

Summary of Financial Results for the First Half of the Fiscal Year Ending September 30, 2021 [Japan Standards] (Non-Consolidated)

May 14, 2021

Company name: CrowdWorks, Inc. Stock listing: Tokyo Stock Exchange
 Security code: 3900 URL <https://crowdworks.co.jp>
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 Supplementary materials for the quarterly financial results: Yes
 Investor conference for the quarterly financial results: Yes (for institutional investors and security analysts)

(Million yen, rounded down)

1. Financial Results for the First Half of the Fiscal Year Ending September 30, 2021 (From October 1, 2020 to March 31, 2021)

(1) Financial Performance (cumulative) (% figures show year-on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
H1 / FY ending Sep. 30, 2021	3,497	-	263	-	308	-	231	-
H1 / FY ended Sep. 30, 2020	-	-	-	-	-	-	-	-

	Profit per share	Diluted profit per share
	Yen	Yen
H1 / FY ending Sep. 30, 2021	15.18	14.88
H1 / FY ended Sep. 30, 2020	-	-

Note: In the first half of the fiscal year ended September 2020, the Company disclosed results based on consolidated accounts, but from the first half of the fiscal year under review, the Company discloses results based on non-consolidated accounts. Therefore, the operating results for the first half of the fiscal year ended September 2020 (total) and the percentage figures showing year-on-year increase or decrease are not stated.

(2) Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of March 31, 2021	5,549	3,382	60.9
As of Sep. 30, 2020	5,038	3,153	62.6

Reference: Shareholders' equity As of March 31, 2021: 3,382 million yen
 As of September 30, 2020: 3,152 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, 2020	-	0.00	-	0.00	0.00
FY ending Sep. 30, 2021	-	0.00			
FY ending Sep. 30, 2021 (Forecast)			-	0.00	0.00

Note: Revision of most recently published dividend forecast: None

3. Financial Forecasts for the Fiscal Year Ending September 30, 2021 (From October 1, 2020 to September 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	7,062-7,377	-	300	-	-	-	-	-	-

Note: Revision of most recently published financial forecast: Yes

* Notes

- (1) Application of accounting procedures specific to preparing quarterly financial statements : Yes
- (2) Changes in accounting policies, changes in accounting estimates and restatements
- (i) Changes in accounting policies associated with revision of accounting standards : None
- (ii) Changes in accounting policies other than the above (i) : Yes
- (iii) Changes in accounting estimates : None
- (iv) Restatements : None

(3) Number of outstanding shares (common stock)

- (i) Number of shares outstanding at term-end
(including treasury shares)
- (ii) Number of treasury shares at term-end
- (iii) Average number of shares outstanding during term
(quarterly total)

Mar. 31, 2021	15,255,160 shares	FY ended Sep. 30, 2020	15,225,160 shares
Mar. 31, 2021	86 shares	FY ended Sep. 30, 2020	86 shares
Mar. 31, 2021	15,228,536 shares	Mar. 31, 2020	15,211,260 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 forecast of financial results is based on the judgment of the Company based on the information currently available. The forecasts are subject to various uncertainties, and actual results may differ from these forecasts. We will review the forecast of future business performance as necessary and announce it in accordance with the disclosure rules.

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1. Qualitative Information Regarding the Quarterly Accounts

(1) Overview of Operating Results

With a vision of a “work-style revolution—to become the world’s biggest platform providing the largest amount of monetary rewards through the Internet” since its establishment, CrowdWorks, Inc. (hereinafter, “the Company”) has been promoting online human resources matching with crowdsourcing at its core, whereby individuals can earn rewards using the Internet. In recent years, the range of work-style choices beyond employment at an enterprise has widened, as job opportunities for the potential labor force, namely, women, the elderly and people with disabilities, are expanding, and given the trend to allow employees to pursue side jobs and businesses in accordance with “work-style reforms,” which is the primary theme of “Dynamic Engagement of All Citizens,” the slogan of the central government, and the diversification of values regarding individual work-styles toward more flexible ways to work. With work-style reform laws gradually taking effect since April 2019, including legislation on equal wages for equal work in April 2020 and an extension of employment of older employees until age 70 effective by the revision of the Act on Stabilization of Employment of Elderly Persons in April 2021, the trend of reviewing 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. In addition, in response to the recent spread of COVID-19, an increasing number of companies of all sizes and across all industry sectors have introduced and utilized work-at-home or teleworking, and the digital shift across society has been accelerating. Under such circumstances, more people have been gradually responding to new ways of working and lifestyles (referred to as the new normal). More companies are digitalizing their activities, introducing e-commerce into their operations, and in association, expanding employment of external specialized talents (freelancers, double jobbers, etc.), and utilizing crowdworkers via online networks. This tendency has become a tailwind for the market surrounding the Company, promoting a change in corporate needs on procurement methods of human resources.

In such an environment, based on the policy to concentrate our investment in the matching business which is our core business, the Company has been working to increase profitability by improving growth rate and productivity through the merger of consolidated subsidiaries into a non-consolidated management. As a result, the Company achieved an operating profit of over 260 million yen in the first half of the current fiscal year owing to progress in productivity improvement initiatives; in addition to the progress rate of the performance forecast for the total contract value, net sales and gross profit of the matching business exceeding 50% during the first half of the current fiscal year.

In the market environment, demand for engineers, designers, and other professionals remains high, and the use of freelancers and crowdworkers is expected to increase also in the future. In addition, while the COVID-19 pandemic is ongoing, many companies have introduced telework and digitalized their business operations and marketing activities, leading to an increase in demand for online office assistants as well as steady growth in the matching business for high-priced, high-continuation, and high-end human resources, with engineers and designers at the core.

In the SaaS business, we provide CrowdLog as an SaaS service that efficiently manages the operations of freelancers and internal human resources. We are steadily increasing the number of companies that have signed up for this service while utilizing customer assets in the matching business. We plan to continue to make upfront investments according to the plan of this fiscal year.

As a result of the foregoing, the Company’s business results for the first half of the current fiscal year were net sales of 3,497,157 thousand yen, operating profit of 263,716 thousand yen, ordinary profit of 308,213 thousand yen, and net profit of 231,107 thousand yen.

(Note) Since the Company has been preparing quarterly financial statements since the second quarter of the current fiscal year, comparative information regarding quarterly statements of income is not presented.

Financial results by segment are as follows:

(i) Matching Business

In the matching business for the first half of the current fiscal year, total contract value, net sales, and gross profit have been exceeding the results of the corresponding period of the previous year and the initial disclosure forecast, owing to continued investment through selection and concentration, and implementation of productivity improvement projects. As for SG & A expenses, we continued to invest in advertising through WEB advertisements as planned at the beginning of the fiscal year, and invested in accordance with the plan for the fiscal year under review. In addition, we continued efforts to review commission expenses and to improve productivity so that we recorded operating profit that exceeded the result of the corresponding period of the previous year and the initial disclosure forecast.

As a result, total contract value, which indicates the total amount of transactions, was 7,162,824 thousand yen, net sales were 3,448,904 thousand yen, gross profit was 1,554,668 thousand yen, and segment profit was 357,920 thousand yen.

(ii) SaaS Business

In the SaaS business for the first half of the current fiscal year, the introduction of business management tools for enterprises reached a record high, and the number of customers is steadily expanding. The Company has made upfront investment of marketing, new functional development, and service improvement for further growth expansion through the steady growth owing to an increase in the number of new contractors.

As a result, net sales and gross profit were 48,028 thousand yen, and segment loss was 83,894 thousand yen.

(2) Overview of Financial Position

(Assets)

Total assets at the end of the first half of the current fiscal year stood at 5,549,792 thousand yen, up 511,148 thousand yen from the end of the previous fiscal year. The increase in total assets is due to an increase in current assets resulting from the absorption of subsidiaries and business expansion. Current assets stood at 5,200,077 thousand yen, as its main components, cash and deposits stood at 3,689,711 thousand yen, and accounts receivable - trade stood at 703,456 thousand yen. Non-current assets stood at 349,715 thousand yen, and as its main components, property, plant and equipment stood at 77,301 thousand yen, intangible assets stood at 43,728 thousand yen, and investments and other assets stood at 228,684 thousand yen.

(Liabilities)

Total liabilities at the end of the first half of the current fiscal year stood at 2,167,228 thousand yen, up 281,861 thousand yen from the end of the previous fiscal year. The increase in total liabilities is due to an increase in current assets resulting from the absorption of subsidiaries and business expansion. Current liabilities stood at 2,134,207 thousand yen, and as its main components, deposits received stood at 1,135,537 thousand yen and accounts payable - other stood at 570,810 thousand yen. Non-current liabilities stood at 33,020 thousand yen.

(Net assets)

Net assets at the end of the first half of the current fiscal year stood at 3,382,563 thousand yen, up 229,287 thousand yen from the end of the previous fiscal year. The increase in net assets is due to an increase in retained earnings resulting from the posting of net profit for the quarter.

(3) Overview of Forecast of Operating Results Including 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. In the fiscal year ending September 2021, the Company will aim to make it profitable for the full fiscal year by continuing and focusing on investments in the matching business, while working on improving its productivity and reforming the business structure.

The Company merged with Brain Partner Inc., a group company, and sold two subsidiaries in the project contracting business to withdraw from the business in the fiscal year ended September 30, 2020. In January 2021, the Company merged with BizAsst., Inc. and graviee Inc., both of which were consolidated subsidiaries, to shift to non-consolidated management.

As a result, consolidated financial results ended in the first quarter, and non-consolidated financial results are to be reported since the second quarter. As a result, the consolidated operating results forecast announced on November 13, 2020 have been changed to a non-consolidated operating results forecast, and the Company has recorded a loss (gain) on extinguishment of tie-in shares as an account of extraordinary loss or gain, which resulted from the merger with BizAsst., Inc. and graviee Inc., both of which were consolidated subsidiaries until the first quarter.

In addition, the Company revised the operating results forecast announced in the first quarter of the current fiscal year due to the favorable progress of the operating results forecast and steady progress in efforts to improve productivity during the first half of the current fiscal year.

The following is an explanation of the operating results forecast.

During the first half of the current fiscal year, steady growth and productivity improvement efforts by concentrating investment in the matching business were successful, resulting in an operating profit of over 260 million yen, leading us to revise upward the forecast of operating profit for the full year to more than 300 million yen. As a result, for the fiscal year ending September 30, 2021, the total contract value will be 13,797 million yen to 14,435 million yen, net sales 7,062 million yen to 7,377 million yen, gross profit 3,127 million yen to 3,265 million yen, and operating profit 300 million yen or more.

With regard to business results by segment for the fiscal year ending September 30, 2021, we revise upward the total contract value of the matching business to 13,697 million yen to 14,335 million yen, net sales to 6,962 million yen to 7,277 million yen, gross profit to 3,047 million yen to 3,185 million yen, and operating profit to 500 million yen or more.

In the matching business in the second half of the fiscal year, we plan to increase investment for the next fiscal year based on the progress of performance in the first half of the fiscal year. However, with the aim of maximizing profits by continuing to improve productivity, we will not change our policy of reinvesting in new businesses within the scope of profits generated, and will promote the establishment of a system to achieve sustainable growth.

In the SaaS Business and new business in other segments, there is no change in the policy announced at the beginning, and it is policy to positively work as an investment for future growth, and the investment will be carried out within the scope of achievement of profitability for the whole year of the company.

As a result, the total contract value and net sales are expected to be 100 million yen, gross profit to be 80 million yen, and operating loss to be 200 million yen.

(Reference: Forecasts for key management indicators)

Since the Company shifted to non-consolidated financial settlement from the second quarter onward, the Company has announced non-consolidated operating results forecasts as described above. However, from the perspective of comparison with the results of the previous fiscal year, the Company has announced financial results forecasts based on initial consolidated accounting as key

management indicators.

The following management indicators are the revised forecasts based on the figures including the first quarter results of the merged consolidated subsidiaries, BizAsst., Inc. and gravice Inc.

[Company] (% figures represent year-on-year increase or decrease)

	Total contract value		Net sales		Gross profit		Operating profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year ending Sep. 30, 2021	14,148– 14,786	(7.0)– (2.8)	7,348– 7,663	(15.8)– (12.2)	3,244– 3,381	(2.4)– 1.8	300	-
(Reference) Full year ended Sep. 30, 2020	15,217	-	8,728	-	3,322	-	(298)	-

[Matching Business]

	Total contract value		Net sales		Gross profit		Operating profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year ending Sep. 30, 2021	14,048– 14,686	10.0– 15.0	7,248– 7,563	15.0– 20.0	3,164– 3,301	15.0– 20.0	500	-
(Reference) Full year ended Sep. 30, 2020	12,771	-	6,303	-	2,751	-	(249)	-

[SaaS Business & New business in other segments]

	Total contract value		Net sales		Gross profit		Operating profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year ending Sep. 30, 2021	100	-	100	-	80	-	(200)	-

(Other)

Regarding the impact of COVID-19, the uncertain situation such as the economic impact due to the prolonged coronavirus crisis worldwide is continuing; however, there is no change in the future policy and the business outlook at this point.

The earnings forecast is based on the judgment of the Company based on the information currently available. The forecasts are subject to various uncertainties, and actual results may differ from these forecasts. We will review the forecast of future business performance as necessary and announce it in accordance with the disclosure rules.

2. Quarterly Financial Statements and Main Noted Items

(1) Quarterly Balance Sheet

	(Thousand yen)	
	Fiscal Year Ended September 30, 2020 (As of September 30, 2020)	Q2 / Fiscal Year Ending September 30, 2021 (March 31, 2021)
Assets		
Current assets		
Cash and deposits	3,240,063	3,689,711
Accounts receivable - trade	581,398	703,456
Accounts receivable - other	606,085	709,703
Operational investment securities	51,148	40,815
Other	93,674	66,319
Allowance for doubtful accounts	(13,050)	(9,929)
Total current assets	4,559,319	5,200,077
Non-current assets		
Property, plant and equipment		
Buildings	100,656	83,993
Accumulated depreciation	(53,582)	(24,287)
Buildings, net	47,073	59,706
Tools, furniture and fixtures	48,683	44,775
Accumulated depreciation	(29,341)	(27,179)
Tools, furniture and fixtures, net	19,342	17,595
Construction in progress	4,323	-
Total property, plant and equipment	70,738	77,301
Intangible assets		
Software	40,306	35,122
Goodwill	-	8,606
Total intangible assets	40,306	43,728
Investments and other assets		
Shares of subsidiaries and associates	201,243	50,991
Deferred tax assets	22,144	15,356
Other	144,891	168,393
Allowance for doubtful accounts	-	(6,056)
Total investments and other assets	368,278	228,684
Total non-current assets	479,323	349,715
Total assets	5,038,643	5,549,792
Liabilities		
Current liabilities		
Short-term borrowings	100,000	100,000
Accounts payable - other	481,168	570,810
Accrued expenses	104,804	110,502
Income taxes payable	28,267	66,970
Deposits received	1,026,730	1,135,537
Advances received	43,427	108,591
Asset retirement obligations	21,198	-
Other	46,761	41,794
Total current liabilities	1,852,359	2,134,207
Non-current liabilities		
Asset retirement obligations	33,007	33,020
Total non-current liabilities	33,007	33,020
Total liabilities	1,885,366	2,167,228

	(Thousand yen)	
	Fiscal Year Ended September 30, 2020 (As of September 30, 2020)	Q2 / Fiscal Year Ending September 30, 2021 (March 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	2,688,567	2,691,267
Capital surplus		
Legal capital surplus	2,646,567	2,649,267
Total capital surplus	2,645,217	2,646,567
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(2,203,139)	(1,972,031)
Total retained earnings	(2,203,139)	(1,972,031)
Treasury shares	(120)	(120)
Total shareholders' equity	3,131,874	3,368,381
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	21,052	13,883
Total valuation and translation adjustments	21,052	13,883
Subscription rights to shares	350	298
Total net assets	3,153,276	3,382,563
Total liabilities and net assets	5,038,643	5,549,792

(2) Quarterly Statement of Income
The First Half of Fiscal Year

	(Thousand yen)
	The First Half of Fiscal Year Ending September 30, 2021 (Oct. 1, 2020 to March 31, 2021)
Net sales	3,497,157
Cost of sales	1,894,236
Gross profit	1,602,920
Selling, general and administrative expenses	1,339,204
Operating profit	263,716
Non-operating income	
Gain from lapsed deposits received	24,417
Other	21,049
Total non-operating income	45,467
Non-operating expenses	
Interest expenses	385
Loss on investments in capital	539
Other	45
Total non-operating expenses	970
Ordinary profit	308,213
Extraordinary income	
Gain on extinguishment of tie-in shares	15,593
Total extraordinary income	15,593
Extraordinary losses	
Loss on extinguishment of tie-in shares	22,011
Total extraordinary losses	22,011
Profit before income taxes	301,795
Income taxes	70,687
Net profit	231,107

(3) Quarterly Statement of Cash Flows

	(Thousand yen)
	The First Half of Fiscal Year Ending September 30, 2021 (Oct. 1, 2020 to March 31, 2021)
Cash flows from operating activities	
Profit before income taxes	301,795
Depreciation	11,723
Amortization of goodwill	2,151
Loss (gain) on extinguishment of tie-in shares (minus indicates gain)	6,417
Interest expenses	385
Loss (gain) on investments in capital (minus indicates gain)	539
Decrease (increase) in notes and accounts receivable - trade (minus indicates increase)	(21,148)
Decrease (increase) in accounts receivable - other (minus indicates increase)	(101,441)
Increase (decrease) in allowance for doubtful accounts (minus indicates decrease)	1,882
Increase (decrease) in accounts payable - other (minus indicates decrease)	(15,779)
Increase (decrease) in deposits received (minus indicates decrease)	107,764
Other	12,452
Subtotal	306,743
Interest and dividends received	14
Interest paid	(385)
Income taxes paid	(4,981)
Cash flows from operating activities	301,390
Cash flows from investing activities	
Purchase of property, plant and equipment	(13,102)
Purchases of investment securities	(31,193)
Payments for investments in capital	(19,505)
Proceeds from refund of leasehold deposits	34,582
Cash flows from investing activities	(29,218)
Cash flows from financing activities	
Proceeds from issuance of shares	5,400
Other	(314)
Cash flows from financing activities	5,086
Increase (decrease) in cash and cash equivalents (minus indicates decrease)	277,257
Cash and cash equivalents at beginning of period	3,245,355
Increase (decrease) in cash and cash equivalents resulting from merger of consolidated subsidiaries (minus indicates decrease)	195,252
Cash and cash equivalents at end of period	3,717,866

(3) Notes on Quarterly 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 Financial Statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after tax effect accounting is applied to the pre-tax profit for the fiscal year, including the current first half fiscal year, and by multiplying this effective tax rate and the quarterly pre-tax profit.

(Changes in accounting policies)

(Changes in calculation of tax expenses)

Formerly, tax expenses for the Company were calculated using the principle method. However, to further improve the efficiency of quarterly settlement operations of the Company, from the first quarter of current fiscal year, tax expenses are changed to be calculated by reasonably estimating the effective tax rate after tax effect accounting is applied to the pre-tax profit for the fiscal year, and by multiplying this effective tax rate and the quarterly pre-tax profit.

Since the impact of this change on the quarterly financial statements is minor, it is not applied retroactively.

(Additional information)

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

The assumptions used in the accounting estimates for the impact of the spread of COVID-19 have not materially changed from the description included in the additional information in the first quarter report.

(Segment information, etc.)

[Segment information]

For the current first half of the fiscal year ending September 30, 2021 (October 1, 2020 to March 31, 2021)

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

(Thousand yen)

	Reportable segments			Other (Note)	Adjusted amount	Amounts shown on quarterly statement of income
	Matching	SaaS	Total			
Net sales						
(1) Sales to external customers	3,448,904	48,028	3,496,933	224	-	3,497,157
(2) Internal sales or exchange between segments	-	-	-	-	-	-
Total	3,448,904	48,028	3,496,933	224	-	3,497,157
Segment profit (loss)	357,920	(83,894)	274,025	(10,309)	-	263,716

Note: The category of "Other" indicates business segments which are not included in reportable segments, and includes any newly developed business, etc.

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

Not applicable.

(Business combinations-related matters)

(Merger of consolidated subsidiaries)

At the board of directors meeting on November 13, 2020, the Company resolved to absorb and merge its wholly owned subsidiaries, BizAsst., Inc. and graviee Inc., effective January 1, 2021. The merger was carried out on the same date.

(1) Outline of Transactions

(i) The names and business contents of the merged corporations

Name	BizAsst., Inc.	graviee Inc.
Business content	Matching business for online assistants	Human resource business
Location	Ebisu Garden Place Tower 6th floor, 4-20-3 Ebisu, Shibuya-ku, Tokyo	Axis Gotanda Building No. 502, 8-7-11 Nishi-gotanda, Shinagawa-ku, Tokyo
Title and name of the representative	Representative Director Kiyoteru Okuno	Representative Director Koichi Orui

(ii) Date of merger
January 1, 2021(iii) Legal form of merger
Absorption-type merger method in which the Company is a company surviving an absorption-type merger, and BizAsst., Inc. and graviee Inc. are companies disappearing in an absorption-type merger.(iv) Name of the entity after the merger
CrowdWorks, Inc.(v) Other matters regarding the outline of transactions
Based on the management policy for the fiscal year ending September 2021, the Company has absorbed and merged wholly owned subsidiaries of the Company, BizAsst., Inc. and graviee Inc., aiming to strengthen business synergies and improve management efficiency in order to concentrate on the growth of matching business, which is the core business. As this is an absorption-type merger of wholly owned subsidiaries of the Company, new shares are not issued and money is not delivered as a result of this merger.

(2) Outline of accounting procedures carried out

It is treated as a transaction under common control, based on “Accounting Standards for Business Combinations” (Accounting Standards Board of Japan Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (Accounting Standards Board of Japan Guidance No. 10, January 16, 2019).

(Material subsequent events)

Not applicable.

3. Other

Material Events Related to Going Concern Assumptions, etc.

Not applicable.