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Summary of Financial Results for the Fiscal Year Ended September 30, 2018 [Japan Standards] (Consolidated)

November 14, 2018

Company name: CrowdWorks Inc.	Stock listing: Tokyo Stock Exchange
Securities code: 3900	URL: https://crowdworks.co.jp
Representative: Koichiro Yoshida, President and CEO	
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Scheduled date of ordinary general meeting of shareholders: December 14, 2018	
Scheduled payment date of dividend: —	
Scheduled filing date of securities report: December 17, 2018	
Supplementary materials for the financial results: Yes	
Investor conference for the financial results: Yes (for institutional investors and security analysts)	

(Millions of yen rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended September 30, 2018 (From October 1, 2017 to September 30, 2018)

(1) Consolidated Financial Performance

(% figures represent year-on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended September 30, 2018	6,634	126.8	23	—	9	—	(81)	—
FY ended September 30, 2017	2,925	—	(335)	—	(331)	—	(354)	—

Note: Comprehensive income FY ended September 30, 2018 (50) million yen (— %)
 FY ended September 30, 2017 (348) million yen (— %)

	Profit per share	Diluted profit per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY ended September 30, 2018	(5.85)	—	(4.4)	0.2	0.4
FY ended September 30, 2017	(26.36)	—	(21.4)	(11.7)	(22.2)

Note: "Diluted profit per share" is not stated since net loss per share is recorded, while there is a balance of new share subscription rights.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net asset value per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2018	5,966	2,227	35.6	148.49
As of September 30, 2017	2,774	1,578	56.1	114.82

Reference: Shareholders' equity As of September 30, 2018 2,126 million yen
 As of September 30, 2017 1,556 million yen

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended September 30, 2018	(542)	(75)	1,794	2,884
FY ended September 30, 2017	(504)	(12)	120	1,709

Note: Cash flows from operating activities of negative 542 million yen include expenditures of 201 million yen for payment of unpaid bonuses at the time of consolidation of DENEN Co. Ltd. and I/O SYSTEM INTEGRATION CO., LTD. during the period in November, 2017, as well as increased year-end work in process of 173 million yen derived from a contract of long-term major development projects by DENEN Co. Ltd.

2. Dividends

	Dividends per share					Dividends (total)	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended September 30, 2017	—	0.00	—	0.00	0.00	—	—	—
FY ended September 30, 2018	—	0.00	—	0.00	0.00	—	—	—
FY ending September 30, 2019 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated Financial Forecasts for the Fiscal Year Ending September 30, 2019 (From October 1, 2018 to September 30, 2019)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,700	31.1	—		—		—		—

Note: CrowdWorks (hereinafter, "the Company") plans to maintain profitability of operating profit in the consolidated financial forecasts for the fiscal year ending September 30, 2019, but the Company refrains from disclosing a specific amount in view of a possibility to make flexible investment decisions due to the intensifying recruitment environment of development employees and the competitive environment of Fintech services. Also, the Company aims at growth of 40% or more year-on-year for the total contract value and 30% or more year-on-year for net sales and gross profit, and the Company will promote enhanced corporate value realizing proactive investments in an efficient manner by securing resources for reinvestment through increased gross profit. For details, please refer to Appendix page 4 "1. Summary of Financial Performance (4) Future Prospects."

* Notes

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries affecting the scope of consolidation): None

New: — (Company name:) Excluded: — (Company name:)

Note: While it does not fall under the change in specific subsidiaries, DENEN Co. Ltd. and I/O SYSTEM INTEGRATION CO., LTD. were included in the scope of consolidation from the first quarter consolidated financial period. Also, in the second quarter consolidated financial period, BizAsst., Inc. and BRAIN PARTNER Co. Ltd. were decentralized into separate companies, and in the fourth quarter consolidated financial period, Crowd Money Inc. was newly established and they were included in the scope of consolidation. On the other hand, since liquidation of CrowdWorks Ventures Inc. was completed in the first quarter consolidated financial period and graviee inc. (a consolidated subsidiary) absorbed and merged 3sta Inc. in the second quarter consolidated financial period, and it was excluded from the scope of consolidation.

(2) Changes in accounting principles, changes in accounting estimates and restatements

1) Changes in accounting policies associated with revision of accounting standards: Yes

2) Changes in accounting policies other than the above 1): Yes

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at term-end (including treasury shares)

As of September 30, 2018: 14,319,160 shares

As of September 30, 2017: 13,553,660 shares

2) Number of treasury shares at term-end

As of September 30, 2018: — shares

As of September 30, 2017: — shares

3) Number of average shares outstanding during term

As of September 30, 2018: 13,934,430 shares

As of September 30, 2017: 13,458,700 shares

Reference: Overview of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended September 30, 2018****(From October 1, 2017 to September 30, 2018)****(1) Non-consolidated Financial Performance**

(% figures represent year-on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended September 30, 2018	3,536	29.0	(91)	—	(72)	—	(63)	—
FY ended September 30, 2017	2,741		(343)		(339)		(349)	

	Profit per share	Diluted profit per share
	Yen	Yen
FY ended September 30, 2018	(4.59)	—
FY ended September 30, 2017	(25.97)	—

Note: “Diluted profit per share” is not stated since net loss per share is recorded, while there is a balance of new share subscription rights.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net asset value per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2018	4,395	2,139	48.7	149.41
As of September 30, 2017	2,685	1,557	58.0	114.86

Reference: Shareholders' equity FY ended September 30, 2018 2,139 million yen
FY ended September 30, 2017 1,556 million yen

* The Summary of Financial Results is not subject to audit by certified public accountants or audit corporations.

* Explanation regarding the appropriate use of the earnings forecast

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors. For details on the conditions that form the assumptions used for earnings forecasts and notes on using earnings forecasts, please refer to Appendix page 4, “1. Summary of Financial Performance (4) Future Prospects.”

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1. Summary of Financial Performance

(1) Summary of Financial Performance in the Current Fiscal Year

Since its foundation, the Company group has been promoting crowdsourcing business, which is a system to enable individuals to receive remunerations by using the Internet, raising a vision of “Work-style revolution – Aim for the world's largest amount of remuneration provided through the Internet.” Specific contents of services are a direct matching service centering on the Japan’s largest crowdsourcing “CrowdWorks” as the core, differentiating into agent matching services to support matching of corporations and individuals by the Company's staff that includes “CrowdTech” and “BizAsst. Online” while responding to market needs, and further derived peripheral businesses aiming at creation of an environment that facilitates earning of remunerations for individuals.

In the current consolidated fiscal year, there were full-fledged moves of “work-style reforms,” which is the biggest theme in the slogan of the present government “Realization of a Society of Dynamic Engagement of All Citizens,” and moves to expand choices other than being employed by companies such as increased opportunities for females, senior citizens, people with disabilities as well as the liberalization of side jobs for workers who provide potential work forces became more active. There were increasing needs for services of our company providing opportunities for individuals to obtain remunerations other than salaries which led us to succeed in expanding the Company's user group. It increased to the extent to exceed 2.32 million registered users in September, 2018.

At the same time, while the degree of shortage of human resources of corporations is becoming more serious, the job offers-to-applicants ratio of engineers of information processing/communication, which is the main domain of our company, is shifting at a high level at 2.45 times higher (Ministry of Health, Labour and Welfare “Labor force survey,” September, 2018), indicating increasing matching needs on the side of individuals seeking more flexible work-style and corporations wishing to promote human resource utilization unrestricted by conventional styles. Such a social environment provided a strong boost helping the Company to attain substantial growth of our platforms and the trading volume reached a record high level.

Furthermore, the Company has attained a dynamic growth, having implemented proactive M&A activities in the Company's peripheral fields which would enhance the future platform values that include reclassification of DENEN Co. Ltd., one of the leading companies of block chain technology in Japan as a subsidiary and business transfer of learning market place “Cyta.”

On the other hand, while continuing proactive investments in new businesses, the Company enhanced cost effectiveness of existing businesses, and the Company achieved a positive operating profit in the full year for the first time since the Company's foundation.

As a result of the foregoing, net sales for the current consolidated fiscal year were 6,634.844 million yen (up 126.8% from the previous fiscal year), operating profit was 23.525 million yen (operating loss of 335.272 million yen in the previous fiscal year), ordinary profit was 9.724 million yen (ordinary loss of 331.283 million yen in the previous fiscal year) and loss attributable to owners of parent was 81.484 million yen (loss attributable to owners of parent in the previous fiscal year was 354.800 million yen).

Financial results by segment are as follows:

1) Direct Matching Business

In Direct Matching Business, while restraining advertising investment, the number of users of “CrowdWorks” and trading per user increased substantially. As a result, net sales were 976.623 million yen (up 43.8% from the previous fiscal year) and segment profit was 53.489 million yen (segment loss in the previous fiscal year was 112.711 million yen).

2) Agent Matching Business

Agent Matching Business attained significant growth due to the conversion of the DENEN Co. Ltd. operating SES business into a subsidiary, addition of full year business performance of graviee inc. and transfer of the Cyta business, coupled with steady expansion of CrowdTech. As a result, net sales were 3,674.027 million yen (up 63.5% from the previous fiscal year), and segment profit was 23.942 million yen (segment loss of 220.353 million yen in the previous fiscal year).

3) Business Solution Business

Business Solution Business is a newly established business segment on the occasion of the conversion of DENEN Co. Ltd. into a subsidiary in the first quarter of the current fiscal year. Net sales were 1,983.798 million yen and segment profit was 79.605 million yen.

4) Fintech Business

Fintech Business is a newly established business segment on the occasion of the start-up of the new service “feelee” to guarantee acquisition of remunerations for freelancers, and also the establishment of Crowd Money Inc. to develop a digital wallet application which allows use of remunerations for payment at stores, etc. Due to anticipated development costs of the new services, net sales of this business segment were 394 thousand yen with a segment loss of 54.582 million yen.

5) Investment Development Business

In Investment Development Business, segment loss was 28.530 million yen (segment loss in the previous fiscal year was 2.207 million yen) due to appropriation of loss on valuation of securities held.

(2) Summary of Financial Position in the Current Fiscal Year

(Assets)

Total assets stood at 5,966.724 million yen at the end of the current consolidated fiscal year under review, up 3,191.917 million yen from the end of the previous consolidated fiscal year.

Current assets were 4,813.090 million yen, which mainly consist of cash and deposits of 3,021.105 million yen and notes and accounts receivables - trade of 786.916 million yen.

Non-current assets were 1,153.634 million yen, which mainly consist of intangible assets of 866.277 million yen and investments and other assets of 205.345 million yen.

(Liabilities)

Total liabilities at the end of the current fiscal year under review were 3,739.294 million yen, up 2,542.515 million yen from the end of the previous consolidated fiscal year.

Current liabilities were 3,124.288 million yen, which mainly consist of deposits received of 776.323 million yen and short-term loans payable of 680.000 million yen.

Non-current liabilities were 615.005 million yen, which mainly consist of long-term loans payable of 391.026 million yen.

(Net assets)

Net assets at the end of the current fiscal year under review were 2,227.430 million yen, up 649.401 million yen from the end of the previous consolidated fiscal year.

(3) Summary of Cash Flows in the Current Consolidated Fiscal Year

Cash and cash equivalents at the end of the current consolidated fiscal year under review were 2,884.589 million yen, up 1,175.584 million yen from the previous consolidated fiscal year. The state of each of the cash flows in the current consolidated fiscal year under review are as follows:

(Cash flows from operating activities)

Net expenditures as a result of operating activities were 542.957 million yen (expenditures of 504.152 million yen in the previous consolidated fiscal year). Major increasing factors of the cash flows were amortization of goodwill of 81.691 million yen, depreciation of 45.567 million yen, interest expenses of 17.526 million yen, recoding of profit before income taxes of 9.412 million yen and increase in provision for bonuses of 78.992 million yen, increase in allowance for doubtful accounts of 19.688 million yen and increase in deposits received of 70.908 million yen. On the other hand, major decreasing factors were an increase in inventories of 224.903 million yen, decrease in accounts payable - other of 209.550 million yen, increase in notes and accounts receivable - trade of 134.799 million yen and increase in accounts receivable - other of 194.261 million yen.

Furthermore, the above decreasing factors include expenditures of 201.031 million yen for payment of unpaid bonuses at the time of consolidation of DENEN Co. Ltd. and I/O SYSTEM INTEGRATION CO., LTD. during the period in November, 2017, as well as increased work in process of 173.428 million yen derived from a contract of long-term major development projects by DENEN Co. Ltd.

(Cash flows from investing activities)

Net expenditures as a result of investing activities were 75.809 million yen (expenditures of 12.806 million yen in the previous consolidated fiscal year). Major increasing factors of the cash flows were proceeds from withdrawal of time deposits of 185.978 million yen and proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 78.833 million yen. On the other hand, major decreasing factors were payments into time deposits of 211.323 million yen and payments for transfer of business of 110.000 million yen.

(Cash flows from financing activities)

Net proceeds as a result of financing activities were 1,794.351 million yen (proceeds of 120.485 million yen in the previous fiscal year). Major increasing factors of the cash flows were proceeds from new share issuance of 646.440 million yen, proceeds from bonds issuance of 480.000 million yen, proceeds from long-term loans payable of 250.000 million yen and increase in short-term loans payable of 675.000 million yen. On the other hand, a major decreasing factor was repayments of long-term loans payable of 287.373 million yen.

Reference: Trends in cash flow indicators

	FY ended September 30, 2017	FY ended September 30, 2018
Capital adequacy ratio (%)	56.1	35.6
Capital adequacy ratio based on market price (%)	438.6	371.7
Interest-bearing liabilities to cash flow ratio	—	—
Interest coverage ratio	—	—

Capital adequacy ratio: Shareholders' equity / Total assets

Capital adequacy ratio based on market price: Market capitalization / Total assets

Interest-bearing liabilities to cash flow ratio: Interest-bearing liabilities / Cash flow

Interest coverage ratio: Cash flow / Interest payments

Notes: 1. Cash flows from operating activities are used for the cash flows.

2. Interest-bearing liabilities represent all liabilities reflected on the balance sheets that are subject to interest payments.

3. When the resultant figure becomes minus, it is indicated as "—."

(4) Future Prospects

In view of insufficient human-resources available for companies and an increasing interest in seeking for more diverse working styles, the crowdsourcing market in Japan is expected to continue to expand over the mid to long-term perspectives. The Company group plans to continue proactive investments in an efficient manner, while securing proper profits in its existing business areas and thus securing resources for reinvestment by way of increased gross profit.

Furthermore, in order to realize the vision “Work-style revolution – Aim for the world’s largest amount of remuneration provided through the Internet,” the Company will promote maximization of the total contract value (increase in the number of contract users/unit price) with a motive to expand the market share in its existing business. Also, in peripheral fields which contribute growth of its core business, the Company plans to reinvest gross profit (=resource for growth) generated by its existing business and to promote related business proactively. In realizing this policy, the Company continues to make further efforts in utilization of M&A and other means.

Under the above policy, with respect to the business results for the fiscal year ending September 31, 2019, the Company plans to maintain profitability in terms of operating profit, while aiming at a growth in excess of 30% year-on-year for net sales as well as gross profit by achieving a growth of total contract value in excess of 40% from the previous fiscal year. On the other hand, in the midst of intensifying recruiting environment of development employees in Japan and competitive environment of Fintech services, in light of a possibility to make flexible investment decision, the Company refrains from disclosing forecasts of specific amount of its operating profit, ordinary profit and profit.

(5) Material Events Related to Going Concern Assumptions

Not applicable.

2. Basic Policy in Selection of Accounting Standards

The Company group has a policy to prepare its financial statements by Japanese standards for the time being in consideration of comparability of accounting periods and financial statements between companies. Furthermore, in regard to application of IFRS, the Company intends to take appropriate response with due consideration to internal and external circumstances.

3. Consolidated Financial Statements and Important Notes**(1) Consolidated Balance Sheets**

	(Thousands of yen)	
	Fiscal Year Ended September 30, 2017 (As of September 30, 2017)	Fiscal Year Ended September 30, 2018 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	1,594,673	3,021,105
Notes and accounts receivable - trade	333,901	786,916
Accounts receivable - other	264,215	461,409
Deposits paid	210,331	26,982
Operational investment securities	100,654	107,894
Merchandise and finished goods	—	74,245
Work in process	—	250,508
Deferred tax assets	—	54,519
Other	38,715	47,711
Allowance for doubtful accounts	—	(18,202)
Total current assets	2,542,492	4,813,090
Non-current assets		
Property, plant and equipment		
Buildings and structures	71,696	106,252
Accumulated depreciation	(21,570)	(37,987)
Buildings and structures, net	50,125	68,265
Tools, furniture and fixtures	20,797	38,272
Accumulated depreciation	(11,567)	(24,919)
Tools, furniture and fixtures, net	9,229	13,353
Leased assets	—	6,073
Accumulated depreciation	—	(5,770)
Leased assets, net	—	303
Vehicles	—	1,213
Accumulated depreciation	—	(1,124)
Vehicles, net	—	88
Total property, plant and equipment	59,355	82,011
Intangible assets		
Software	2,301	111,647
Goodwill	38,727	754,329
Other	—	300
Total intangible assets	41,028	866,277
Investments and other assets		
Investment securities	6,984	73,325
Lease and guarantee deposits	123,492	114,697
Deferred tax assets	—	3,448
Other	1,453	29,328
Allowance for doubtful accounts	—	(15,454)
Total investments and other assets	131,931	205,345
Total non-current assets	232,315	1,153,634
Total assets	2,774,807	5,966,724

(Thousands of yen)

	Fiscal Year Ended September 30, 2017 (As of September 30, 2017)	Fiscal Year Ended September 30, 2018 (As of September 30, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	—	190,019
Short-term loans payable	—	680,000
Current portion of long-term loans payable	2,004	314,243
Current portion of bonds	—	520,000
Accounts payable - other	290,571	267,084
Income taxes payable	20,819	75,543
Provision for bonuses	—	78,992
Deposits received	702,753	776,323
Other	138,513	222,082
Total current liabilities	1,154,661	3,124,288
Non-current liabilities		
Long-term loans payable	4,823	391,026
Bonds payable	—	80,000
Deferred tax liabilities	8,421	9,007
Asset retirement obligations	28,872	51,469
Other	—	83,502
Total non-current liabilities	42,117	615,005
Total liabilities	1,196,778	3,739,294
Net assets		
Shareholders' equity		
Capital stock	1,767,237	2,090,457
Capital surplus	1,725,237	2,049,120
Retained earnings	(1,935,671)	(2,017,155)
Total shareholders' equity	1,556,803	2,122,422
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(577)	3,812
Total accumulated other comprehensive income	(577)	3,812
Subscription rights to shares	542	372
Non-controlling interests	21,261	100,822
Total net assets	1,578,028	2,227,430
Total liabilities and net assets	2,774,807	5,966,724

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	Fiscal Year Ended Sept. 30, 2017 (Oct. 1, 2016 to Sept. 30, 2017)	Fiscal Year Ended Sept. 30, 2018 (Oct. 1, 2017 to Sept. 30, 2018)
Net sales	2,925,946	6,634,844
Cost of sales	1,416,566	4,117,079
Gross profit	1,509,380	2,517,765
Selling, general and administrative expenses	1,844,652	2,494,240
Operating profit (loss)	(335,272)	23,525
Non-operating income		
Interest income	40	254
Operations consignment fee	600	600
Income from lecture and manuscript fees	2,317	1,019
Gain from lapsed deposits received	—	5,394
Subsidy income	—	10,000
Other	1,104	2,942
Total non-operating income	4,061	20,210
Non-operating expenses		
Interest expenses	72	17,526
Provision of allowance for doubtful accounts	—	12,404
Other	—	4,081
Total non-operating expenses	72	34,011
Ordinary profit (loss)	(331,283)	9,724
Extraordinary income		
Gain on reversal of subscription rights to shares	1,251	169
Total extraordinary income	1,251	169
Extraordinary losses		
Loss on valuation of investment securities	12,545	—
Loss on retirement of non-current assets	—	481
Total extraordinary losses	12,545	481
Profit (loss) before income taxes	(342,577)	9,412
Income taxes - current	10,020	111,656
Income taxes - deferred	(1,602)	(46,958)
Total income taxes	8,418	64,698
Loss	(350,996)	(55,285)
Profit attributable to non-controlling interests	3,804	26,198
Loss attributable to owners of parent	(354,800)	(81,484)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal Year Ended Sept. 30, 2017 (Oct. 1, 2016 to Sept. 30, 2017)	Fiscal Year Ended Sept. 30, 2018 (Oct. 1, 2017 to Sept. 30, 2018)
Loss	(350,996)	(55,285)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,134	4,390
Total other comprehensive income	2,134	4,390
Comprehensive income	(348,861)	(50,895)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(352,666)	(77,322)
Comprehensive income attributable to non-controlling interests	3,804	26,427

(3) Consolidated Statement of Changes in Equity

Fiscal Year Ended September 30, 2017 (October 1, 2016 to September 30, 2017)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	1,690,680	1,648,680	(1,580,870)	1,758,489
Changes of items during period				
Issuance of new shares	76,557	76,557		153,114
Change of scope of consolidation				—
Loss attributable to owners of parent			(354,800)	(354,800)
Net changes of items other than shareholders' equity				—
Total changes of items during period	76,557	76,557	(354,800)	(201,686)
Balance at end of current period	1,767,237	1,725,237	(1,935,671)	1,556,803

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	(2,712)	(2,712)	1,587	—	1,757,364
Changes of items during period					
Issuance of new shares					153,114
Change of scope of consolidation					—
Loss attributable to owners of parent					(354,800)
Net changes of items other than shareholders' equity	2,134	2,134	(1,045)	21,261	22,351
Total changes of items during period	2,134	2,134	(1,045)	21,261	(179,335)
Balance at end of current period	(577)	(577)	542	21,261	1,578,028

Fiscal Year Ended September 30, 2018 (October 1, 2017 to September 30, 2018)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	1,767,237	1,725,237	(1,935,671)	1,556,803
Changes of items during period				
Issuance of new shares	323,220	323,220		646,440
Change of scope of consolidation		663		663
Loss attributable to owners of parent			(81,484)	(81,484)
Net changes of items other than shareholders' equity				0
Total changes of items during period	323,220	323,883	(81,484)	565,619
Balance at end of current period	2,090,457	2,049,120	(2,017,155)	2,122,422

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	(577)	(577)	542	21,261	1,578,028
Changes of items during period					
Issuance of new shares					646,440
Change of scope of consolidation					663
Loss attributable to owners of parent					(81,484)
Net changes of items other than shareholders' equity	4,390	4,390	(169)	79,561	83,782
Total changes of items during period	4,390	4,390	(169)	79,561	649,401
Balance at end of current period	3,812	3,812	372	100,822	2,227,430

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal Year Ended Sept. 30, 2017 (Oct. 1, 2016 to Sept. 30, 2017)	Fiscal Year Ended Sept. 30, 2018 (Oct. 1, 2017 to Sept. 30, 2018)
Cash flows from operating activities		
Profit (loss) before income taxes	(342,577)	9,412
Depreciation	15,923	45,567
Amortization of goodwill	4,303	81,691
Loss on valuation of investment securities	12,545	—
Loss on retirement of non-current assets	—	481
Interest expenses	72	17,526
Gain on reversal of subscription rights to shares	(1,251)	(169)
Interest income	(40)	(254)
Decrease (increase) in notes and accounts receivable - trade	(84,142)	(134,799)
Decrease (increase) in inventories	—	(224,903)
Increase (decrease) in notes and accounts payable - trade	—	13,594
Decrease (increase) in accounts receivable - other	(62,970)	(194,261)
Decrease (increase) in investment securities for sale	(54,513)	(7,239)
Increase (decrease) in allowance for doubtful accounts	—	19,688
Increase (decrease) in provision for bonuses	—	78,992
Increase (decrease) in accounts payable - other	34,614	(209,550)
Increase (decrease) in deposits received	(5,600)	70,908
Decrease (increase) in other assets	6,648	(27,864)
Increase (decrease) in other liabilities	(17,186)	8,370
Subtotal	(494,174)	(452,810)
Interest and dividend income received	40	254
Interest expenses paid	(72)	(17,526)
Income taxes paid	(9,944)	(72,875)
Net cash provided by (used in) operating activities	(504,152)	(542,957)
Cash flows from investing activities		
Payments into time deposits	—	(211,323)
Proceeds from withdrawal of time deposits	—	185,978
Purchase of property, plant and equipment	(932)	(17,076)
Purchase of intangible assets	(902)	—
Purchase of investment securities	—	(30,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,853)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	78,833
Payments for transfer of business	—	(110,000)
Payments for lease deposits	(6,275)	(14,838)
Collection of lease deposits	240	42,617
Other	1,917	—
Net cash provided by (used in) investing activities	(12,806)	(75,809)

(Thousands of yen)

	Fiscal Year Ended Sept. 30, 2017 (Oct. 1, 2016 to Sept. 30, 2017)	Fiscal Year Ended Sept. 30, 2018 (Oct. 1, 2017 to Sept. 30, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(32,000)	675,000
Proceeds from long-term loans payable	—	250,000
Repayments of long-term loans payable	(835)	(287,373)
Proceeds from issuance of bonds	—	480,000
Redemption of bonds	—	(40,000)
Proceeds from share issuance to non-controlling shareholders	—	68,000
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	3,500
Repayments of lease obligations	—	(1,215)
Proceeds from issuance of common shares	152,960	646,440
Proceeds from issuance of subscription rights to shares	360	—
Net cash provided by (used in) financing activities	120,485	1,794,351
Net increase (decrease) in cash and cash equivalents	(396,473)	1,175,584
Cash and cash equivalents at beginning of period	2,105,478	1,709,005
Cash and cash equivalents at end of period	1,709,005	2,884,589

(5) Notes on Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policy)

Change in the Method of Recording Net Sales and Cost of Sales

With respect to the method of recording net sales in Agent Matching Business, the Company had relied on the method to present the net amount after having deducted the cost of sales from net sales to customers (total contract value) as operating revenue (net basis presentation), it has been changed to the method to classify the net sales and cost of sales to present their respective gross amount (gross basis presentation) starting from the first quarter consolidated financial period.

This change was in line with the change in internal control method of the Company for further strengthening of quality control and clarification of contractual responsibilities such as a guarantee against defects starting from the current consolidated fiscal year, in light of increasing social demand for securing quality of products of its crowdsourcing service, as well as expansion of the Agent Matching Business. Having reviewed the method of presentation of net sales of this business, it was judged that gross basis presentation will reflect the business activities more accurately.

The change in accounting policy is applied retroactively, and so far as the previous consolidated accounting period is concerned, a consolidated financial statement after retroactive application of the change is presented.

As a result, while net sales and the cost of sales of the previous consolidated financial statements increased 1,416.566 million yen respectively as compared with the conventional method, there is no effect on operating profit, ordinary profit and profit before income taxes. Also, in the absence of any cumulative effect to be reflected on net assets at the beginning of the previous consolidated fiscal year, there is no effect of retained earnings of the previous consolidated fiscal year to the balance at the beginning of the period.

Furthermore, effects on segment information are stated in the relevant section.

Application of a Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.

“Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions” (Practical Issues Task Force No. 36, January 12, 2018, Hereafter “Practical Issues Task Force No. 36”) has been applied since April 1, 2018, and the Company decided to implement the accounting procedure in conformity with “Accounting Standards for Stock Options” (Corporate Accounting Standards No. 8, December 27, 2005) regarding transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions.

However, with respect to the application of Practical Issues Task Force No. 36, the Company follows transitional treatment as stipulated in Item 10 (3) of Practical Issues Task Force No. 36, and regarding transactions to have granted employees and others stock acquisition rights, which involve considerations, with vesting conditions prior to the date of application of Practical Issues Task Force No. 36, the accounting procedure employed before is continued.

(Additional Information)

Accounting Procedure to Follow Introduction of a Consolidated Taxation System

Since the Company and some consolidated subsidiaries had applied for the approval of the consolidated taxation system during the current consolidated fiscal year and it was decided that the consolidated taxation system to be applied from the following consolidated fiscal year, we are implementing the accounting procedure on the premise of application of a consolidated taxation system starting from the current consolidated fiscal year based on “Practical Solutions on Tentative Treatment of Tax Effects Accounting under a Consolidated Taxation System (Part 1)” (Accounting Standards Board of Japan, Practical Issues Task Force No. 5 of January 16, 2015) and “Practical Solutions on Tentative Treatment of Tax Effects Accounting under a Consolidated Accounting System (Part 2)” (Accounting Standards Board of Japan, Practical Issues Task Force No. 7 of January 16, 2015).

(Segment Information)

Segment Information

1. Summary of reportable segments

Reportable segments of the Company are those units of the Company for which separate financial information is available and which are subject to regular examination by the board of directors in order to make decisions on the allocation of managerial resources and evaluation of business performance.

As stated in “Changes in accounting policy,” in the first quarter consolidated financial period, in light of increasing social demand for securing the quality of services of its crowdsourcing service, as well as expansion of the Agent Matching Business, the Company changed the method of internal control for strengthening of quality control and clarified contractual responsibilities such as a guarantee against defects. Furthermore, the Company acquired shares of DENEN Co. Ltd. to make it a consolidated subsidiary in the first quarter consolidated financial period.

As a consequence of the above, the Company reviewed the method of classification of business segments, changing classification of the reportable segments from conventional “Crowdsourcing” to 3 businesses, namely “Direct Matching,” “Agent Matching” and “Business Solution.” Furthermore, due to the increasing significance of “Investment Development” in the second quarter consolidated financial period and “Fintech” in the third quarter consolidated financial period, they were classified independently as reportable segments.

As a consequence of the above, segments of the Company were changed to 5 segments in the current consolidated fiscal year.

2. Method of calculation of net sales, profit or loss, assets, liabilities and other items for each reportable segment

Method of accounting procedure for reported business segments is the method in accordance with the accounting policy adopted for preparation of financial statements. Profits of reportable segments are figures on the basis of operating profit.

3. Information on the amount of net sales, profit or loss, assets, liabilities and other items of each reportable segment

For the consolidated fiscal year ended September 30, 2017 (October 1, 2016 to September 30, 2017)

(Thousands of yen)

	Reportable segments						Other (Note)	Adjusted amount	Amounts shown on quarterly consolidated statement of income
	Direct Matching	Agent Matching	Business Solution	Fintech	Investment Development	Total			
Net sales									
(1) Sales to external customers	679,079	2,246,866	—	—	—	2,925,946	—	—	2,925,946
(2) Internal sales or exchange between segments	—	—	—	—	—	—	—	—	—
Total	679,079	2,246,866	—	—	—	2,925,946	—	—	2,925,946
Segment profit (loss)	(112,711)	(220,353)	—	—	(2,207)	(335,272)	—	—	(335,272)

Note: Classification of “Other” is for business segments which are not included in reportable segments, which includes new development business, etc.

For the consolidated fiscal year ended September 30, 2018 (October 1, 2017 to September 30, 2018)

(Thousands of yen)

	Reportable segments						Other (Note)	Adjusted amount	Amounts shown on quarterly consolidated statement of income
	Direct Matching	Agent Matching	Business Solution	Fintech	Investment Development	Total			
Net sales									
(1) Sales to external customers	976,623	3,674,027	1,983,798	394	—	6,634,844	—	—	6,634,844
(2) Internal sales or exchange between segments	15,380	1,864	252	—	—	17,496	—	(17,496)	—
Total	992,004	3,675,891	1,984,050	394	—	6,652,341	—	(17,496)	6,634,844
Segment profit (loss)	53,489	23,942	79,605	(54,582)	(28,530)	73,925	(21,188)	(29,211)	23,525

Notes: 1. Classification of “Other” is for business segments which are not included in reportable segments, which includes new development business, etc.

2. Segment profit has been adjusted with operating profit in the consolidated statement of income.

3. With respect to the method of recording net sales in the Agent Matching Business, the Company had relied on the method to present the amount after having deducted the cost of sales from net sales to customers as operating revenue (net basis presentation), and it has been changed to the method to classify the net sales and cost of sales to present their respective gross amount (gross basis presentation) starting from the first quarter consolidated financial period. As a result, net sales of Agent Matching Business in the previous consolidated fiscal year have been indicated with an increase by 1,416.566 million yen as compared with indication of operating revenue. Furthermore, with respect to segment information of the previous consolidated fiscal year, the information prepared according to the method of classification after the change is stated.

(Per Share Information)

The amounts of net loss per share with their basis for the calculation are as follows.

Item	Previous fiscal year (October 1, 2016 to September 30, 2017)	Current fiscal year (October 1, 2017 to September 30, 2018)
(1) Net loss per share (yen)	(26.36)	(5.85)
(Basis for calculation)		
Loss attributable to owners of parent (thousands of yen)	(354,800)	(81,484)
Amount not attributable to common shareholders (thousands of yen)	—	—
Loss attributable to owners of parent relating to common stock (thousands of yen)	(354,800)	(81,484)
Average amount of common stock outstanding during term (shares)	13,458,700	13,934,430
A description of potentially dilutive shares which were not included in the calculation of diluted profit per share in the absence of anti-dilutive effect, of which there have been significant changes from the end of the previous fiscal year.		
(2) Diluted profit per share	—	—
(Basis for calculation)		
Adjusted profit attributable to owners of parent (thousands of yen)	—	—
Increased amount of common stock (shares)	—	—
A description of potentially dilutive shares which were not included in the calculation of diluted profit per share in the absence of anti-dilutive effect, of which there have been significant changes from the end of the previous fiscal year.	—	—

Note: "Diluted profit per share" is not stated since net loss per share is recorded, while there is a balance of new share subscription rights.

(Important Subsequent Events)

Not applicable.