137	-703,249	17,325,035

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	27,063	164,658	191,721	7,926	17,624,519
Cumulative effects of changes in accounting policies					43,594
Restated balance	27,063	164,658	191,721	7,926	17,668,113
Changes of item during period					
Dividends of surplus					-528,576
Profit attributable to owners of parent					795,111
Purchase of treasury shares					-410,994
Disposal of treasury shares					1,030
Net changes in items other than shareholders' equity	-23,286	190,208	166,921	1,544	168,465
Total changes of item during period	-23,286	190,208	166,921	1,544	25,036
Balance at end of period	3,777	354,866	358,643	9,470	17,693,150

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,190,614	1,995,955
Depreciation	576,796	637,046
Impairment losses	249,367	609,590
Amortization of goodwill	367,464	400,258
Increase (decrease) in allowance for doubtful accounts	-5,477	-77,411
Increase (decrease) in provision for bonuses	-4,763	-50,683
Increase (decrease) in retirement benefit liability	24,284	15,434
Interest and dividend income	-6,162	-6,705
Subsidy income	-122,465	-101,441
Interest expenses	1,636	4,404
Foreign exchange loss (gains)	-38,214	48,403
Share of loss (profit) of entities accounted for using equity method	67,028	168,660
Gain on sale of non-current assets	-230,813	—
Loss on retirement of non-current assets	59,788	13,429
Loss (gain) on valuation of investment securities	63,018	70,136
Decrease (increase) in trade receivables	316,924	—
Decrease (increase) in trade receivables and contract assets	—	-288,906
Increase (decrease) in accounts payable - other	-646,504	683,521
Increase (decrease) in accrued expenses	217,164	-91,002
Increase (decrease) in accrued consumption taxes	-36,851	-63,853
Increase (decrease) in deposits received	-134,141	18,289
Other, net	-439,627	-694,466
Subtotal	3,469,066	3,290,660
Interest and dividends received	7,828	3,717
Subsidies received	122,465	101,441
Interest paid	-2,928	-7,790
Income taxes paid	-1,751,940	-1,467,659
Net cash provided by (used in) operating activities	1,844,490	1,920,371
Cash flows from investing activities		
Purchases of property, plant and equipment	-571,736	-815,318
Proceeds from sales of property, plant and equipment	2,510	—
Purchase of intangible assets	-80,385	-305,204
Proceeds from sales of intangible assets	230,813	—
Purchase of investment securities	-284,245	-502,896
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-1,529,015	-529,901
Payments for acquisition of business	-477,539	-129,167
Loan advances	-6,048	-9,228
Proceeds from collection of loans receivable	12,100	13,357
Payments of leasehold and guarantee deposits	-75,516	-385,566
Proceeds from refund of leasehold and guarantee deposits	117,164	100,659
Net cash provided by (used in) investing activities	-2,661,898	-2,563,267
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-13,081	3,000,000
Repayments of long-term borrowings	-28,822	-49,214
Dividends paid	-492,521	-528,576
Purchase of treasury shares	-125,405	-410,994
Net cash provided by (used in) financing activities	-659,830	2,011,214
Effect of exchange rate changes on cash and cash equivalents	53,907	89,238
Net increase (decrease) in cash and cash equivalents	-1,423,330	1,457,556
Cash and cash equivalents at beginning of period	11,158,548	9,735,217
Cash and cash equivalents at end of period	9,735,217	11,192,774