



Poletowin Pitcrew Holdings, Inc.

Annual Review 2022

For the Year Ended January 31, 2022

◆ 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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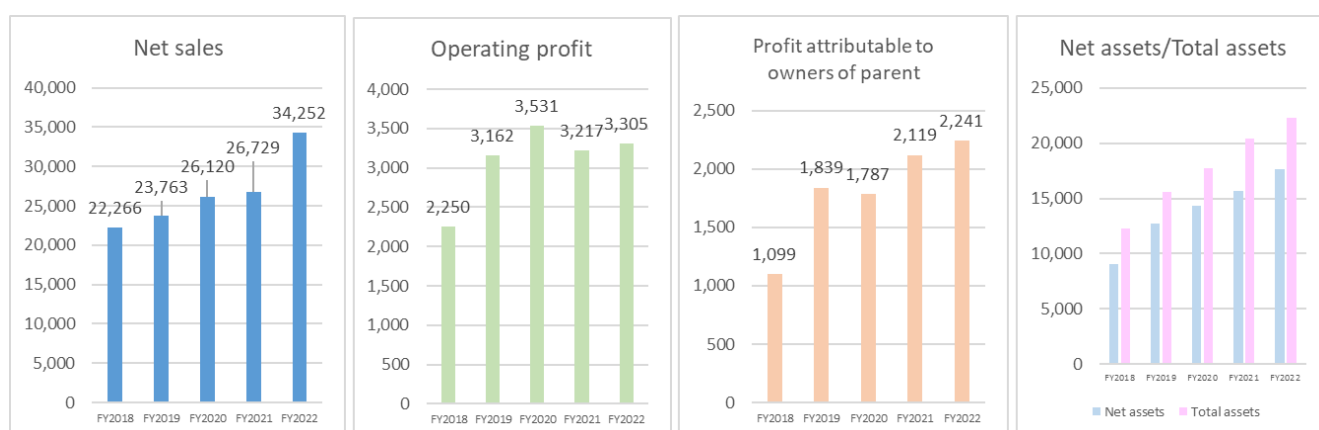
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1. Consolidated Financial Highlights

(Millions of yen)	FY2018/1	FY2019/1	FY2020/1	FY2021 /1	FY2022/1
Net sales	22,266	23,763	26,120	26,729	34,252
Operating profit	2,250	3,162	3,531	3,217	3,305
Ordinary profit	2,351	3,082	3,473	3,595	3,382
Profit attributable to owners of parent	1,099	1,839	1,787	2,119	2,241
Comprehensive income	1,145	1,647	1,948	1,803	2,581
Net assets	9,053	12,697	14,320	15,675	17,646
Total assets	12,291	15,542	17,763	20,389	22,281
Net assets per share (¥)	252.59	335.51	376.01	413.64	467.17
Net income per share (¥)	30.45	49.97	47.24	55.99	59.16
Diluted net income per share (¥)	30.42	49.89	47.20	55.96	-
Equity ratio (%)	73.7	81.7	80.1	76.9	79.2
Return on equity (ROE) (%)	12.3	16.9	13.3	14.2	13.5
P/E multiple	37.7	17.4	19.4	20.7	15.8
Cash flows from operating activities	2,434	2,346	2,402	2,040	1,844
Cash flows from investing activities	(734)	(240)	(850)	(963)	(2,661)
Cash flows from financing activities	(1,034)	1,587	(416)	(468)	(659)
Cash and cash equivalents at end of year	5,746	9,345	10,514	11,158	9,735
Number of employees (persons)	1,485	1,575	1,813	2,276	2,466

Notes:

1. Net sales exclude consumption and other taxes.
2. Diluted net income per share for the fiscal year ended January 31, 2022 is not stated because there are no dilutive shares.
3. 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 assets per share, 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, 2018.
4. The group has applied the amendments from “Partial Amendments to Accounting Standard for the Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) since the beginning of the fiscal year ended January 31, 2020. Accordingly, for the principal financial indicators in the previous consolidated financial year has been adjusted with this retrospective adoption of accounting rule.



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

Poletowin Pitcrew Holdings, Inc., was formed in February 2009 as the holding company of Pole To Win Co., Ltd. founded in 1994 as Japan's first independent testing outsourcee, and PITCREW CO., LTD., established in 2000 as the industry's first Internet Supporting specialist company. Poletowin Pitcrew Holdings, listed on the First Section of the Tokyo Stock Exchange, had 40 consolidated subsidiaries as of January 31, 2022.

The Group provides various support services guided by the corporate philosophy of "Create Customer Value." The Group's mission is to make effective use of high-quality systems, yet ultimately rely on human capabilities to perform checks, in contributing to the business growth of client companies.

The Group consists of two main businesses: A Testing/Verification & Evaluation Business that carries out defect detection (finding bugs) in support of improvement in product quality of software and hardware, and an Internet Supporting Business that supports healthy development of the Internet by detecting any fraudulent activity, as well as any illegal or harmful information, that may be embedded in a variety of content.

3. Business Segments and Business Companies

(As of January 31, 2022)

Business Segments	Key Businesses	Company Names
Testing/Verification & Evaluation Business	Pre-launch defect detection (finding bugs), including consumer electronic games, social games, smartphone applications, pachinko and pachi-slot machines, and IT appliances, and localization of in-game text, manuals, and other materials.	Pole To Win Co., Ltd. QBIST Inc. colorful Inc. Panda Graphics Inc. MSD Holdings Inc. MIRAI Service Design co. ltd SOFTWISE Corporation MSD Secure Service Inc. Seitatsu Technology, Inc. Ninjastars Inc. QaaS Co., Ltd. CREST Inc. CREST JOB Inc. PTW Japan Co., Ltd. ENTALIZE CO., LTD. Delfi Sound Inc. PTW International Holdings Limited PTW Shanghai Co., Ltd. PTW America, Inc. PTW(Singapore) Pte. Ltd. PTWI India Private Limited PTW International UK Limited 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. Onex UK Limited OneXP LLC 1518 Studios Rus LLC SIDE France SAS Panda Graphics TAIWAN INC. Panda Graphics (Shanghai) Technology Co., Ltd. CREST company Inc

Internet Supporting Business	Checking merchandise and reviewing advertisements for Internet shopping and auctions, providing support for inquiries from end-users of games and e-commerce sites, and checking youth Internet usage	PITCREW CO., LTD. POLE TO WIN VIET NAM JOINT STOCK COMPANY
Others		Daiichi Shorin Co., Ltd. Palabra Inc.
Company-wide	Operations ancillary and pertaining to the control and management of business activities of the Company and the Group's 40 consolidated subsidiaries	Poletowin Pitcrew Holdings, Inc.

4. Business Bases in Testing/Verification & Evaluation and Internet Supporting Operating in 11 cities in Japan and 21 sites in 12 overseas countries (As of January 31, 2022)



5. Company Information (As of January 31, 2022)

- **Company Name:** Poletowin Pitcrew 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 6, 2012)
- **Business Year:** From February 1 to January 31
- **Paid-in Capital:** 1,239 million yen
- **Number of Employees:** 6,642 (including 2,466 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, 2022)

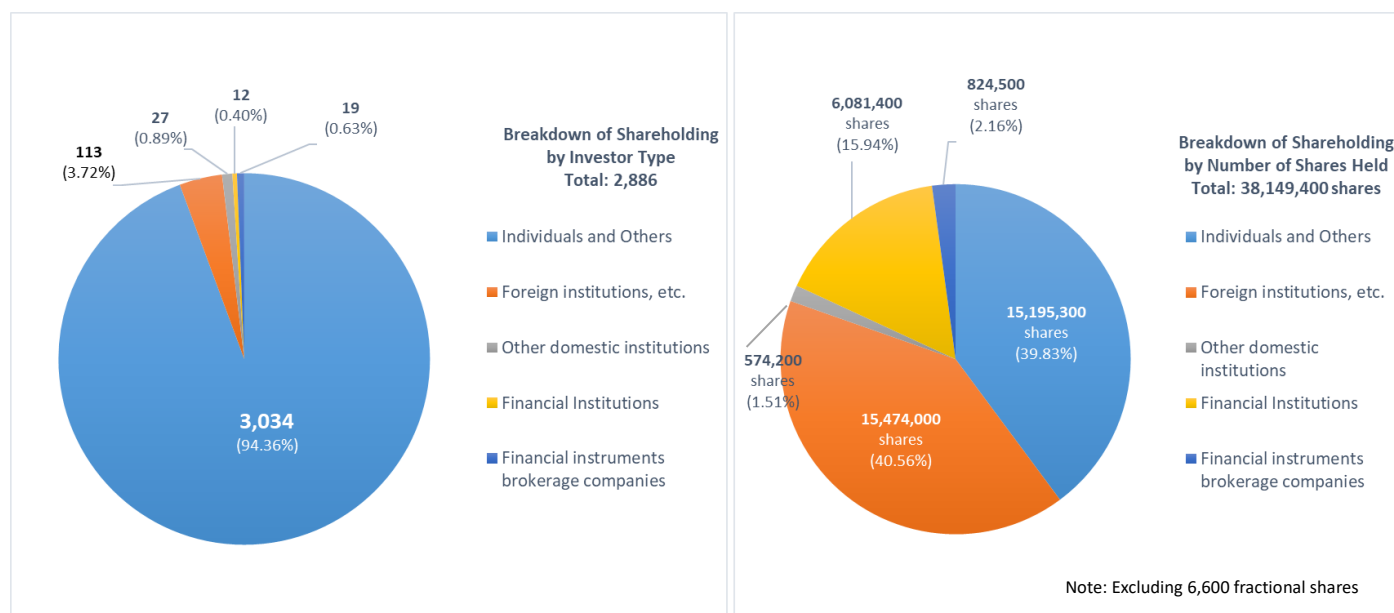
- **Chairman** Tamiyoshi Tachibana
- **President** Teppei Tachibana
- **Directors** Tetsuji Tsuda
Joji Yamauchi
Kozo Matsumoto
Mitsutaka Motoshige
Deborah Kirkham
Kiyooki Imai (Audit and Supervisory Committee)
Hajime Saito (Audit and Supervisory Committee, outside)
Hisaaki Shirai (Audit and Supervisory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

7. Stock Information (As of January 31, 2022)

- **Number of Shares Authorized:** 112,000,000
- **Number of Shares Issued:** 38,156,000
- **Number of Shareholders:** 3,534 (167 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)	4,399	11.65
Mitsutaka Motoshige	3,292	8.72
Kozo Matsumoto	2,285	6.05
Tamiyoshi Tachibana	1,898	5.03
THE BANK OF NEW YORK MELLON (140051)	1,414	3.75
NORTHERN TRUST CO.(AVFC)RE FIDELITY FUNDS	1,333	3.53
GOLDMAN, SACHS & CO. REG	1,322	3.50
Teppei Tachibana	1,206	3.20
Custody Bank of Japan, Ltd. (Trust Account)	1,135	3.01
JPMORGAN CHASE BANK (385632)	1,069	2.83

● 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 ¥14.00 per share.

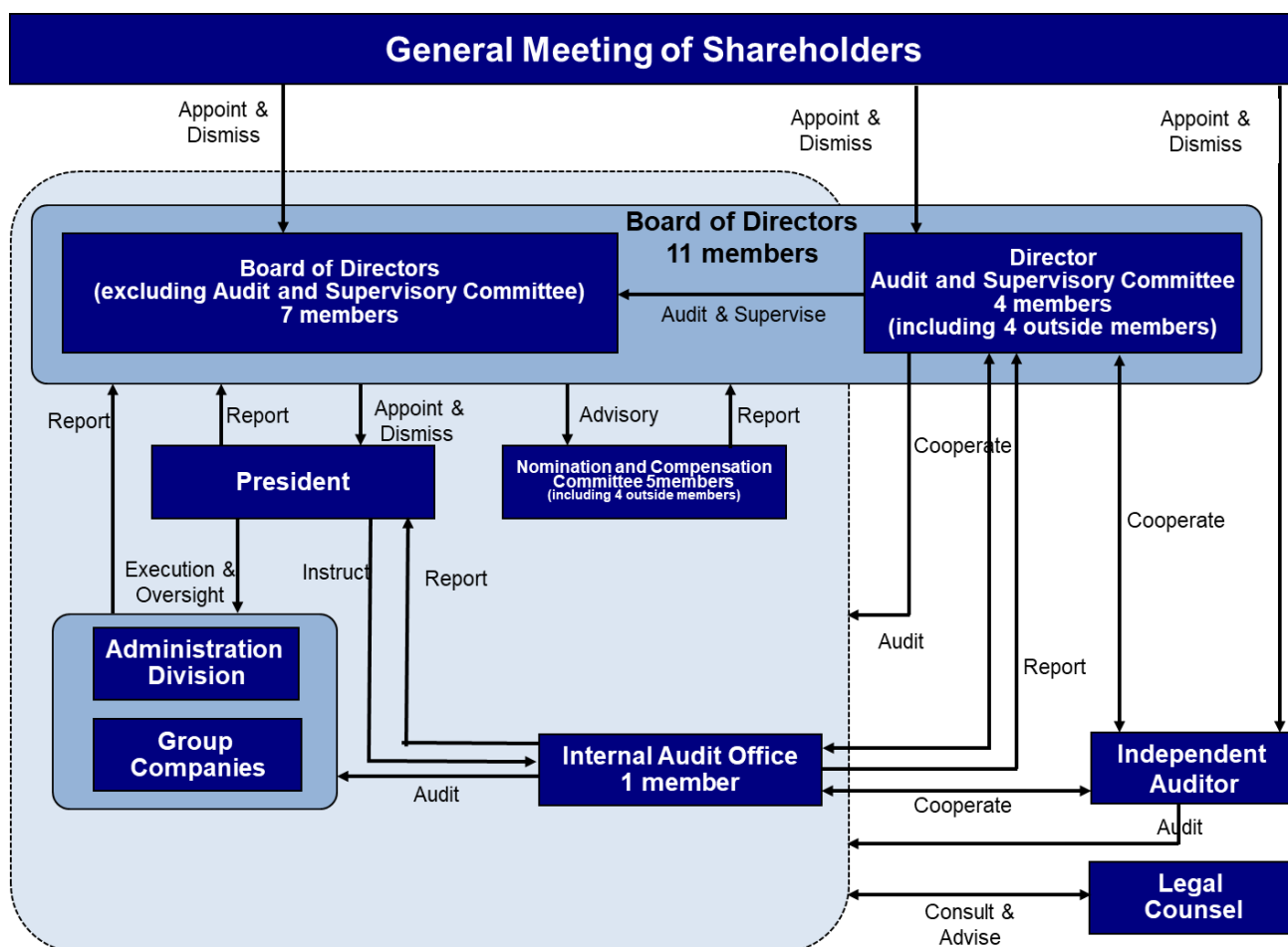
8. Management Structure

(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, and 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 president. 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 three 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.

Information Literacy

PITCREW CO., LTD., draws on more than a decade of experience in Internet Supporting to teach junior and senior high school students about information literacy relating to Internet usage through career experience programs and workshops.

9. Group Business Overview

During the consolidated fiscal year under review, conditions for the Japanese economy are expected to continue to pick up as various policies are effective, overseas economics are recovering and preventive measures are taken against COVID-19. However, we need to pay close attention to the impact of COVID-19, supply constraints, and downside risks due to trends in raw material prices, and we need to watch the impact of fluctuations in financial and capital markets.

Under these economic conditions, in the markets related to Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business, the game software market is expanding due to voluntary restraint from going out as a result of the global spread of COVID-19, while the hardware market is being affected by the shortage of semiconductors. On the other hand, in the related markets of the Internet Support Business, similarly, the e-commerce and cashless settlement markets, which are non-face-to-face and contactless services, are expanding. In addition, the spread of COVID-19 is encouraging schools to move classes online, and the government's GIGA school initiative's importance is increasing.

The Group provides checking, testing, monitoring and inspection services that requires human input on a contractual basis to corporate clients. The demand for such outsourcing services has been growing as client's business has diversified and have expanded overseas. Another reason behind this is that business processes have become more advanced and sophisticated. As new services are created in the market, both Testing/Verification & Evaluation Business and Internet Supporting Business, are seeing new business opportunities. During the consolidated fiscal year under review, the Company relocated its head office and increased the floor space in February in order to consolidate the sales and administrative departments of the Company and its major subsidiaries into the same office. In addition, the Company absorbed and merged with Pacer Inc., an intermediate holding company, in March in order to improve operating efficiency. In February, Pole To Win Co., Ltd. transferred its business related to tuning game balance and other aspects and development support to CREST Inc., with the aim of expanding its media contents-related business. In July, MSD Holdings Inc. became a subsidiary, for the purpose of undertaking software and system development other than games, as well as third-party verification services. In January, Ninjastars Inc. became a subsidiary, with the aim of developing a service that combines testing business and security diagnosis services. In April, QBIST Inc. and CREST Inc. relocated their headquarters to the same building and increased the floor space in order to improve synergy in the media contents business field of both companies. QBIST Inc. made Panda Graphics Inc. a subsidiary in August with the aim of increasing its share of the game art outsourcing market. In August, ENTALIZE CO., Ltd. made Delfi Sound Inc. a subsidiary in order to improve its capacity to handle voice recording. PITCREW CO., LTD. opened the Niigata Service Center in July and relocated and increased the floor space of the Sendai Service Center in anticipation of increased orders in the future. PITCREW CO., LTD. also absorbed and merged IMAid Inc. to consolidate and streamline operating resources. Overseas, OneXP LLC (a U.S. subsidiary), OneXP UK Limited (a U.K. subsidiary), 1518 Studios Rus LLC (a Russian subsidiary), and SIDE France SAS (a French subsidiary) were established for the purpose of business expansion. Through the collaboration between domestic bases and 21 overseas bases in 12 countries, we promoted the provision of "one-stop full services" such as testing, localization, voice recording, game development and marketing support, monitoring, and customer support on a global scale.

As a result of these factors, consolidated net sales for the term were ¥34,252,376 thousand (up 28.1%). Operating profit was ¥3,305,200 thousand (up 2.7%). Ordinary profit was ¥3,382,780 thousand (down 5.9%) and Profit attributable to owners of parent was ¥2,241,103 thousand (up 5.7%).

10. Overview of Segment Performance

(1) Testing/Verification & Evaluation Business

By promoting collaboration between domestic and overseas group companies the group strived to support global deployment for domestic and foreign game makers, and promoted orders for outsourcing services such as defect detection, localization customer support (overseas) and voice recording, etc. for game software developers. At QaaS Inc., orders for third-party verification services in the non-game market increased. At QBIST Inc., colorful Inc., Panda Graphics Inc. and CREST Inc. promoted the expansion of media contents business related to art, game, and animation production. In addition, MIRAI Service Design co. ltd. received orders from a government administration office to develop a system to accept various types of applications related to infectious diseases. As a result, Testing/Verification & Evaluation Business sales increased by 31.3 % year on year, to ¥26,439,240 thousand. However, due to an increase in one-time expenses related to M&A and upfront expenses related to the expansion of the media content business, including game and animation production, operating profit decreased by 7.1% to ¥2,461,133 thousand yen.

(2) Internet Supporting Business

In the Internet Supporting Business, orders increased for monitoring fraud for FinTech related services such as QR code settlement and virtual currency. Services related to identity verification, detection of anti-money laundering and behavior method also increased orders. Also, there was an increase in orders for data recognition evaluation in AI-related services and customer support for the game market through collaborating sales activities with Testing/Verification & Evaluation. In addition, PITCREW CO., LTD. received orders for ICT environment design and other services as a school ICT support provider under the government's GIGA School Project. As a result, Internet Supporting Business sales increased by 17.7%, to ¥7,580,748 thousand. Operating profit increased by 34.0%, to ¥819,736 thousand.

(3) Others

Palabra Inc. provide services to produce barrier-free subtitles audio guides for television program and movies to prepare for the advent of barrier-free motion pictures. PITCREW CO., LTD. has taken over the business of the former IMAid Inc. and provides support services such as visa obtainment, school enrollment and daily life procedures for foreign personnel working in medical institutes. The sales resulted in an increase of 46.6% to ¥232,387 thousand and operating loss of ¥15,902 thousand, down from operating loss of ¥139,666 thousand a year earlier.

11. Management's Discussion and Analysis

(1) Net Sales and Earnings

Net Sales

For Poletowin Pitcrew Holdings Group's core Testing/Verification & Evaluation Business related markets, game software market increased as self-curfew increased due to global spread of the coronavirus. On the other hand, the hardware market is affected by the shortage of semiconductors. The increase in new consolidated subsidiaries, such as MSD Holdings Co., Ltd., also saw increase in sales as well as expansion in the range of services.

For Internet Supporting Business, e-commerce and cashless payment markets, which are non-face-to-face and contactless services are expanding. With the spread of the coronavirus, online lessons in schools are promoted and the Japanese government's GIGA School Project increases importance.

As a result of these factors, consolidated net sales for the year increased by ¥7,522,979, or 28.1% to ¥34,252,376 thousand.

Gross Profit

The cost of sales increased by ¥5,813,407 thousand, or 31.3%, to ¥24,535,211 thousand. This was due to increased sales, opening of new studios or expansion of floor space in existing studios, personnel expenses rise with increase of new consolidated subsidiaries, and increased facility maintenance fees.

Gross profit thus increased by 21.3%, to ¥9,717,164 thousand.

Operating Profit

Selling, general and administrative expenses increased by ¥1,622,050 thousand, or 33.9%, to ¥6,411,964 thousand. In addition to the same reasons as cost of sales, increase in recruitment costs in anticipation of future orders increase and scale expansion, and an increase in M&A advisory costs were the reasons behind this. Operating profit thus increased by 2.7%, to ¥3,305,200 thousand.

Ordinary Profit

Non-operating income decreased by ¥211,441 thousand, or 54.8%, to ¥174,387 thousand, mainly due to foreign exchange gains, insurance surrender refunds, and decrease both in Japan and overseas regarding COVID-19 related subsidy income. Non-operating expenses increased by ¥89,024 thousand, or 1,143.8%, to ¥96,807 thousand. This was because foreign exchange losses and recording of investment loss by the equity method.

Ordinary profit therefore decreased by 5.9%, to ¥3,382,780 thousand.

Profit attributable to owners of parent

Extraordinary gains for the current consolidated fiscal year were ¥230,813 thousand (no extraordinary gain was recorded in the previous consolidated fiscal year) due to the recording of gain on sales of fixed assets.

Extraordinary losses increased by ¥239,734, or 181.0% to ¥372,175 thousand owing to loss on retirement of fixed assets, recorded loss on valuation of investment securities and an increase in impairment loss.

As a result of these factors, profit before income taxes was ¥3,241,419 thousand. The corporate income taxes (current and deferred) amounted to ¥1,004,444 thousand and loss attributable to non-controlling interests amounted to -¥4,129 thousand, and profit attributable to owners of parents increased by 5.7%, to ¥2,241,103 thousand.

(2) Financial Position

Assets

Current assets decreased by ¥762,518 thousand or 4.5% from the previous fiscal year, to ¥16,340,029 thousand. This was mainly due to a decrease of ¥1,423,330 thousand in cash and deposits, despite increases of ¥436,826 thousand in notes and accounts receivable-trade and ¥171,726 thousand in other current assets (mainly advance payments).

Non-current assets increased to ¥5,941,459 thousand, ¥2,654,682 thousand or 80.8% higher than the previous fiscal year. Key factors were decrease of ¥199,531 thousand in other of intangible assets (copyrights, etc.), but a ¥143,797 thousand increase in tools, furniture and fixtures, a ¥1,865,511 thousand increase in goodwill, and a ¥280,648 thousand increase in other intangible assets, a ¥148,066 thousand increase in investment securities, and a ¥305,413 thousand increase in deferred tax assets. As a result, total assets increased 1,892,163 thousand or 9.3% year on year, to ¥22,281,489 thousand.

Liabilities

Current liabilities decreased by ¥295,366 thousand, or 6.6% from the previous fiscal year-end, to ¥4,158,641 thousand. This was mainly due to decreases of ¥327,947 thousand in income taxes payable and ¥290,791 thousand in other current liabilities (mainly advance received), despite increases of ¥344,352 thousand in accrued expenses.

Non-current liabilities increased ¥216,350 thousand or 83.1%, to ¥476,579 thousand. This was mainly due to increase of ¥217,024 thousand in long-term borrowings. As a result, total liabilities decreased ¥79,015 thousand or 1.7% year on year, to ¥4,635,220 thousand.

Net assets

Net assets increased ¥1,971,179 thousand or 12.6%, to ¥17,646,268 thousand. This was mainly due to increases of ¥1,748,582 thousand in retained earnings, ¥125,405 thousand in treasury shares, and ¥365,335 thousand in foreign currency translation adjustment as a result of profit attributable to owners of parent.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) as of January 31, 2022, were ¥9,735,217 thousand, down ¥1,423,330 thousand from the previous fiscal year.

Cash flows for each activity and the reasons behind them are as follows.

Cash flows from operating activities

Operating activities provided net cash of + ¥1,844,490 thousand compared to ¥2,040,365 thousand provided in the previous fiscal year. The main contributors were + ¥3,241,419 thousand in profit before income taxes, + ¥492,796 thousand in depreciation, + ¥249,367 thousand in impairment loss, + 400,659 thousand in amortization of goodwill, - ¥230,813 thousand in gains on sales of property, plant, and equipment, + ¥316,924 thousand decrease of trade receivables, - ¥646,504 thousand decrease of accounts payable—other, + ¥217,164 thousand increase in accrued expense, - ¥134,141 thousand decrease in deposits received, and - ¥1,751,940 thousand in income taxes paid.

Cash flows from investing activities

Investing activities used net cash of - ¥2,661,898 thousand compared to - ¥963,219 thousand used in the previous fiscal year. The main uses were, - ¥571,736 thousand in purchase of property, + ¥230,813 thousand in income from the sale of intangible assets, - ¥284,245 thousand in purchase of investment securities, - ¥1,529,015 thousand in purchase of shares of subsidiaries resulting in change in scope of consolidation, - ¥477,539 thousand in expenditure of business transfer, + ¥117,164 thousand in payments of leasehold and guarantee deposits.

Cash flows from financing activities

Financing activities used net cash of - ¥659,830 thousand from - ¥468,688 thousand used in the previous fiscal year. The main factor in this change was - ¥492,521 thousand in cash dividends paid and - ¥125,405 thousand in expenditure on the acquisition of treasury stock, and so on.

(4) Earnings forecasts for the fiscal year ending January 31, 2023

For the fiscal year ending January 31, 2022, with the increase in new consolidated subsidiaries including MSD Holdings Inc., sales increased and the service area was expanded. Regarding the company structure, as a result of our efforts to improve business synergies and improve management efficiency, we have consolidated and abolished two subsidiaries of our company, consolidating the functions of our services and simplifying our systems.

For the fiscal year ending January 31, 2023, the three companies of Pole To Win Co., Ltd., PITCREW CO., LTD. and QaaS Co., Ltd., will merge in February. The four companies of MIRAI Service Design co., ltd., SOFTWISE Corporation, MSD Secure Service Inc., and Seitatsu Technology Inc, will also merge in February. In May, Pole To Win Co., Ltd. and Daiichi Shorin Co., Ltd., will merge, and Entalize Co., Ltd. and PTW Japan Co., Ltd. will merge. While M&A is promoting the expansion of the service area as well as the efficiency of management within the Group, it is becoming difficult to reflect the business reality of the Group in the conventional segment categories, "Testing/Verification & Evaluation Business," "Internet Supporting Business," and "Others." Therefore, from the fiscal year ending January 2023, the Group decided to change its business to a single segment of the "Service Life Cycle Solution Business" in accordance with the current business situation of the Group. Beyond the framework of testing/verification and internet support, we will provide solution services that meet the challenges with each process of planning, development, release, operation, and improvement which are the life cycle of the client's services and products.

The service lifecycle solution business is divided into three business categories:

1. Domestic Solution

Domestic subsidiaries provide testing business, customer support, localization, and overseas expansion support services for the game market; third-party software verification, environment construction, server monitoring, data center operation, and kitting services for the technology market; monitoring, customer support, and fraud prevention services for the e-commerce market.

2. Overseas Solution

Overseas subsidiaries provide services related to testing, localization, voice recording, customer support, product development, and art production.

3. Media Contents

Domestic subsidiaries provide services related to art production, game publishing, animation production, marketing support, and barrier-free subtitling and audio guide production.

As a result of these factors, for the year ending January 31, 2023, the Group projects consolidated net sales of ¥40,088 million (up 17.0%), operating profit of ¥4,002 million (up 21.1%), ordinary profit of ¥3,926 million (up 16.1%), and profit attributable to owners of parent of ¥2,428 million (up 8.3%).

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

(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.

12. Future Business Strategy Approaches

-Expansion of service areas beyond Testing/Verification & Evaluation Business and Internet Supporting Business through Mergers and acquisitions (M&A)

-Reorganization of segments and subsidiaries to provide solutions that go beyond the framework of Testing/Verification & Evaluation Business and Internet Supporting Business to meet customer services and product life cycle challenges

(Former) Segment		(New)	Task Category		Main Operating Company
Internet Supporting		Service and Lifecycle Solutions	Domestic Solution	<E-Commerce> Monitoring and Customer support	Pole To Win
Testing/ Verification & Evaluation	Testing and Localisation			<Games> Testing, Customer support, Localisation, Cverseas expansion support	Pole To Win PTW Japan
	Verification & Evaluation			<Technical> Third-party verification, Environment construction, Server monitoring, Data center operations, and Kitting	Pole To Win MIRAIt Service Design Ninjastars
	Overseas		Overseas Solution	Testing, Localisation, Voice recording, Customer support, Product development support, Graphic production	PTW International
Media Contents	Media Contents		Graphic development, Game publishing, Animation production, Marketing support, and Barrier-free subtitles and audio guides production	QBIST CREST Palabra	
Other					

13. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of January 31, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	11,158,548	9,735,217
Notes and accounts receivable - trade	4,504,541	4,941,367
Merchandise and finished goods	861	203
Work in process	172,920	262,767
Other	1,308,165	1,479,892
Allowance for doubtful accounts	-42,488	-79,419
Total current assets	17,102,548	16,340,029
Non-current assets		
Property, plant and equipment		
Buildings and structures	893,190	1,107,978
Accumulated depreciation	-544,376	-689,863
Buildings and structures, net	348,814	418,115
Machinery, equipment and vehicles	23,081	23,486
Accumulated depreciation	-15,860	-17,741
Machinery, equipment and vehicles, net	7,221	5,744
Tools, furniture and fixtures	1,616,860	2,013,467
Accumulated depreciation	-1,294,048	-1,546,857
Tools, furniture and fixtures, net	322,812	466,610
Other	15,306	—
Total property, plant and equipment	694,154	890,470
Intangible assets		
Goodwill	511,654	2,377,166
Software	225,961	263,463
Other intangible assets	—	280,648
Other	202,538	3,007
Total intangible assets	940,155	2,924,286
Investments and other assets		
Investment securities	654,071	802,137
Leasehold and guarantee deposits	751,910	753,945
Deferred tax assets	195,008	500,422
Other	128,470	135,491
Allowance for doubtful accounts	-76,994	-65,294
Total investments and other assets	1,652,466	2,126,702
Total non-current assets	3,286,776	5,941,459
Total assets	20,389,325	22,281,489

(Thousands of yen)

	As of January 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Short-term borrowings	4,540	—
Current portion of long-term borrowings	7,620	48,394
Accounts payable - other	2,067,679	1,987,729
Accrued expenses	216,301	560,653
Income taxes payable	970,324	642,376
Provision for bonuses	56,339	79,077
Other	1,131,201	840,410
Total current liabilities	4,454,007	4,158,641
Non-current liabilities		
Long-term borrowings	34,365	251,389
Retirement benefit liability	96,572	120,856
Deferred tax liabilities	31,950	16,626
Other	97,340	87,706
Total non-current liabilities	260,228	476,579
Total liabilities	4,714,236	4,635,220
Net assets		
Shareholders' equity		
Share capital	1,239,064	1,239,064
Capital surplus	2,379,899	2,379,899
Retained earnings	12,372,175	14,120,757
Treasury shares	-167,696	-293,102
Total shareholders' equity	15,823,442	17,446,619
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,373	27,063
Foreign currency translation adjustment	-200,676	164,658
Total accumulated other comprehensive income	-152,303	191,721
Non-controlling interests	3,950	7,926
Total net assets	15,675,089	17,646,268
Total liabilities and net assets	20,389,325	22,281,489

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

(Thousands of yen)

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Net sales	26,729,396	34,252,376
Cost of sales	18,721,803	24,535,211
Gross profit	8,007,593	9,717,164
Selling, general and administrative expenses	4,789,914	6,411,964
Operating profit	3,217,679	3,305,200
Non-operating income		
Interest income	3,335	3,989
Dividend income	745	2,173
Foreign exchange gains	64,718	—
Surrender value of insurance policies	124,595	—
Subsidy income	151,418	122,465
Gain on adjustment of account payable	8,645	8,081
Other	32,370	37,679
Total non-operating income	385,829	174,387
Non-operating expenses		
Interest expenses	2,748	1,636
Foreign exchange losses	—	10,724
Share of loss of entities accounted for using equity method	—	67,028
Other	5,034	17,417
Total non-operating expenses	7,783	96,807
Ordinary profit	3,595,725	3,382,780
Extraordinary profit		
Gain on sales of property, plant, and equipment	—	230,813
Total extraordinary profit	—	230,813
Extraordinary losses		
Loss on disposals of property, plant, and equipment	—	59,788
Loss on valuation of investment securities	—	63,018
Impairment loss	132,440	249,367
Total extraordinary losses	132,440	372,175
Profit before income taxes	3,463,284	3,241,419
Income taxes – current	1,455,126	1,299,616
Income taxes – deferred	-26,125	-295,171
Total income taxes	1,429,000	1,004,444
Profit	2,034,283	2,236,974
Loss attributable to non-controlling interests	-85,709	-4,129
Profit attributable to owners of parent	2,119,993	2,241,103

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Profit	2,034,283	2,236,974
Other comprehensive income		
Valuation difference on available-for-sale securities	-115,496	-21,309
Foreign currency translation adjustment	-115,517	342,384
Share of other comprehensive income of affiliates accounted for by the equity method	—	23,130
Total other comprehensive income	-231,013	344,204
Comprehensive income	1,803,270	2,581,179
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,888,953	2,585,129
Comprehensive income attributable to non-controlling interests	-85,682	-3,950

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2021 (From February 1, 2020, to January 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,237,674	2,377,916	10,706,356	-169,686	14,152,260
Changes of item during period					
Issuance of new shares	1,390	1,390			2,780
Dividends of surplus			-454,174		-454,174
Profit attributable to owners of parent			2,119,993		2,119,993
Disposal of treasury shares		592		1,989	2,582
Net changes in items other than shareholders' equity					
Total changes of items during period	1,390	1,983	1,665,818	1,989	1,671,182
Balance at end of period	1,239,064	2,379,899	12,372,175	-167,696	15,823,442

	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	163,869	-85,133	78,735	89,633	14,320,629
Changes of item during period					
Issuance of new shares					2,780
Dividends of surplus					-454,174
Profit attributable to owners of parent					2,119,993
Disposal of treasury shares					2,582
Net changes in items other than shareholders' equity	-115,496	-115,543	-231,039	-85,682	-316,722
Total changes of items during period	-115,496	-115,543	-231,039	-85,682	1,354,459
Balance at end of period	48,373	-200,676	-152,303	3,950	15,675,089

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			2,241,103		2,241,103
Disposal of treasury shares				-125,405	-125,405
Net changes in items other than shareholders' equity					
Total changes of item during period	—	—	1,748,582	-125,405	1,623,177
Balance at end of period	1,239,064	2,379,899	14,120,757	-293,102	17,446,619

	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					2,241,103
Disposal 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	1,971,179
Balance at end of period	27,063	164,658	191,721	7,926	17,646,268

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,463,284	3,241,419
Depreciation	361,896	492,796
Impairment loss	132,440	249,367
Amortization of goodwill	273,956	400,659
Increase (decrease) in allowance for doubtful accounts	39,526	-5,477
Increase (decrease) in provision for bonuses	27,095	-4,763
Increase (decrease) in retirement benefit liability	20,269	24,284
Interest and dividend income	-4,081	-6,162
Surrender value of insurance policies	-124,595	—
Subsidy income	-151,418	-122,465
Interest expenses	2,748	1,636
Foreign exchange losses (gains)	-5,920	-38,214
Share of loss (profit) of entities accounted for using equity method	—	67,028
Gain on sales of property, plant, and equipment	—	-230,813
Loss on disposals of property, plant, and equipment	—	59,788
Loss (gain) on valuation of investment securities	—	63,018
Decrease (increase) in trade receivables	-910,097	316,924
Increase (decrease) in accounts payable - other	414,065	-646,504
Increase (decrease) in accrued expenses	53,547	217,164
Increase (decrease) in accrued consumption taxes	114,885	-36,851
Increase (decrease) in deposits received	-139,420	-134,141
Other, net	-740,985	-439,627
Subtotal	2,827,199	3,469,066
Interest and dividends received	3,791	7,828
Proceeds from subsidy income	151,418	122,465
Interest paid	-2,613	-2,928
Income taxes paid	-939,430	-1,751,940
Net cash provided by (used in) operating activities	2,040,365	1,844,490
Cash flows from investing activities		
Purchase of property, plant and equipment	-261,583	-571,736
Proceeds from sales of property, plant and equipment	—	2,510
Purchase of intangible assets	-343,190	-80,385
Proceeds from sales of intangible assets	—	230,813
Purchase of investment securities	-182,172	-284,245
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-153,262	-1,529,015
Purchase of shares of subsidiaries and associates	-64,999	—
Payments for acquisition of business	—	-477,539
Loan advances	-7,828	-6,048
Collection of loans receivable	11,315	12,100
Payments of leasehold and guarantee deposits	-234,337	-75,516
Proceeds from refund of leasehold and guarantee deposits	34,856	117,164
Other, net	237,982	—
Net cash provided by (used in) investing activities	-963,219	-2,661,898
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-10,759	-13,081
Repayments of long-term borrowings	-6,536	-28,822
Proceeds from issuance of shares	2,780	—
Dividends paid	-454,174	-492,521
Payments for purchase of treasury stock	—	-125,405
Net cash provided by (used in) financing activities	-468,688	-659,830
Effect of exchange rate change on cash and cash equivalents	35,920	53,907
Net increase (decrease) in cash and cash equivalents	644,377	-1,423,330
Cash and cash equivalents at beginning of period	10,514,170	11,158,548
Cash and cash equivalents at end of period	11,158,548	9,735,217