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Summary of Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2020 [Japan Standards] (Consolidated)

February 14, 2020

Company name: CrowdWorks, Inc.

Security code: 3900

Representative: Koichiro Yoshida, President and CEO

Inquiries: Shinichi Nomura, Director

Scheduled filing date of quarterly report: February 14, 2020

Supplementary materials for the quarterly financial results:

Investor conference for the quarterly financial results:

Stock listing: Tokyo Stock Exchange

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Scheduled payment date of dividend: —

Yes

None

(Million yen, rounded down)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2020 (From October 1, 2019 to December 31, 2019)

(1) Consolidated Financial Performance

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 FY ending Sep. 30, 2020	2,342	15.5	(21)	-	(4)	-	(13)	-
Q1 FY ended Sep. 30, 2019	2,027	49.9	13	-	13	-	(2)	-

Note: Comprehensive income Q1 FY ending September 30, 2020 (12) million yen (-%)
Q1 FY ended September 30, 2019 (6) million yen (-%)

	Profit per share	Diluted profit per share
	Yen	Yen
Q1 FY ending Sep. 30, 2020	(0.87)	-
Q1 FY ended Sep. 30, 2019	(0.16)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of Dec. 31, 2019	6,109	3,223	51.8
As of Sep. 30, 2019	6,328	3,245	50.4

Reference: Shareholders' equity As of December 31, 2019 3,167 million yen
As of September 30, 2019 3,186 million yen

2. Dividends

	Annual dividends per share				
	End of Q1	End of Q2	End of Q3	End of Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Sep. 30, 2019	-	0.00	-	0.00	0.00
FY ending Sep. 30, 2020	-				
FY ending Sep. 30, 2020 (Forecast)		0.00	-	0.00	0.00

Note: Revision of most recently published dividend forecast: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending September 30, 2020 (From October 1, 2019 to September 30, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	9,012	3.0	(500) ~(1,000)	-	-	-	-	-	-

Note: Revision of most recently published financial forecast: None

Concerning financial forecasts for the fiscal year ending September 30, 2020, CrowdWorks (hereinafter, "the Company") has established a policy to concentrate and expand investment in the matching business in order to improve the growth rate, and maximize medium and long-term profit rather than short-term profit against the background of a tailwind in the market surrounding the Company and favorable progress of the matching business, its main business. Consequently, it is forecasted that net sales of the matching business will make continuous growth of about plus 20% and operating profit will be negative. Although the contracting business will maintain positive operating profit, its growth rate of sales will become minus 22% owing to the reduction of the business. As a result, it is forecasted plus 3% growth on total consolidated net sales, plus 8% growth on gross profit and from minus 500 million yen to minus 1,000 million yen on operating profit because of investment expansion toward the growth improvement of the matching business, and medium and long-term profit maximization. Incidentally, from the viewpoint of making a judgment on swift and flexible investment, the Company has the policy not to disclose a forecast of specific figures concerning ordinary profit and the following profits of each phase. For details, please refer to P. 3 "1. Qualitative Information Regarding the Quarterly Accounts (3) Overview of Forecast of Operating Results Including Consolidated Financial Results."

*** Notes**

(1) Changes in significant subsidiaries during the three-month period ended December 31, 2019 (changes in specific subsidiaries affecting the scope of consolidation): None
 No. of new companies: ----- (Company name: _____), No. of excluded companies: ----- (Company name: _____)

(2) Application of accounting procedures specific to preparing quarterly consolidated financial statements: None

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

1) Changes in accounting policies associated with revision of accounting standards: None

2) Changes in accounting policies other than the above 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

Dec. 31, 2019	15,210,160 shares	Sep. 30, 2019	15,210,160 shares
Dec. 31, 2019	48 shares	Sep. 30, 2019	48 shares
Dec. 31, 2019	15,210,112 shares	Dec. 31, 2018	14,336,938 shares

2) Number of treasury shares at term-end

3) Number of average shares outstanding during term (quarterly total)

* The summary of quarterly financial results is not subject to the quarterly review by certified public accountants or audit corporations.

* Explanation regarding the appropriate use of the earnings forecast, and other noteworthy items.

The forward-looking statements such as result forecasts included in this document are based on the information available to CrowdWorks (hereinafter, "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.

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1. Qualitative Information Regarding the Quarterly Accounts

(1) Overview of Operating Results

Advocating the vision of “Work-style revolution —To become the world’s biggest platform that provides the largest amount of monetary rewards through the Internet,” since its inauguration, the CrowdWorks Group (hereinafter, “the Group”) has been promoting the online talent matching business with crowdsourcing at its core, which is a scheme by which individuals can receive monetary rewards using the Internet.

In recent years, the range of work-style choices other than being employed at an enterprise has been widened as job opportunities for potential manpower, namely women, the elderly and people with disabilities are expanding, and there is a trend to allow employees side jobs and side business in accordance with “Work-style reforms” which is the greatest theme of “Dynamic Engagement of All Citizens,” the slogan of the current government, and the values regarding individual work-styles have been diversifying, seeking more flexible ways to work.

Among enterprises, while the seriousness of the manpower shortages has been increasing, there are an increasing number of enterprises who want to acquire human resources in forms that are free from the traditional style. In particular these days, major enterprises representing Japan are moving toward removing the ban on side jobs. Aiming to increase the income of their own employees, to improve motivation, and to secure and retain excellent human resources, the tendency to allow employees to have a side job or a side business has been becoming popular. With this tendency, a move is expected such that enterprises would take in not only their own employees but also external excellent specialized talents (freelancers, double jobbers) and let them contribute to the management, business or services.

Under such environment, during the first quarter, the Company has steadily proceeded with changing the organizational structure and reviewing the business strategy in order to implement its selection processes and its concentration on the matching business, its core business, in accordance with the investment policy for this fiscal year established at the end of fiscal year ended September 2019.

In the matching business, the Company encouraged enterprises struggling to acquire human resources to introduce or utilize freelancers such as engineers, designers, etc., and online office work assistants, and strived to raise ordering unit prices and increase the size of clients. Herewith, the net sales of the matching business have achieved growth of 33.7%. Also, as advocated in this fiscal year’s investment policy, a sales team has been stretched, an exclusive sales team has been organized to pioneer large enterprises, and the preparation of TV commercial test marketing aiming to increase the number of clients who place orders has been making steady progress. In this way, the Company is implementing its policy to increase investment during the first half of this fiscal year.

In the project contracting business, the results have remained strong in comparison with the full-year business forecast, because the delivery and inspection of contracting development projects from major systems integrators have made progress as scheduled. On the other hand, there is no change to its forecast for this fiscal year, and the Company is planning to reduce the business and make it profitable.

As a result of the foregoing, concerning the business results of the Group during the consolidated first quarter of the fiscal year, net sales was 2,342.411 million yen (year-on-year increase of 15.5%), operating loss was 21.02 million yen (corresponding period of the previous year: operating profit of 13.844 million yen), ordinary loss was 4.433 million yen (corresponding period of the previous year: ordinary profit of 13.689 million yen), and loss attributable to owners of parent was 13.263 million yen (corresponding period of the previous year: loss attributable to owners of parent of 2.32 million yen).

Finalizing a policy of focusing investment on its Matching Business centered on CrowdWorks, CrowdTech, BizAsst, graviee, On October 1, 2019, the Group reorganized to focus on the Matching Business. In tandem with that reorganization, the Group made changes to its reporting segments. Previously the Group maintained five reportable segments: “Direct Matching,” “Agent Matching,” “Business Solution,” “Fintech,” and “Investment Development”. the Group decided to unify the former “Direct Matching,” and the matching-business portions of “Agent Matching,” into a single operating segment, the “Matching,”; combine the “Business Solution,” segment with the portion of the “Agent Matching,” that consists of project contracting operations, the “Project Contracting,”; and pool “Fintech,” and “Investment Development,” into the Other.

Financial results by segment are as follows:

1) Matching Business

In the matching business, maintaining conventional advertising efficiency, the Company has conducted ongoing online advertising investment. It has been satisfactory for the increasing number of new clients and new workers. The Company has promoted to increase the size of clients and strived to increase the number of clients who place orders and improve the ordering unit price per client.

Consequently, net sales were 1,535,858 thousand yen (year-on-year increase of 33.7%), however, because of an increase in personnel expenses and outsourcing expenses associated with the expansion of the sales team advocated in this fiscal year’s investment policy, the segment loss was 27,207thousand yen (segment loss of the corresponding period of the previous year: 39,143thousand yen).

2) Project Contracting Business

While the contracting business will be reduced and made profitable according to the plan for this fiscal year as a part of the Company policy, the business results during the first quarter were almost the same as last year in comparison with the same period last year because the delivery timing of contracting development projects from DENEN Co., Ltd. and I/O SYSTEM INTEGRATION CO.,LTD. fell within the period. Net sales were 766,935 thousand yen (year-on-year increase of 3.0%), however, segment profit was 11,479 thousand yen (year-on-year increase of 36.4%) owing to an decrease of sales cost ratio.

(2) Overview of Financial Position

(Assets)

Total assets at the end of the first quarter of this consolidated fiscal year stood at 6,109.469 million yen, down 219.113 million yen from the end of the previous consolidated fiscal year.

Current assets stood at 5,022.112 million yen, and as its main components, cash and deposits stood at 3,198.605 million yen, and notes and accounts receivable - trade stood at 1,055.125 million yen.

Non-current assets stood at 1,087.357 million yen, and as its main components, goodwill stood at 634.067 million yen.

(Liabilities)

Total liabilities at the end of the first quarter of this consolidated fiscal year stood at 2,885.679 million yen, down 197.546 million yen from the end of the previous consolidated fiscal year.

Current liabilities stood at 2,341.9 million yen, and as its main components, deposits received stood at 882.107 million yen and accounts payable - other stood at 410.691 million yen.

Non-current liabilities stood at 543.779 million yen, and as its main component, long-term loans payable stood at 350.924 million yen.

(Net assets)

Net assets at the end of the first quarter of this consolidated fiscal year stood at 3,223.79 million yen, down 21.567 million yen from the end of the previous consolidated fiscal year.

(3) Overview of Forecast of Operating Results Including Consolidated Financial Results

It can be assumed that the domestic crowd sourcing market will also continue to expand in the medium-to long-term future owing to manpower shortages at enterprises and the accelerated social trend toward seeking diversified work-styles. The Group achieved positive full-year operating profit in fiscal year ended September 2018 and fiscal year ended September 2019, and existing business areas have been maintaining satisfactory growth. Also, in the future, the Company will work on growing businesses and creating profit through striving for pioneering customers and optimizing marketing activities toward market expansion.

Particularly, during the fiscal year ending September 2020, implementing a selection process and a concentration of business-with optimum allocation of management resources, the Company has been working on raising the growth ratio of the existing business and strengthening the foundation for medium and long-term profit through expanding reinvestment with the gross profit created from the existing business.

Also, in order to realize the vision of “Work-style revolution —To become the world’s biggest platform that provides the largest amount of monetary rewards through the Internet,” in the existing matching business, the Company is focused on maximizing the total contract value for the purpose of increasing market share, strengthening the sales structure to pioneer customers, and carry out efficient investment through companywide marketing activities, so that we will strengthen the business and management structure toward creating continuous profit.

Herewith, the matching business, its main business, has been forecasted a growth rate of total contract value and net sales is plus 20% during the fiscal year ending September 2020, and this growth will be kept through the fiscal year. Also, against the background of a tailwind in the external market environment, the Company considers it important to aim at increasing medium and long-term growth ratio and profit maximization rather than securing short-term profit, so the Company will proceed with concentrating and expanding investment in the matching business. Because of this, operating profit is estimated to show a loss from (500) million yen to (1,000) million yen. In the project contracting business, while positive EBITDA and operating profit are estimated, the total contract value, net sales, and gross profit are all forecasted to decline from the fiscal year ended September 2019.

Concerning financial forecasts for the fiscal year ending September 2020, no adjustment has been made from the financial forecasts announced on November 14, 2019. Incidentally, financial forecasts are prepared based on currently available information, and actual results could differ from the forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements and Main Noted Items
(1) Quarterly Consolidated Balance Sheet

	Fiscal Year Ended September 30, 2019 (As of September 30, 2019)	Q1 Fiscal Year Ending September 30, 2020 (As of December 31, 2019)
(Thousand yen)		
Assets		
Current assets		
Cash and deposits	3,411,499	3,198,605
Notes and accounts receivable - trade	995,201	1,055,125
Accounts receivable - other	502,393	457,178
Deposits paid	26,056	28,237
Operational investment securities	59,584	59,823
Merchandise and finished goods	64,555	67,299
Work in process	82,454	78,439
Other	91,186	89,901
Allowance for doubtful accounts	(12,364)	(12,498)
Total current assets	5,220,567	5,022,112
Non-current assets		
Property, plant and equipment	100,603	100,281
Intangible assets		
Goodwill	655,837	634,067
Other	37,618	45,496
Total intangible assets	693,455	679,564
Investments and other assets		
Other	329,412	322,967
Allowance for doubtful accounts	(15,454)	(15,454)
Total investments and other assets	313,957	307,512
Total non-current assets	1,108,016	1,087,357
Total assets	6,328,583	6,109,469
Liabilities		
Current liabilities		
Accounts payable - trade	183,047	178,312
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	282,473	335,162
Current portion of bonds	308,000	40,000
Accounts payable - other	379,502	410,691
Income taxes payable	33,643	12,155
Provision for bonuses	—	44,229
Deposits received	876,781	882,107
Other	469,185	339,241
Total current liabilities	2,632,633	2,341,900
Non-current liabilities		
Long-term loans payable	257,715	350,924
Bonds payable	40,000	40,000
Deferred tax liabilities	11,210	11,106
Asset retirement obligations	58,163	58,246
Other	83,502	83,502
Total non-current liabilities	450,592	543,779
Total liabilities	3,083,226	2,885,679

(Thousand yen)

	Fiscal Year Ended September 30, 2019 (As of September 30, 2019)	Q1 Fiscal Year Ending September 30, 2020 (As of December 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	2,687,217	2,687,217
Capital surplus	2,645,880	2,640,050
Retained earnings	(2,144,759)	(2,158,023)
Treasury shares	(64)	(64)
Total shareholders' equity	3,188,274	3,169,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,645)	(1,563)
Total accumulated other comprehensive income	(1,645)	(1,563)
Subscription rights to shares	2,440	361
Non-controlling interests	56,288	55,813
Total net assets	3,245,357	3,223,790
Total liabilities and net assets	6,328,583	6,109,469

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
The First Quarter of Consolidated Fiscal Year

(Thousand yen)

	Q1 Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to Dec. 31, 2018)	Q1 Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to Dec. 31, 2019)
Net sales	2,027,721	2,342,411
Cost of sales	1,263,317	1,491,588
Gross profit	764,404	850,822
Selling, general and administrative expenses	750,560	871,843
Operating profit (loss)	13,844	(21,020)
Non-operating income		
Gain from lapsed deposits received	2,676	7,055
Subsidy income	-	7,817
Other	448	4,401
Total non-operating income	3,125	19,275
Non-operating expenses		
Interest expenses	3,261	1,887
Other	18	800
Total non-operating expenses	3,280	2,688
Ordinary profit (loss)	13,689	(4,433)
Extraordinary income		
Gain on sales of non-current assets	-	19
Total extraordinary income	-	19
Profit (loss) before income taxes	13,689	(4,413)
Income taxes - current	4,585	3,267
Income taxes - deferred	14,612	4,888
Total income taxes	19,197	8,156
Loss	(5,508)	(12,569)
Profit (loss) attributable to non-controlling interests	(3,188)	693
Loss attributable to owners of parent	(2,320)	(13,263)

Quarterly Consolidated Statement of Comprehensive Income
The First Quarter of Consolidated Fiscal Year

(Thousand yen)

	Q1 Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to Dec. 31, 2018)	Q1 Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to Dec. 31, 2019)
Loss	(5,508)	(12,569)
Other comprehensive income		
Valuation difference on available-for-sale securities	(623)	81
Total other comprehensive income	(623)	81
Comprehensive income	(6,132)	(12,488)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,944)	(13,182)
Comprehensive income attributable to non-controlling interests	(3,188)	693

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of Accounting Procedures Specific to Preparing Quarterly Consolidated Financial Statements)

Not applicable.

(Segment information, etc.)

[Segment information]

For the consolidated first quarter of the fiscal year ended September 30, 2019 (October 1, 2018 to December 31, 2018)

1. Information of net sales and profit (loss) of each reportable segment

(Thousand yen)

	Reportable segments			Other (Note)	Adjusted amount	Amounts shown on quarterly consolidated statement of income
	Matching	Project Contracting	Total			
Net sales						
(1) Sales to external customers	1,148,481	744,685	1,893,166	134,555	-	2,027,721
(2) Internal sales or exchange between segments	1,550	-	1,550	45	(1,595)	-
Total	1,150,031	744,685	1,894,716	134,600	(1,595)	2,027,721
Segment profit (loss)	(39,143)	8,413	(30,730)	43,491	(1,595)	13,844

Notes (1) The category of “Other” indicates business segments which are not included in reportable segments, and includes any newly developed business, etc.

(2) Segment profit (loss) is calculated with an adjustment of operating profit (loss) on the quarterly consolidated statement of income and includes the commission fee.

2. Information regarding impairment loss of non-current assets and goodwill for each reportable segment

Not applicable.

For the consolidated first quarter of the fiscal year ending September 30, 2020 (October 1, 2019 to December 31, 2019)

1. Information of net sales and profit (loss) of each reportable segment

(Thousand yen)

	Reportable segments			Other (Note)	Adjusted amount	Amounts shown on quarterly consolidated statement of income
	Matching	Project Contracting	Total			
Net sales						
(1) Sales to external customers	1,153,858	766,935	2,302,793	39,617	-	2,342,411
(2) Internal sales or exchange between segments	14	-	14	45	(59)	-
Total	1,535,872	766,935	2,302,807	39,662	(59)	2,342,411
Segment profit (loss)	(27,207)	11,479	(15,727)	5,234	(59)	21,020

Notes (1) The category of “Other” indicates business segments which are not included in reportable segments, and includes any newly developed business, etc.

(2) Segment profit (loss) is calculated with an adjustment of operating profit (loss) on the quarterly consolidated statement of income and includes the commission fee.

2. Information regarding impairment loss of non-current assets and goodwill for each reportable segment

Not applicable.

3. Changes to Reporting Segments

Beginning from the first quarter, the Group has reviewed the business classification of the segments to focus on “Online Personnel Matching”. Thereby, the reporting segments have been changed from “Direct Matching,” “Agent Matching,” “Business Solution,” “Fintech,” and “Investment Development” to 2 reporting segments as of “Matching,” and “Project Contracting”.

Segments information for the previous first quarter have been based on the new reporting segments.

3. Other

Material Events Related to Going Concern Assumptions.

Not applicable.