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Key Points of Interest Expected in the Full Year Financial Results for the Fiscal Year Ended January 31, 2025

We hereby announce that The Company has published a list of anticipated questions and answers in relation to the "Consolidated Financial Results for the Fiscal Year Ended January 31, 2025" and "Notice of Difference between Full-Year Consolidated Earnings Forecast and Actual Results, Unchanged Dividend Forecast" announced today. Please see attached a list of expected questions and answers.

Key Points of Interest Expected in the Consolidated Financial Results for the Fiscal Year Ended January 31, 2025

■Difference between Forecast and Actual Results

Q1:FY1/2025 full-year results show downward differences in operating income, ordinary income, and net income attributable to owners of the parent. In particular, net income attributable to owners of the parent differs greatly. What is the reason for not being achieved?

Although sales were higher than expected, operating income fell short of the target due to higher-than-expected one-time expenses for business liquidation in Overseas Solutions, sluggish profit margins on large-scale spot projects, higher-than-expected start-up training costs for new offshore sites (Portugal and Brazil), and more time required to liquidate unprofitable businesses and improve gross profit margins in Media Contents.

The significant shortfall in net income attributable to owners of the parent resulted from the recording of JPY195 million in loss on valuation of investment securities as an extraordinary loss in 4Q, and of JPY129 million in impairment loss on goodwill and JPY120 million in impairment loss on fixed assets in light of the results and future outlook for Media Contents.

The loss on valuation of investment securities was due to a significant decline in the real value of investment securities held in capital and business alliances with various companies, and the Company determined that such recovery would not be expected. Our Group has entered into capital and business alliances with various companies in anticipation of business alliances and expansion of business fields. However, the company growth did not progress as planned on the basis of the judgment when considering the investment, and there were five investment securities in which the equity value of our group declined remarkably, and we recorded a total valuation loss of JPY195 million.

Impairment loss on goodwill resulted from the recognition of an impairment loss on goodwill of JPY102 million related to the acquisition of AQUAPLUS Co., Ltd. (hereinafter "AQUAPLUS") and on goodwill of JPY26 million related to the acquisition of SANETTY Produce Co., Ltd. (hereinafter "SANETTY") in Media Contents. Although AQUAPLUS has remained in the black since the acquisition, CF in FY1/2026 is expected to be temporarily in the red and was impaired due to the remaining amortization term of goodwill of one year. SANETTY operates a 2.5-dimensional stage as a live entertainment business, but results in FY1/2025 were heavily in the red, and we conservatively scrutinized future projects and impaired them.

Based on conservative judgments and taking in review the performance in Media Contents, impairment losses on fixed assets resulted in an impairment loss on fixed assets of JPY120 million related to HIKE Inc. (hereinafter "HIKE"), which is the core company.

Q2: Despite a downward revision to the earnings forecast in Q2, full-year results also missed target. Is there a defect in the management system? How will it be managed in the future?

We apologize for the inconvenience and concern caused by the repeated downward revisions. Divergences between forecasts and actual results tend to be greater in Overseas Solutions and Media Contents. We have adopted a CFO for reviewing the management control system in both PTW International Holdings Limited and HIKE, which are the core companies of both businesses, Under these CFOs' we are working to review the management control system as an organization. Through this initiative, we are working to improve the accuracy and control of the performance outlook for each Group company and, in turn, the Group as a whole.

Q3: What is the earnings performance and outlook for the next fiscal year for Ghostpunch business?

In September 2024, Ghostpunch business (offering outsourcing services such as engineering, technical design, art, animation, and production to gaming development companies) was transferred to Overseas Solutions business. In FY1/2025, Ghostpunch contributed 4 months (the overseas subsidiary was figured out for December), with sales of JPY477 million, operating profit before incineration of goodwill, etc. amounting to JPY121 million, and operating profit including depreciation of goodwill, etc. to JPY13 million. The weighted-average amortization period for goodwill and intangibles recognized as a result of Purchase Price Allocation (cost allocation) was slightly shorter than originally expected. Consequently, amortization expenses have increased slightly over the same period. Nevertheless, even after amortization, the Company has been able to secure profits. This has contributed significantly to results on a EBITDA basis. For, FY 1/2026 we forecast sales of JPY1.814 billion, operating income before amortization of goodwill, etc. of JPY506 million, and operating income including amortization of goodwill, etc. of JPY122 million.

On the business front, we are considering hiring development personnel in India and Brazil, where personnel costs are relatively low, for Ghostpunch's existing businesses. While aiming to grow sales and profits by expanding scale and reducing costs, we will leverage our group's strengths of providing one-stop services for clients' needs to realize synergies and expand business results across the Group.

Q4: In comparing quarterly operating income, could you explain about the one-time expenses coming in and out on a quarterly basis?

In 1Q we incurred JPY270 million in business liquidation expenses in the Overseas Solutions business and an additional JPY229 million in joint game development expenses in Media Contents business. In 2Q we incurred JPY71 million for business liquidation expenses in the Overseas Solutions and JPY58 million for allowance for receivables in Media Contents. In 3Q we incurred JPY90 million in expenses to liquidate its Overseas solutions business. 4Q incurred JPY111 million in expenses to liquidate its Overseas Solutions business.

(Overseas Solutions) (Millions of yen)

	1Q	2Q	3Q	4Q	Total (Full year)
Business liquidation expenses	270	71	90	111	542

(Media Contents) (Millions of yen)

	Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full year)
Additional expenses for Joint development of games	229	-	-	-	229
Provision for receivables	-	58	-	-	58

Q5: What is the impact of exchange rates on business results?

Although the yen has been appreciating most recently, 4Q financial statements have been applied at 1USD rates of JPY140.54 for FY 1/2024 and JPY151.44 for FY 1/2025. In Overseas Solutions, sales increased JPY16 billion in FY1/2024 and JPY20.2 billion in FY 1/2025, and is a JPY4.2 billion increase. Breakdown of this increase is depreciation of yen of JPY1.2 billion, growth of existing businesses is JPY2.6 billion, and Ghostpunch business is JPY400 million.

■Forecast for the next fiscal year (FY1/2026)

Q6: The sales growth rate has fallen to 5% compared to 12% in FY1/2025. Media Contents appears to have a 7% decline in sales. What is the future policy for Media Contents?

Although we have been investing in Media Contents as a growth area to acquire a competitive position, due to the growing scale of the content industry and intensifying competition, both new businesses and existing businesses are underperforming our initial profit target. In light of these circumstances, we will drastically scale back new investments, and in businesses other than production contracting, where stable earnings are expected, we will pursue fundamental structural reforms and consider all possible methods, including downsizing or withdrawing from these businesses.

The sales forecast for the fiscal year ending FY1/2026 is based on the assumption that certain business restructuring will be implemented. However, the timing and impact amount are uncertain at this time, and there is a possibility that sales will decline further than the forecast at this time. We will promptly announce if any issues that need to be disclosed in the future arises.

Q7: The company forecasts higher profits for the Group, but lower profits for Domestic Solutions. What is the rationale behind this?

In the first half of the fiscal year, we expect an operating loss but an improvement in the second half. In Domestic Solutions, we will create a sales structure and implement promotions to strengthen orders for software development and testing from outside the large market size game market, mainly in the first half of the fiscal year. In addition, we plan to integrate the sites we have been working on for the purpose of improving the work environment for our employees and enhancing work efficiency. In terms of establishing sites, we have improved employee turnover by improving employee satisfaction and improved recruitment efficiency and we will continue to promote this with an eye to future cost reductions. Due to the implementation of these measures, one-time expenses will increase, and therefore Domestic Solutions are expected to record a decline in profits. In Overseas Solutions, sales at new offshore sites are expected to increase through the second half of the fiscal year, and profits are expected to improve in the second half of the fiscal year. Although Media Contents is liquid due to the status of business liquidation as mentioned above, the loss in the first half of the fiscal year is large due to the impact of business liquidation. In the second semester, we anticipate a black pattern and as in the second semester of FY1/2025, end-of-semester deliveries of ordered cases are expected to be concentrated. Costs such as the withdrawal of MD business that occurred in FY1/2025 have fallen off and we believe this can be achieved by withdrawing from other loss-making new businesses during the first half of the year and establishing a process management system, led by a new CFO, to control additional costs.

We are seriously aware of the situation in which downward revisions have occurred for three consecutive fiscal years, and we have conservatively estimated both sales and expenses, and our Group will make a concerted effort to achieve results that exceed the forecasts.

Q8: What is the exchange rate assumption for the next fiscal year?

Based on current market prices and forecasts, 1USD is assumed to be JPY145.

■Future Management Policies

Q9: What is your business growth image?

We had previously targeted sales of JPY100 billion and an operating profit margin of 10% for FY1/2029, but due to changes in our growth policy in Media Contents, we are now considering a revision. We are considering timing for achieving JPY100 billion be pushed back, the operating income margin be changed to EBITDA margin, and the timing for achieving 10% be achieved ahead of schedule.

■Changes in Accounting Policies and Business Segments (Reposted from the first quarter)

Q10: There have been retroactive revisions to the financial results for the previous fiscal year. Could you provide details on the nature of these revisions, the reasons behind them, and their impact.

The following changes in accounting policies and presentation methods have been implemented in the current fiscal year.

① Change in Accounting Policies (Change in the Method of Converting Profits and Expenses of Overseas Subsidiaries)

Previously, the profits and expenses of our overseas subsidiaries were converted into yen using the spot exchange rate on the financial results reporting date. However, with the recent significant fluctuations in exchange rates and the growing importance of overseas subsidiary performance—expected to increase further as we expand our overseas consumer product businesses—we have shifted to a method that converts to yen using the average exchange rate over the fiscal year. This change helps mitigate the impact of temporary exchange rate fluctuations on profit and loss and more accurately reflects the performance of our overseas subsidiaries.

② Change in Presentation Method (Change in Business Segment of PTW Japan Co., Ltd., etc.)

The results of PTW Japan Co., Ltd. and Delfi Sound Inc., which were previously classified under Domestic Solutions, are now included in Overseas Solutions for the current fiscal year. This is due to a change in the classification method, which is now based on management control categories rather than company location.

To reflect these changes in accounting policies and presentation methods, the figures for the previous fiscal year (ended January 2024) have been restated, and a comparative analysis has been conducted. The impact of these changes is as follows:

- **Impact on Consolidated Results**

(Before revision)

(Unit: Millions of yen)

	Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full Year)
Net sales	10,948	11,391	11,919	12,719	46,980
Operating profit	294	197	185	-272	404
Ordinary profit	330	92	389	-302	509
Profit attributable to owners of parent	95	-450	63	-1,676	-1,967

(Revision Resulting from Changes in Accounting Policy)

(Unit: Millions of yen)

	Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full Year)
Net sales	-24	-431	-182	+382	-255
Operating profit	+3	+69	-46	+15	+41
Ordinary profit	+0	+24	-39	+30	+16
Profit attributable to owners of parent	+1	+31	-33	+46	+46

(After revision)

(Unit: Millions of yen)

	Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full Year)
Net sales	10,924	10,960	11,737	13,102	46,724
Operating profit	298	266	138	-257	445
Ordinary profit	331	116	350	-272	525
Profit attributable to owners of parent	97	-418	30	-1,629	-1,920

- **Impact on Net Sales and Operating Profit by Service**

(Before revision)

(Unit: Millions of yen)

		Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full Year)
Domestic Solutions	Net sales	6,316	6,422	6,950	7,234	26,925
	Operating profit	305	392	241	565	1,504
Overseas Solutions	Net sales	3,045	3,304	3,644	2,954	12,949
	Operating profit	68	-134	415	-227	123
Media Contents	Net sales	1,586	1,664	1,324	2,530	7,105
	Operating profit	12	42	-404	-612	-961

(Revision Resulting from Changes in Accounting Policy)

(Unit: Millions of yen)

		Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full Year)
Domestic Solutions	Net sales	-	-	-	-	-
	Operating profit	-	-	-	-	-
Overseas Solutions	Net sales	-24	-429	-181	+381	-253
	Operating profit	+0	+50	-36	+20	+35
Media Contents	Net sales	-0	-1	-1	+1	-1
	Operating profit	-0	+2	+0	-0	+2

(Amount of Reclassification Due to Change in Presentation Method)

(Unit: Millions of yen)

		Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full Year)
Domestic Solutions	Net sales	-653	-787	-934	-1,024	-3,401
	Operating profit	+22	+30	+11	-57	+7
Overseas Solutions	Net sales	+653	+787	+934	+1,024	+3,401
	Operating profit	-25	-70	-17	+86	-27
Media Contents	Net sales	-	-	-	-	-
	Operating profit	-	-	-	-	-

(After revision)

(Unit: Millions of yen)

		Previous 1Q	Previous 2Q	Previous 3Q	Previous 4Q	Total (Full Year)
Domestic Solutions	Net sales	5,663	5,634	6,015	6,209	23,523
	Operating profit	327	422	253	507	1,511
Overseas Solutions	Net sales	3,675	3,662	4,398	4,360	16,096
	Operating profit	43	-154	362	-120	130
Media Contents	Net sales	1,586	1,662	1,323	2,531	7,104
	Operating profit	12	44	-404	-612	-959

[Disclaimer]

This document and information contain so-called “forward-looking statements.”

These forward-looking statements are based on current expectations, forecasts, and assumptions that are subject to risks and uncertainties, which may cause actual results to differ substantially from these statements.

These risks and uncertainties include general industry and market conditions as well as domestic and international economic conditions, such as interest rates and currency exchange fluctuations.

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