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July 12, 2024

Consolidated Financial Results for FY2024 Q3 (Under Japanese GAAP)

Company name: TeamSpirit Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4397
 URL: <https://corp.teamspirit.com/ja-jp/>
 Representative: Kazuyoshi Michishita, CEO
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 Scheduled date to file quarterly securities report: July 16, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of financial results briefing: Yes

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

1. Consolidated financial results for the nine months ended May 31, 2024 (from September 1, 2023 to May 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
May 31, 2024	3,279	16.5	-32	-	-36	-	-34	-
May 31, 2023	2,813	17.1	-75	-	-80	-	-91	-

Note: Comprehensive income For the nine months ended May 31, 2024: ¥-28 million [-%]
 For the nine months ended May 31, 2023: ¥-88 million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
May 31, 2024	-2.12	-
May 31, 2023	-5.58	-

Note: Diluted earnings per share is not stated because, although potential shares exist, basic loss per share was recorded.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
May 31, 2024	3,727	1,378	37.0
August 31, 2023	3,516	1,392	39.6

Reference: Equity
 As of May 31, 2024: ¥1,378 million
 As of August 31, 2023: ¥1,392 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2023	-	0.00	-	0.00	0.00
Fiscal year ending August 31, 2024	-	0.00	-		
Fiscal year ending August 31, 2024 (Forecast)				0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending August 31, 2024 (from September 1, 2023 to August 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending August 31, 2024	4,400	15.5	-120	-	-125	-	-220	-	-13.38

Note: Revisions to the earnings forecasts most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

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

As of May 31, 2024	16,451,600 shares
As of August 31, 2023	16,408,100 shares

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

As of May 31, 2024	7,915 shares
As of August 31, 2023	4,615 shares

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

Nine months ended May 31, 2024	16,420,396 shares
Nine months ended May 31, 2023	16,335,229 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Statement regarding appropriate use of forward-looking statements and other notes

Forward-looking statements, including the consolidated earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Thus, the Company does not intend to commit future accomplishment. Accordingly, actual business results may differ substantially from the Company's current assessment.

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1. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of August 31, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	2,364,904	2,621,116
Accounts receivable - trade and contract assets	42,656	42,647
Advance payments to suppliers	325,985	346,084
Other	142,526	183,103
Allowance for doubtful accounts	-801	-415
Total current assets	2,875,270	3,192,535
Non-current assets		
Property, plant and equipment	12,639	13,534
Investments and other assets		
Deferred tax assets	462,092	465,430
Other	166,735	56,082
Total investments and other assets	628,827	521,513
Total non-current assets	641,467	535,047
Total assets	3,516,737	3,727,583
Liabilities		
Current liabilities		
Accounts payable - trade	5,890	7,671
Income taxes payable	25,949	5,150
Deferred revenue	1,568,939	1,885,346
Provision for bonuses	57,066	2,420
Other	466,849	448,235
Total current liabilities	2,124,695	2,348,823
Total liabilities	2,124,695	2,348,823
Net assets		
Shareholders' equity		
Share capital	833,320	840,824
Capital surplus	823,320	830,824
Retained earnings	-281,113	-316,005
Treasury shares	-509	-509
Total shareholders' equity	1,375,018	1,355,134
Accumulated other comprehensive income		
Foreign currency translation adjustment	17,022	23,624
Total accumulated other comprehensive income	17,022	23,624
Total net assets	1,392,041	1,378,759
Total liabilities and net assets	3,516,737	3,727,583

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended May 31, 2023	Nine months ended May 31, 2024
Net sales	2,813,559	3,279,173
Cost of sales	1,779,823	2,033,986
Gross profit	1,033,736	1,245,186
Selling, general and administrative expenses	1,109,569	1,278,085
Operating loss	-75,832	-32,899
Non-operating income		
Subsidy income	301	455
Other	196	545
Total non-operating income	497	1,001
Non-operating expenses		
Foreign exchange losses	4,149	3,745
Share issuance costs	790	628
Other	61	59
Total non-operating expenses	5,001	4,434
Ordinary loss	-80,336	-36,332
Extraordinary losses		
Loss on valuation of investment securities	50,000	-
Head office relocation expenses	19,252	-
Total extraordinary losses	69,252	-
Loss before income taxes	-149,589	-36,332
Income taxes - current	55,349	1,897
Income taxes - deferred	-113,790	-3,338
Total income taxes	-58,441	-1,440
Loss	-91,148	-34,891
Loss attributable to owners of parent	-91,148	-34,891

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended May 31, 2023	Nine months ended May 31, 2024
Loss	-91,148	-34,891
Other comprehensive income		
Foreign currency translation adjustment	2,975	6,601
Total other comprehensive income	2,975	6,601
Comprehensive income	-88,173	-28,290
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-88,173	-28,290

(3) Notes to the quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

For the first nine months of the current fiscal year, share capital and capital surplus increased by ¥7,503 thousand respectively due to the issuance of new stocks as restricted stock compensation. As a result, share capital and capital surplus amounted to ¥840,824 thousand and ¥830,824 thousand, respectively as of the end of the consolidated nine months.

(Significant events after reporting period)

(Business downsizing of consolidated subsidiary)

At the meeting of the Board of Directors held on July 12, 2024, the Company resolved to recognize the extraordinary losses related to business restructuring due to business downsizing of consolidated subsidiary, "TeamSpirit Singapore Pte. Ltd.," in the fourth quarter of the fiscal year ending August 31, 2024.

1. Business downsizing of consolidated subsidiary and its reasons

In the subsidiary company responsible for our product development, the increase in labor costs and the significant depreciation of the yen have led to a noticeable increase in financial burden. As a result, the company aim to downsize the subsidiary's operations and enhance collaboration with domestic engineers and external partners to reevaluate our development structure and rationalize expenses.

The company aim to complete business downsizing by the end of December 2024.

2. Overview of the subsidiary

(1) Name	TeamSpirit Singapore Pte. Ltd.
(2) Location	Singapore
(3) Title and name of the representative	Managing Director, Hidetoshi Torami
(4) Business	Development of TeamSpirit enterprise
(5) Share capital	SGD 100,000

3. Recognizing extraordinary losses

The company plan to record extraordinary losses of 130 million yen by recognizing expenses related to retirement benefits as restructuring costs in the fourth quarter of the fiscal year ending August 31, 2024. This is intended to facilitate a smooth transition to complete downsizing of operations.