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

August 14, 2020

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 Security code: 3900 URL <https://crowdworks.co.jp>
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 Scheduled filing date of quarterly report: August 14, 2020 Scheduled payment date of dividend: -
 Supplementary materials for the quarterly financial results : Yes
 Investor conference for the quarterly financial results : None

(Million yen, rounded down)

1. Consolidated Financial Results for the Third Quarter (Cumulative) of the Fiscal Year Ending September 30, 2020 (From October 1, 2019 to June 30, 2020)

(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	%
Q3 (Cum) FY ending Sep. 30, 2020	7,072	8.6	(98)	-	(115)	-	(175)	-
Q3 (Cum) FY ended Sep. 30, 2019	6,513	34.5	62	-	74	-	(70)	-

Note: Comprehensive income Q3 (Cum.) FY ending September 30, 2020 (171) million yen (-%)
 Q3 (Cum.) FY ended September 30, 2019 (120) million yen (-%)

	Profit per share	Diluted profit per share
	Yen	Yen
Q3 (Cum.) FY ending Sep. 30, 2020	(11.50)	-
Q3 (Cum.) FY ended Sep. 30, 2019	(4.79)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2020	6,069	3,058	49.6
As of Sep. 30, 2019	6,328	3,245	50.4

Reference: Shareholders' equity As of June 30, 2020 3,009 million yen As of Sep. 30, 2019 3,186 million yen

Note: Despite the existence of dilutive shares, "Diluted profit per share" is not shown, because profit per share is negative.

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	-	0.00	-		
FY ending Sep. 30, 2020 (Forecast)				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	8,550	-2.3	(500)~ (600)	-	-	-	-	-	-

Note: Revision of most recently published financial forecast: Yes

The revision to the net sales forecast is due to the sale of a consolidated subsidiaries (DENEN and IOSI) in the Project contracting business during the fourth quarter of this fiscal year, and as a result, approximately 500 million of the subsidiary's fourth quarter forecast were excluded from the entire net sales forecast. (Full-year net sales of the Project contracting business for the fiscal year ending September 2019 were 3,278 million, and net sales of the Project contracting business accounted for 2,276 million of the consolidated net sales of 7,072 million for the nine months ended September 2020.)

The company's consolidated net sales for the first three quarters of this fiscal year were 7,072 million yen (8.6% growth), exceeding the initial forecast of 3% growth.

By segment, net sales of the matching business are expected to continue to grow at a rate of 20%, as expected at the beginning of the fiscal year, and operating loss, mainly from upfront investments, is expected to be 450 to 550 million yen, being offset by SG&A reduction effect. Meanwhile, the project contracting business achieved higher net sales than the initial forecast and maintained a positive operating profit for the cumulative third quarter, where full-year net sales are expected to be reduced by 30% and operating profit to be 50 million yen due to the downsizing of the business by selling DENEN Co. Ltd. and I/O SYSTEM INTEGRATION CO., LTD.

As a result, it is forecasted that total consolidated net sales will be 8,550 million yen (minus 2.3%), gross profit will be 3,300 million yen (plus 5.7%), and operating loss will be 500 to 600 million yen, including deficits due to upfront investments for growth improvement of the matching business and investments in other new businesses. Although an extraordinary income of 309 million yen is planned to be recorded in the consolidated fourth quarter as a gain on sales of shares of subsidiaries and associates, the Company has the policy of not disclosing a forecast of specific figures concerning ordinary profit and the following profits of each phase, from the viewpoint of making a judgment on swift and flexible investment, and will make an announcement as soon as they become clear. 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 nine-month period ended June 30, 2020 : None
(changes in specific subsidiaries affecting the scope of consolidation)
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 : None
 - 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)
 - 2) Number of treasury shares at term-end
 - 3) Average number of shares outstanding during term (quarterly total)

Jun. 30, 2020	15,225,160 shares	Sep. 30, 2019	15,210,160 shares
Jun. 30, 2020	48 shares	Sep. 30, 2019	48 shares
Jun. 30, 2020	15,215,860 shares	Jun. 30, 2019	14,664,391 shares

* 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 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 (Cumulative) 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 on-line human resources 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 to pursue 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. While “laws related to work-style reforms” sequentially took effect in April 2019 and legislation for dealing with equal pay for equal work and extending employment of older employees until age 70 has been studied since April 2020, the number of enterprises who adopt working systems that allow diversified work styles of individual persons has increased and the trend to review the conventional employment system has spread widely.

Particularly, among enterprises, there are an increasing number of enterprises who want to acquire human resources in forms that are free from the traditional style. In these days, major companies representing Japan tend to move toward allowing their employees to have a side job or side business, aiming to increase the incomes of their own employees, to improve motivation, and to secure and retain excellent human resources.

On the other hand, in response to the recent spread of COVID-19, many companies of all sizes and across all industry sectors have introduced and utilized working-at-home or teleworking, and people are required to respond to new ways of working and lifestyles (new normal). With this tendency, a change in procurement methods of human resources is expected, where enterprises employ external excellent specialized talents (freelancers, double jobbers) and utilize crowd workers via online networks.

Under such an environment, during the cumulative third quarter, the Company has steadily proceeded with implementation of 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 in particular, given the policy to increase the growth rate through upfront investment, It has occurred the suspension of agreement with some clients and difficulty in acquiring new clients due to the impact of COVID-19 on the matching business; however, new client acquisition is on the road to recovery and demand is high from companies with a continuous shortage of engineers, designers, and other human resources, and the use of freelancers and home-based workers via online platforms is expected to increase in the future. In addition, the introduction of telework and the digitization of business operations have led to an increase in demand for online office assistants, and the acquisition of new clients has been on a recovery track since the declaration of a state of emergency was lifted.

In the project contracting business, net sales for the cumulative third quarter exceeded the forecast at the beginning of the fiscal year and net income remained in profit because the delivery and inspection of contracting development projects in the first half of the fiscal year made smoother progress than had been expected at the beginning of the fiscal year.

As a result of the foregoing, concerning the business results of the Group during the combined first, second, and third quarters of the fiscal year, net sales were 7,072,976 thousand yen (year-on-year increase of 8.6%), operating loss was 98,730 thousand yen (corresponding period of the previous year: operating profit of 62,077 thousand yen), ordinary loss was 115,252 thousand yen (corresponding period of the previous year: ordinary profit of 74,229 thousand yen), and loss attributable to owners of parent was 175,038 thousand yen (corresponding period of the previous year: loss attributable to owners of parent of 70,224 thousand yen).

Regarding reporting segment, it has been changed from the first quarter of this fiscal year, and the following figures of the corresponding period of the previous year are compared based on the changed segment classification.

Financial results by segment are as follows:

1) Matching Business

In the matching business for the current third quarter, the number of registered workers increased steadily amid uncertain economic conditions due to the impact of COVID-19. On the one hand, it has been affected by the difficulties in attracting new client and suspension of contract with some client. As for selling, general, and administrative expenses, we have continued investments in order to increase the number of clients and the volume of orders received. However, in view of the impact of COVID-19, we have temporarily discontinued TV test marketing and have increased investments in conventional web advertisements. Although investment expenses are as planned at the beginning of the fiscal year, the Company reviewed the operating deficit in the forecast for the full fiscal year as a result of reinvestment of funds raised from the reduction of indirect selling, general, and administrative expenses, which we worked on from the beginning of the fiscal year. As a result, net sales for the consolidated cumulative third quarter of this fiscal year were 4,679.694 million yen (year-on-year increase of 27.1%) and segment loss was 105.454 million yen (correspondent period of the previous year: segment loss of 20.504 million yen).

2) Project Contracting Business

As for the project contracting business in the cumulative third quarter of this consolidated accounting period, the business was downsized as expected at the beginning of the period, but net sales for the cumulative third quarter exceeded the forecast at the beginning of the fiscal year and net income remained in profit because the delivery and inspection of contracting development projects

in the first half of the fiscal year made smoother progress than had been expected at the beginning of the fiscal year. As a result, net sales were 2,276.614 million yen (year-on-year decrease of 9.7%) and segment income was 86.399 million yen (year-on-year increase of 63.9%).

(2) Overview of Financial Position

(Assets)

Total assets at the end of the third quarter of this fiscal year stood at 6,069.252 million yen, down 259.330 million yen from the end of the previous fiscal year.

Current assets stood at 5,050.292 million yen, and as its main components, cash and deposits stood at 3,219.808 million yen and notes and accounts receivable - trade stood at 992.726 million yen.

Non-current assets stood at 1,018.960 million yen, and its main component, goodwill, stood at 590.528 million yen.

(Liabilities)

Total liabilities at the end of the third quarter of this fiscal year stood at 3,010.875 million yen, down 72.350 million yen from the end of the previous fiscal year.

Current liabilities stood at 2,578.421 million yen, and its main components, deposits received, stood at 965.744 million yen and accounts payable - other stood at 504.987 million yen.

Non-current liabilities stood at 432.454 million yen, and its main component, long-term borrowings, stood at 246.010 million yen.

(Net assets)

Net assets at the end of the third quarter of this fiscal year stood at 3,058.376 million yen, down 186.980 million yen from the end of the previous fiscal year.

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

It can be assumed that the domestic online market for human resources matching 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 will work on growing the matching business, its core business, and creating profit through striving for pioneering customers and optimizing marketing activities toward future market expansion backed by the steady growth in the total contract value of matching business reaching 11 billion yen (year-on-year increase of 35.4%) in the fiscal year ended September 2019. 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 is focusing on matching business through selection and concentration in order to enhance the growth ratio and to build a strong medium- to long-term profit foundation.

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 matching business, the Company is working on maximizing total contract value for the purpose of increasing market share, strengthening the sales structure to pioneer customers, and carrying out companywide marketing investment to optimize advertising effectiveness, so that the Company will expand the foundation to continuously create profit.

On the other hand, the recent worldwide pandemic of COVID-19 and the government's declaration of a state of emergency have caused social and economic impacts in Japan, including avoiding going outdoors and the request for temporary closure of business operations, and there is concern that the impact on the domestic economy will grow when such circumstances are prolonged. In the human resources matching market targeted by the Company, for fear of the risk of economic deterioration, it has become difficult to pioneer clients, and suspension of contracts with some existing clients has taken place. However, the recent acquisition of new clients has been on a recovery track, and at present the Company does not change its future growth strategy, aiming at continuous growth of the matching business.

As a result, for the fiscal year ending September 2020, we have changed the forecast of the total contract value of our matching business to an increase of 14%, but net sales and gross profit are expected to increase by 20% as forecasted from the beginning of the fiscal year. In terms of operating profit, as a result of the productivity improvement, we expect an operating loss of 450 to 550 million yen, which is within the initial plan due to a reduction in SG&A expenses in relation to the gross profit growth. On the other hand, net sales of the project contracting business decreased by 9.7%, which is smaller than the forecast, and operating profit posted 86 million yen, due to the fact that the delivery and inspection of contracting development projects made smoother progress than had been expected at the beginning of the fiscal year. As announced in the “Notice of Contract Conclusion Accompanying Transfer of Consolidated Subsidiaries (Share Transfer)” issued on June 26, 2020, the Company transferred all shares of its consolidated subsidiaries, DENEN Co. Ltd. and I/O SYSTEM INTEGRATION CO., LTD. to SB Technology Corp. As a result, the financial results of these subsidiaries after the execution date of the share transfer shall be excluded from the results of the fourth quarter of the Company. Considering the above, we have revised the forecast figures of the consolidated business results for the fiscal year ending September 2020.

We continue monitoring on a daily basis the impact of the spread of COVID-19 on our business performance. In view of the future infection status of COVID-19, we plan to take flexible measures based on the following scenarios:

■ Positive aspects

- The Company's major customers are mainly in the IT/ media/ Internet sectors, and the trend toward online/EC could accelerate in the entire industry, so demand for human resources matching on the Internet could increase.
- Utilizing telework, an increasing number of enterprises could construct systems to give instructions and execute tasks via online, which could increase opportunities to utilize the Company's services.
- After the end of outbreak of COVID-19, a demand for procurement of flexible human resources, such as freelancers, online workers, and double jobbers, could increase in order to reduce employment-related risks and fixed costs in corporate management.

■ Negative aspects

- Demand for human resources could reduce because an increasing number of enterprises could postpone or suspend employment of new personnel, regardless of the contract form, due to prolonged and re-spread of COVID-19.
- Workers' demand for tasks could increase amid the economic slowdown while a shortage in clients' supply of tasks could continue taking place. Thus, the growth rate could decline due to deterioration in the balance between supply and demand.

The above-mentioned scenarios can be assumed at this time by the Company, and could change depending on future conditions.

Concerning financial forecasts for this fiscal year, when actual results could differ from the forecasts due to various factors in the future including the impact of COVID-19, the Company will disclose the change promptly.

2. Quarterly (Cumulative) Consolidated Financial Statements and Main Noted Items

(1) Quarterly (Cumulative) Consolidated Balance Sheet

(Thousand yen)

	Fiscal Year Ended September 30, 2019 (As of September 30, 2019)	Q3 Fiscal Year Ending September 30, 2020 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	3,411,499	3,219,808
Notes and accounts receivable - trade	995,201	992,726
Accounts receivable - other	502,393	560,127
Merchandise and finished goods	64,555	39,616
Work in process	82,454	95,779
Other	176,827	153,858
Allowance for doubtful accounts	(12,364)	(11,624)
Total current assets	5,220,567	5,050,292
Non-current assets		
Property, plant and equipment	100,603	101,273
Intangible assets		
Goodwill	655,837	590,528
Other	37,618	43,654
Total intangible assets	693,455	634,182
Investments and other assets		
Other	329,412	299,174
Allowance for doubtful accounts	(15,454)	(15,670)
Total investments and other assets	313,957	283,504
Total non-current assets	1,108,016	1,018,960
Total assets	6,328,583	6,069,252

(Thousand yen)

	Fiscal Year Ended September 30, 2019 (As of September 30, 2019)	Q3 Fiscal Year Ending September 30, 2020 (As of June 30, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	183,047	157,095
Short-term loans payable	100,000	100,000
Current portion of long-term borrowings	282,473	280,996
Current portion of bonds	308,000	40,000
Accounts payable - other	379,502	504,987
Provision for bonuses	-	128,851
Deposits received	876,781	965,744
Other	502,829	400,746
Total current liabilities	2,632,633	2,578,421
Non-current liabilities		
Long-term borrowings	257,715	246,010
Bonds payable	40,000	20,000
Other	152,877	166,444
Total non-current liabilities	450,592	432,454
Total liabilities	3,083,226	3,010,875
Net assets		
Shareholders' equity		
Capital stock	2,687,217	2,688,567
Capital surplus	2,645,880	2,641,400
Retained earnings	(2,144,759)	(2,319,798)
Treasury shares	(64)	(64)
Total shareholders' equity	3,188,274	3,010,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,645)	(686)
Total accumulated other comprehensive income	(1,645)	(686)
Subscription rights to shares	2,440	350
Non-controlling interests	56,288	48,608
Total net assets	3,245,357	3,058,376
Total liabilities and net assets	6,328,583	6,069,252

(2) Quarterly (Cumulative) Consolidated Statements of Income and Comprehensive Income

Quarterly (Cumulative) Consolidated Statement of Income

The Third Quarter of Consolidated Fiscal Year

(Thousand yen)

	Q3 Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to June 30, 2019)	Q3 Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to June 30, 2020)
Net sales	6,513,746	7,072,976
Cost of sales	4,175,361	4,464,991
Gross profit	2,338,385	2,607,984
Selling, general and administrative expenses	2,276,308	2,706,715
Operating profit (loss)	62,077	(98,730)
Non-operating income		
Gain from lapsed deposits received	13,442	24,376
Subsidy income	–	7,817
Refund of premium for cancelled insurance	7,778	1,486
Other	5,175	9,071
Total non-operating income	26,395	42,752
Non-operating expenses		
Interest expenses	8,777	4,334
Share issuance costs	3,708	–
Commission expenses	–	52,668
Other	1,756	2,272
Total non-operating expenses	14,242	59,274
Ordinary profit (loss)	74,229	(115,252)
Extraordinary income		
Gain on sales of investment securities	26,546	–
Gain on reversal of subscription rights to shares	11	11
Gain on sales of non-current assets	–	101
Total extraordinary income	26,557	113
Extraordinary losses		
Loss on retirement of non-current assets	1,113	–
Impairment loss	96,440	–
Loss on valuation of investment securities	2,110	59,999
Loss on cancellation of contracts	81,429	–
Total extraordinary losses	181,094	59,999
Profit (loss) before income taxes	(80,307)	(175,139)
Income taxes - current	37,223	26,755
Income taxes - deferred	(2,912)	(29,673)
Total income taxes	34,310	(2,918)
Loss	(114,618)	(172,221)
Profit (loss) attributable to non-controlling interests	(44,393)	2,817
Loss attributable to owners of parent	(70,224)	(175,038)

Quarterly Consolidated Statement of Comprehensive Income

The Third Quarter of Consolidated Fiscal Year

(Thousand yen)

	Q3 Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to June 30, 2019)	Q3 Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to June 30, 2020)
Loss	(114,618)	(172,221)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,638)	958
Total other comprehensive income	(5,638)	958
Comprehensive income	(120,257)	(171,262)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(75,863)	(174,079)
Comprehensive income attributable to non-controlling interests	(44,393)	2,817

(3) Notes on Quarterly (Cumulative) Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

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

Previous consolidated cumulative third quarter (October 1, 2018 to June 30, 2019)

1 Paid amount of dividends

Not applicable.

2 Of the dividends whose record dates belong to the combined first, second and third quarters of the fiscal year ended September 2019, those for which the effective date was subsequent to the end of said third quarter.

Not applicable.

3 Significant changes in shareholders' equity

The Company issued 781,000 new shares, corresponding to the exercise of share acquisition rights during the combined first, second and third quarters of the fiscal year ended September 2019. As a result, capital stock and capital surplus increased by 532.521 million yen respectively the combined first, second and third quarters, and at the end of the third quarter the balances of capital stock and capital surplus were 2,622.978 million yen and 2,581.641 million yen respectively.

Current consolidated cumulative third quarter (October 1, 2019 to June 30, 2020)

1 Paid amount of dividends

Not applicable.

2 Of the dividends whose record dates belong to the combined first, second and third quarters of the fiscal year ending September 2020, those for which the effective date is subsequent to the end of said third quarter.

Not applicable.

3 Significant changes in shareholders' equity

Not applicable.

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

Not applicable.

(Segment information, etc.)**[Segment information]**

Previous consolidated cumulative third quarter (October 1, 2018 to June 30, 2019)

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

(Thousand yen)

	Reportable segments			Other (Note1)	Adjusted amount (Note2)	Amounts shown on quarterly (cumulative) consolidated statement of income
	Matching	Project contracting	Total			
Net sales						
(1) Sales to external customers	3,682,470	2,519,782	6,202,252	311,493	–	6,513,746
(2) Internal sales or exchange between segments	30,952	2,718	33,671	135	(33,806)	–
Total	3,713,422	2,522,500	6,235,923	311,628	(33,806)	6,513,746
Segment profit (loss)	(20,504)	52,730	32,226	63,656	(33,806)	62,077

Note: (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.

2. Information of impairment loss on non-current assets, of goodwill, etc. for each reportable segment

(Significant impairment loss concerning non-current assets)

	Reportable segments			Other	Elimination/c orporate	Annual
	Matching	Project contracting	Total			
Impairment loss	96,440	–	96,440	–	–	96,440

Note: (1) Details of impairment losses are as follows:

Use application	Location	Type of asset	Amount of impairment loss (thousand yen)
Operational assets	Shinagawa City, Tokyo	Software	96,440

The Group classifies assets in principle based on the division in management accounting in which revenue and expenditure are taken in continuously. During the cumulative third quarter of the fiscal year ended September 30, 2019, a full return on investment with certain operational assets, whose profitability had declined significantly, was recognized as unable to be expected. Therefore, the book value of the assets was reduced to the amount possible to be returned and the reduction amount was recorded as impairment loss under extraordinary loss.

Incidentally, the amount possible to be returned was measured based on its value in use and was calculated regarding future cash flow as zero, because the cash flow from its continuous operational activities was minus.

(Significant changes in the value of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

Current consolidated cumulative third quarter (October 1, 2019 to June 30, 2020)

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

(Thousand yen)

	Reportable segments			Other (Note1)	Adjusted amount (Note2)	Amounts shown on quarterly (cumulative) consolidated statement of income
	Matching	Project contracting	Total			
Net sales						
(1) Sales to external customers	4,679,694	2,276,614	6,956,309	116,666	–	7,072,976
(2) Internal sales or exchange between segments	241	2,307	2,549	165	(2,714)	–
Total	4,679,936	2,278,921	6,958,858	116,832	(2,714)	7,072,976
Segment profit (loss)	(105,454)	86,399	(19,054)	(76,960)	(2,714)	(98,730)

Note: (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.

2. Information of impairment loss on non-current assets, of goodwill, etc. for each reportable segment

Not applicable.

3. Changes to reporting segments

Finalizing a policy of focusing investment on its Matching Business centered on CrowdWorks, CrowdTech, BizAsst, and 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 from the first quarter of the fiscal year ending September 2020.

Previously the Group maintained five reportable segments: Direct Matching, Agent Matching, Business Solution, Fintech, and Investment Development. The Group decided to unify the matching business portions of the former Direct Matching and Agent Matching into a single operating segment Matching Business; combine the Business Solution segment with the portion of Agent Matching that consists of contracting-related business into project contracting business; and pool Fintech and Investment Development into Other Business.

Segment information for the previous third quarter of the fiscal year has been based on the new reporting segments.

(Additional information)

(Certain assumptions regarding the COVID-19 in accounting estimates)

With regard to the impact of the COVID-19, no unified view has been released on how it will spread in the future or when it will subside. However, the Group assumes that the economic situation will gradually recover from the fourth quarter of the fiscal year ending September 30, 2020 to the first half of the fiscal year ending September 30, 2021 after the declaration of a state of emergency was lifted on May 25, 2020.

Based on this assumption, the Company makes accounting estimates including judgment regarding the recoverability of deferred tax assets. Depending on future developments, results based on actual figures may differ from these assumptions and estimates.

(Material subsequent events)

(Sales of shares of significant subsidiaries)

At the meeting of the Board of Directors held on June 26, 2020, the Company decided to transfer all shares held by the Company of DENEN Co. Ltd. (hereinafter “DENEN”) and its subsidiary I/O SYSTEM INTEGRATION CO., LTD. (hereinafter “IOSI”) to SB Technology Corp. (hereinafter “SB Technology”), and completed the share transfer on July 10, 2020.

1. Reasons for transfer

In order to expand opportunities for individuals and freelancers to earn monetary reward as well as to expand mechanisms to build up and leverage credit through developing online Human Resources Matching Business centered on crowdsourcing, which is a mechanism for individuals to use the Internet to earn rewards, the Group made DENEN and IOSI into consolidated subsidiaries in November 2017. While developing systems development services for clients such as major telecommunications companies, local governments, and life insurance companies, as well as project contracting business such as development consulting services using block-chain technology, the Company has been exploring the benefits of individuals and freelancers in the system integration field as a growth strategy to leverage the Company's assets.

However, the environment surrounding the matching business of the Company has changed rapidly in recent years, where major companies tend to allow their employees to have side jobs, and telework has become common after the spread of COVID-19, which has brought about a major turning point for companies and individuals in terms of working styles. In addition, while “laws related to work-style reforms” sequentially took effect in April 2019 and legislation for dealing with equal pay for equal work and extending employment of older employees until age 70 has been studied since April 2020, the number of enterprises who adopt working systems that allow diversified work styles of individual persons has increased and the trend to review the conventional employment system has spread widely. Under these circumstances, the market environment has become more important for the Company to concentrate its management resources on the matching business, its core business.

Amid these environmental changes, the Company decided to select and focus its businesses as its policy for the fiscal year ending September 2020, where the Company discussed future development of the project contracting business, including DENEN and IOSI, and considered future business synergies and the redistribution of management resources. During this process, the Company received a request from SB Technology, which provides ICT services, to acquire shares of DENEN and IOSI. Expecting high synergy effects from the ICT services business of SB Technology, the Company judged that it is advantageous to transfer the shares for the DENEN group development and its corporate value enhancement.

2. Name of the company to which shares are transferred

SB Technology Corp.

3. Timing of share transfer

- | | |
|--|---------------|
| 1) Date of resolution by the Board of Directors | June 26, 2020 |
| 2) Date of execution of the share transfer agreement | June 30, 2020 |
| 3) Date of execution of share transfer | July 10, 2020 |

4. The name and address of each of the subsidiaries, name of the representative person, contents of their businesses and transactions with the Company

(1) DENEN Co. Ltd.

- | | |
|--|--|
| 1) Name | : DENEN Co. Ltd. |
| 2) Address | : 1-21-8 Nishigotanda, Shinagawa-ku, Tokyo |
| 3) Name of representative | : Toshio Kato, President and CEO |
| 4) Contents of business | : Provision of system consulting services, system integration and package software |
| 5) Contents of transactions with the Company | : Outsourcing contract, etc. |

(2) I/O SYSTEM INTEGRATION CO., LTD.

- | | |
|---------------------------|--|
| 1) Name | : I/O SYSTEM INTEGRATION CO., LTD. |
| 2) Address | : 1-2-3 Motosoja-machi, Maebashi, Gunma Prefecture |
| 3) Name of representative | : Masayuki Sekiguchi, President and CEO |
| 4) Contents of business | : Introduction of ERP package for production management and payroll administration, construction and operation of internal systems |

5) Contents of transactions with the Company: Outsourcing contract, etc.

5. Number of transferred shares, transfer price, and shareholding ratio after the transfer

- | | |
|--|-------------------|
| 1) Number of transferred shares | 700 shares |
| 2) Transfer price | 1,330 million yen |
| 3) Gain or loss on transfer | 309 million yen |
| 4) Shareholding ratio after the transfer | 0% |

6. The name of the reportable segment in which the transferred business is included

Project Contracting Business

3. Other

Material Events Related to Going Concern Assumptions, etc.

Not applicable.