



Crowd  
Works



Ms. Tanaka (Crowd Director)

Carries out worker management and quality control at peekaboo in Hiroshima Prefecture

“I’m pleased more than anything that I was asked for work. From now on, I would like to support creating an environment where working moms can be active.”



Mr. Narita (CrowdTech Designer)

Worked on a full remote case, active as a freelance designer

“I encountered various tasks with different tastes and methodologies through CrowdTech, and I am glad that I can broaden my own range.”

# “Workstyle Revolution”

Securities code: TSE Mothers 3900

CrowdWorks Inc. Financial Results for the Fiscal Year Ended Sept. 30, 2018 (from Oct. 2017 to Sept. 2018)



Mr. Hasegawa (Cyta Drum Coach)

Besides being a company employee, he is active as a drum coach for Cyta

“Thanks to Cyta, I can keep on chasing my dream “to play around the world.”



Ms. Kittaka (CrowdWorks Writer)

Moved to Bali after getting married, and started work as a writer

“I can also accept work from Japan overseas, and getting remuneration is very useful.”

- | 1. VISION/Business Outline
- | 2. Business Policy
- | 3. FY 2018 Results
- | 4. FY 2019 Results Forecast
- | 5. Appendix

# | 1. VISION/Business Outline

## VISION

Aim for the world's largest amount of remuneration provided through the Internet.

### Sharing Economy Business

Potential labor force of  
35 million people  
Sharing Platform

Started in November 2011

Direct Matching Service



Liquidation platform for  
a dispatch market of 5.4 trillion yen

Started in April 2015

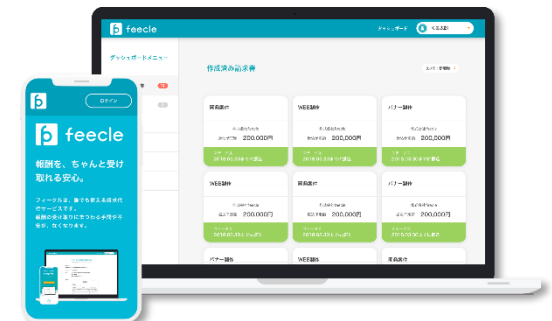
Online Agent Service



### Fintech Business

Financial platform utilizing  
personal credit and trust

Started in May 2018



# VISION/To Japan's largest online employment infrastructure

Based on the vision to aim for the world's largest amount of remuneration provided through the Internet, CrowdWorks aims first to have Japan's largest online employment infrastructure

By maximizing the total contract value, the Company gives remuneration to the most people in the country

Japan's largest online employment infrastructure image

Total contract value  
conversion: 2.27 trillion yen

FY 2018 Results  
Total contract value: 11.15  
billion yen



Employee number ranking \*Reference: Yahoo Finance as of November 14, 2018  
1. Toyota 373,000 people, 2. Hitachi 306,000 people, 3. Nippon Telegraph and  
Telephone (NTT) 304,000 people



# Significance of the Company's business:

## Eliminate human resources mismatches and update the labor market

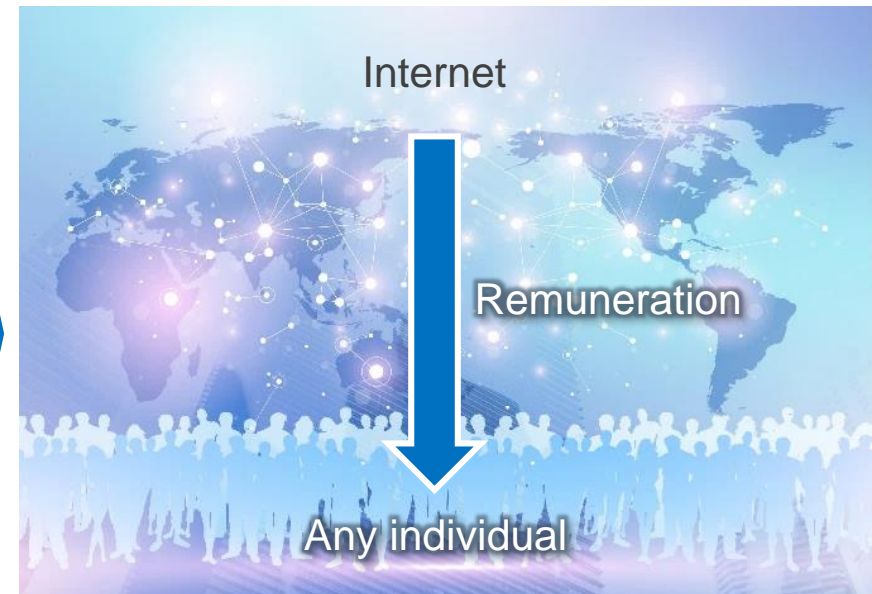
CrowdWorks develops a business that delivers remuneration to any individual via the Internet

By optimally utilizing the results of the work of individuals and credit data accumulated on the Internet, revitalize talented personnel, eliminate human resources mismatches and update the labor market

20th century



21st century

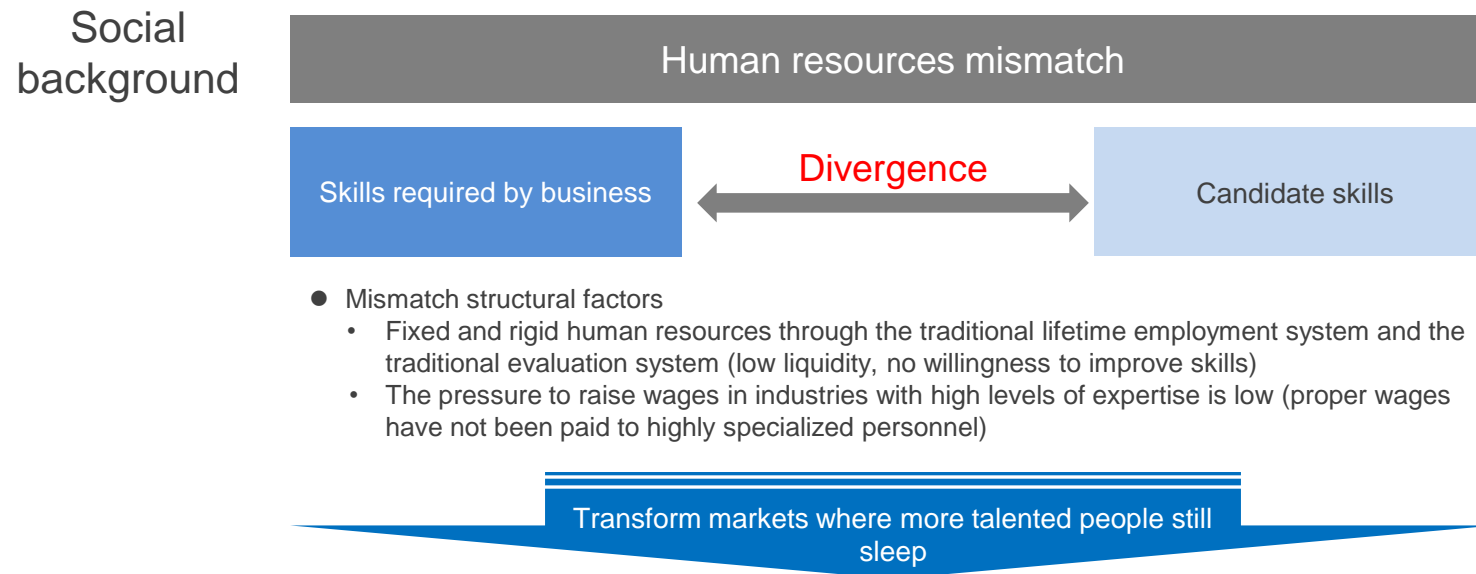


# Social background surrounding the Company:

## Japan's “human resources mismatch” becomes serious

In a Hays report, out of 33 countries in the world, Japan had the worst “human resources mismatch”

Through provision of work on the Internet and by creating a work environment that is not bound by time and place, CrowdWorks (1) Revitalizes the potential labor force (2) Promotes liquidation of the temporary staffing market and resolves a “human resources mismatch”



- (1) Revitalization of the potential labor force
- (2) Fluidization of the temporary staffing market

Source: Hays Specialist Recruitment Japan K.K. “Human resources mismatch” indicating talent shortage, Japan is the worst out of 33 countries in the world”

# Offered value/target market of the Company's platform

“Revitalization of the potential labor force” + “Fluidization of the temporary staffing market”, eliminate human resources mismatch

Target market	Provided value	Target number of people	Assumed income	Total Addressable Market (TAM*)
Potential labor force	Activation (1) Stable new revenue source (2) Can work in a favorite time and place (3) Safety net	5,590,000 people	1.69 million yen	9.4 trillion yen
Non-regular employee (Contract employee) (Part-time employee)	Side-work/dual work (1) Provide a second income source (2) Improvement of skills and experience	19 million people	1.69 million yen	32.1 trillion yen
Regular employee	Side-work/dual work (1) Provide a second income source (2) Improvement of skills and experience	11 million people	500,000 yen	5.5 trillion yen
Temporary employee	Fluidization, work-style reform (1) A free working style possible more than temps	1,340,000 people	2.62 million yen	3.5 trillion yen

\*TAM: The largest market size that can be earned by the growth of our business

Total **50.5 trillion yen**

Source: Statistics Bureau of the Ministry of Internal Affairs and Communications (2018) Labor Force Survey in 2017

Source: National Tax Agency Planning Division (2018) Survey on the Actual Status of Private Salary for 2017

Source: Ministry of Health, Labour and Welfare (2018) 2017 Survey on Temporary Employees

Source: en-japan inc. (2018) Estimates from the Company based on an actual survey of “side jobs” from listening to 3,000 regular employees

\*Reference Total private salary income in Japan (Regular+non-regular+dispatch) is about 213 trillion yen

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# Large business opportunities as a human resource sharing platform

Business opportunities surrounding the Company are 2.27 trillion yen

Reforming conventional markets centered on regular and non-regular employees, and creating a society where any individual can work freely

Target market	Total Addressable Market (TAM)	FY 2018 Current share	FY 2018 Total contract value	Future share	Future business scale
Potential labor force	9.4 trillion yen			4.5%	423 billion yen
Non-regular employee (Contract employee) (Part-time employee)	32.1 trillion yen	0.012%	5.53 billion yen Direct Matching	4.5%	1.44 trillion yen
Regular employee	5.5 trillion yen			4.5%	247.5 billion yen
Temporary employee	3.5 trillion yen	0.13%	4.57 billion yen Online Agent	4.5%*	157.5 billion yen
Total	50.5 trillion yen	0.002% (Including 1.03 billion yen in peripheral business)	11.1 billion yen (Including 1.03 billion yen in peripheral business)	4.5%	2.27 trillion yen

Source: Statistics Bureau of the Ministry of Internal Affairs and Communications (2018) Labor Force Survey in 2017

Source: National Tax Agency Planning Division (2018) Survey on the Actual Status of Private Salary for 2017

Source: Ministry of Health, Labour and Welfare (2018) 2017 Survey on Temporary Employees

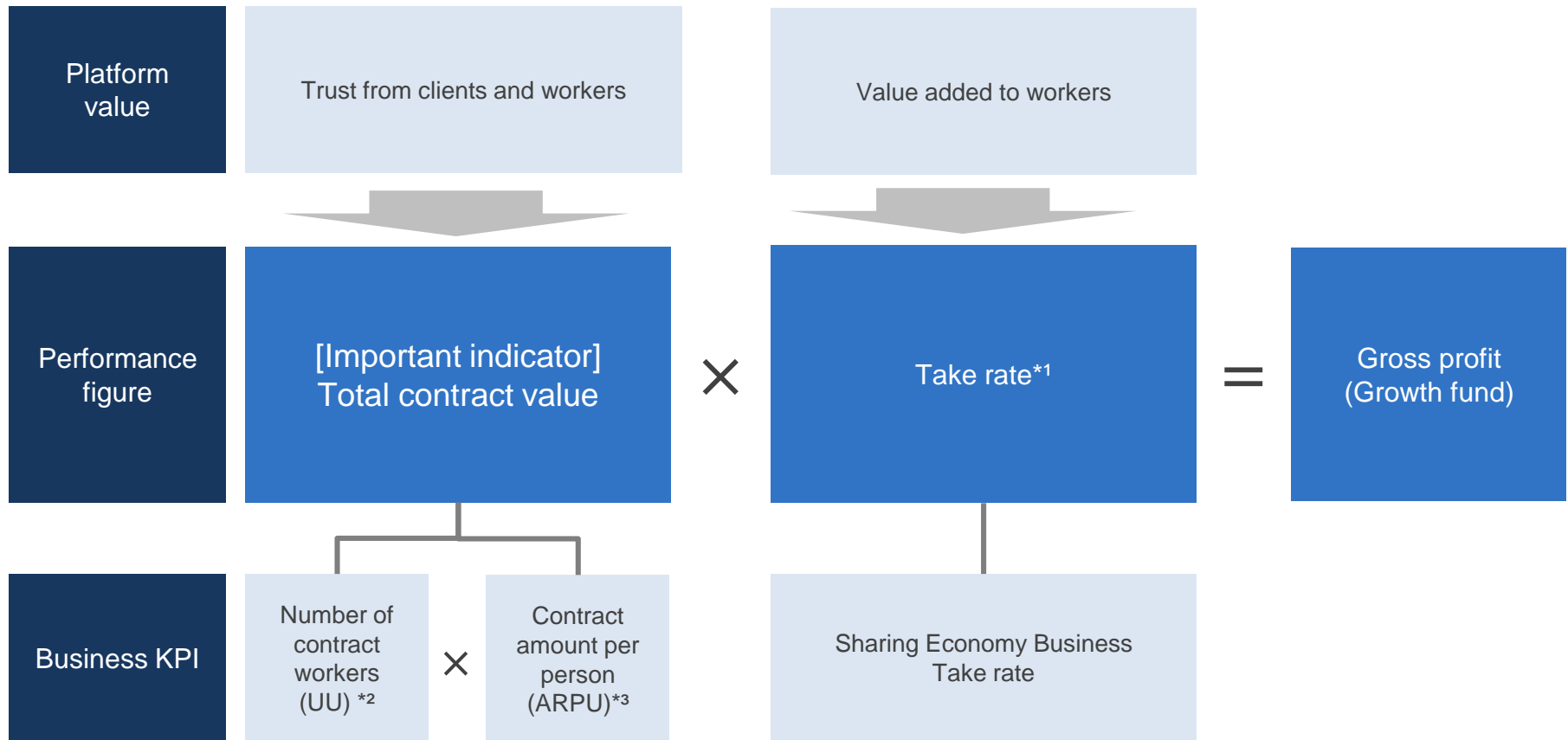
Source: en-japan inc. (2018) Estimates from the Company based on an actual survey of "side jobs" from listening to 3,000 regular employees

\*A future share of 4.5% is the market share ratio of one major company in the temporary market (sales revenue of 160 billion yen)

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# Source of growth of the Company (important index / KPI)

Set the **total contract value** created by the trust of client and worker matching **as an important index**, and maximize the gross profit as a growth resource



\*1 Take rate: Gross profit/Total contract value Added value (gross profit) ratio generated from our handling contract amount (%)

\*2 Number of contract workers (UU): Unique contract number of people who had orders received in the year

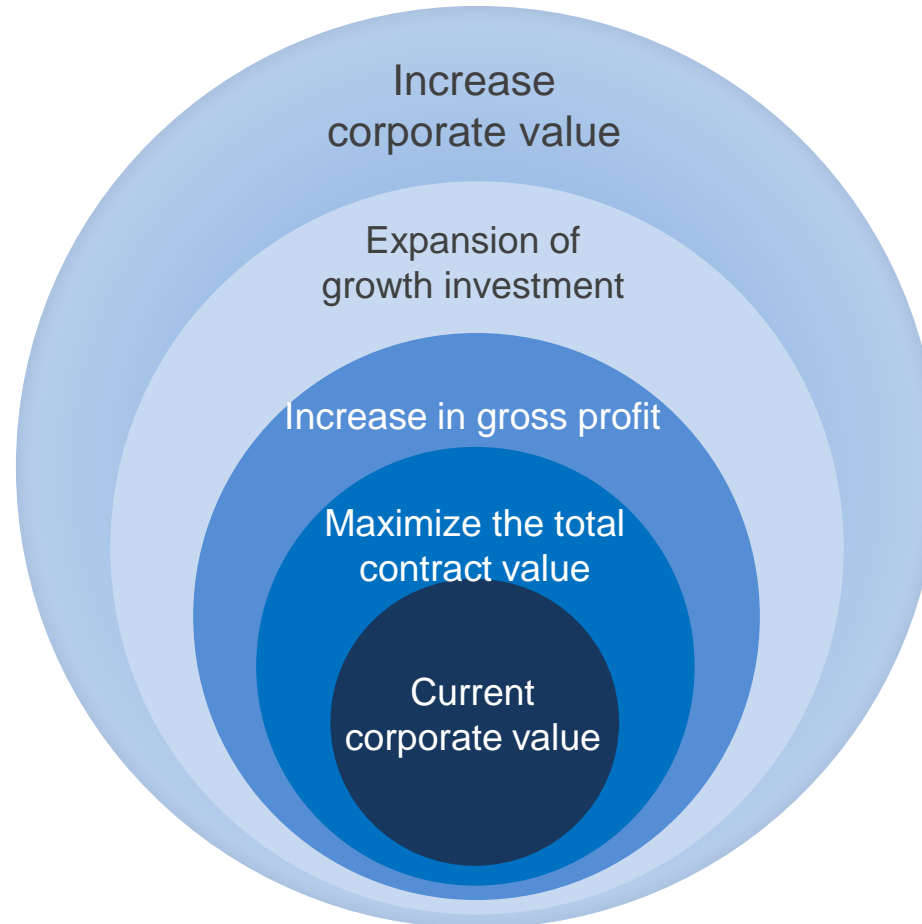
\*3 Contract amount per person (ARPU): Average contract amount per person per year

## | 2. Business Policy

## Business policy: Increase corporate value through reinvestment

By maximizing the total contract value, the Company will steadily build up the base of long-term earnings

The Company will invest in growth resources obtained from the accumulated bases for improvement of existing services and new growth, and will aim for further improvement of corporate value



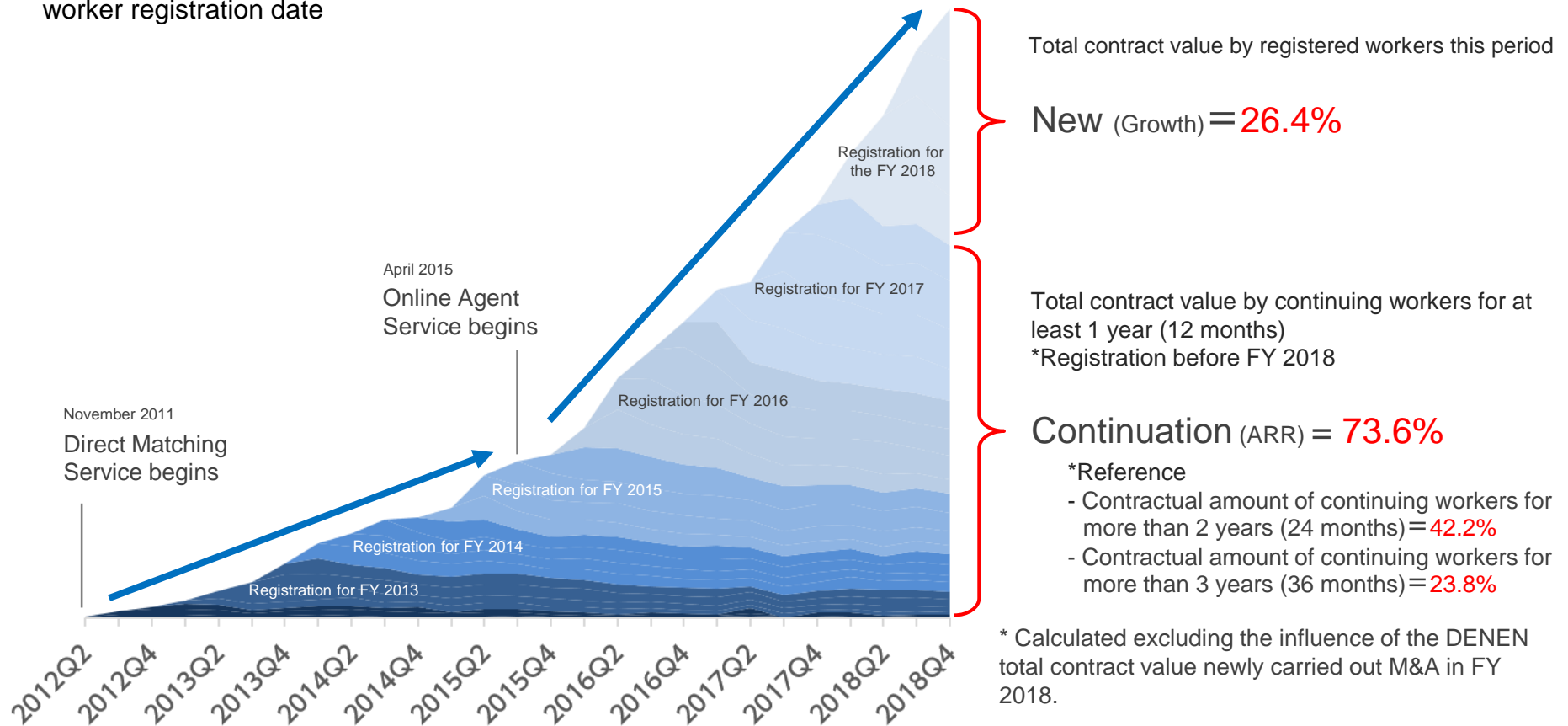
# Business strength: Business model generating stock revenues

The total contract value in the sharing economy business forms the basis of a continuous contract

- 73.6% have been created by continuing workers for more than 1 year
- 23.8% have been created by continuing workers for more than 3 years

We have established **a business model in which workers are stocked over the long term**

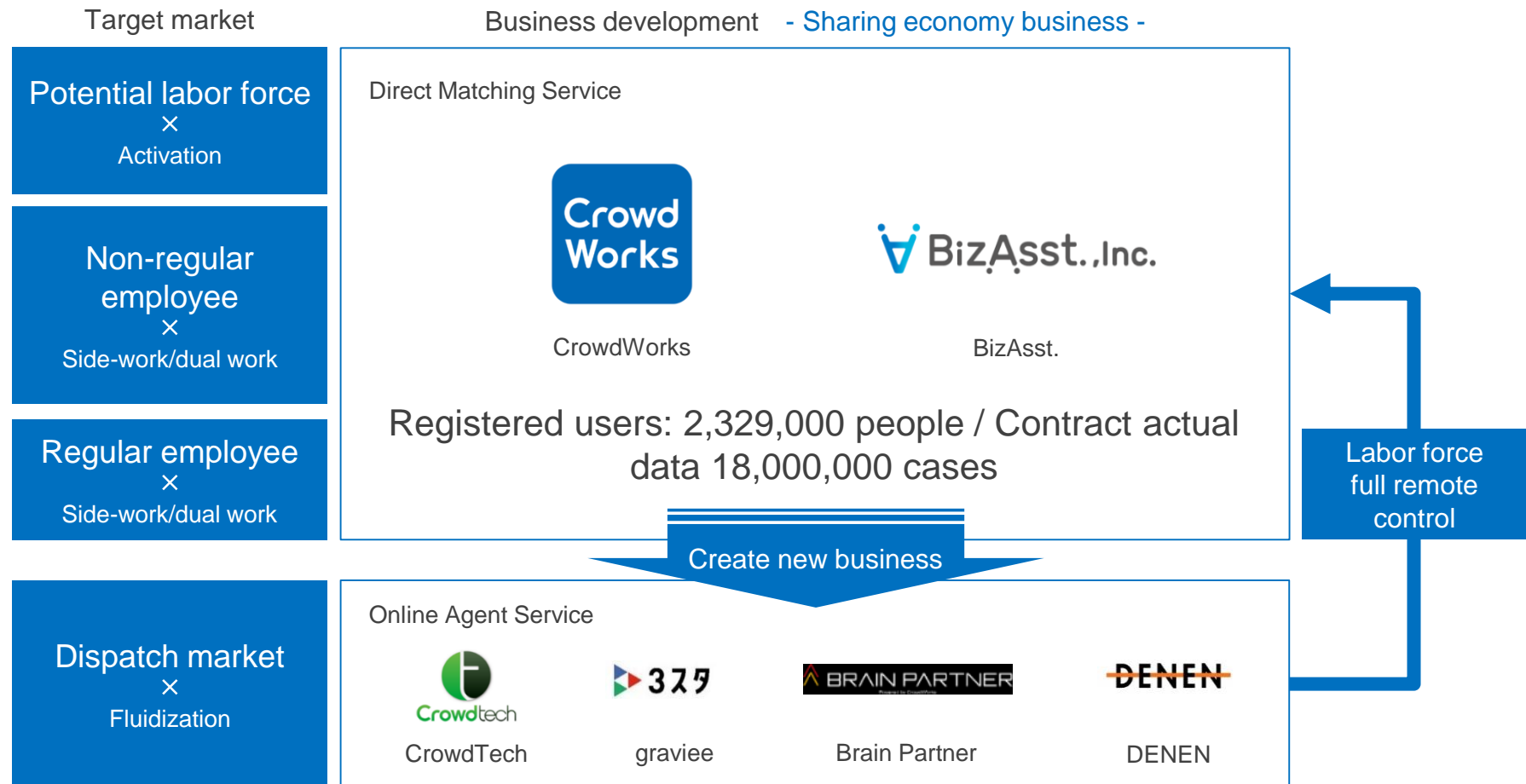
Total contract value calculated from the worker registration date



Utilizing the asset data of users of CrowdWorks, efficient business development is possible

Advantages: (1) Japan's largest online talent database

(2) Easy test marketing of various new businesses by utilizing platform data





### | 3. FY 2018 Results

- Full-year total contract value: 11,151 million yen (+76.5% year-on-year)  
\*The total contract value of the sharing economy business: 10,119 million yen (+81.5% year-on-year)

1.4% increase compared with the initial earnings forecast

- Full-year gross profit: 2,517 million yen (+66.8% year-on-year)

6.8% decrease compared with the initial earnings forecast (\*details of factors are described on the next page)

- Full-year operating profit: 23 million yen (+358 million yen year-on-year)

23 million yen increase compared with the initial earnings forecast

**Achieved a full-year operating surplus** for the first time since foundation

## Achieved budgets for total contract value/net sales/operating profit/EBITDA items

[Unit: million yen]

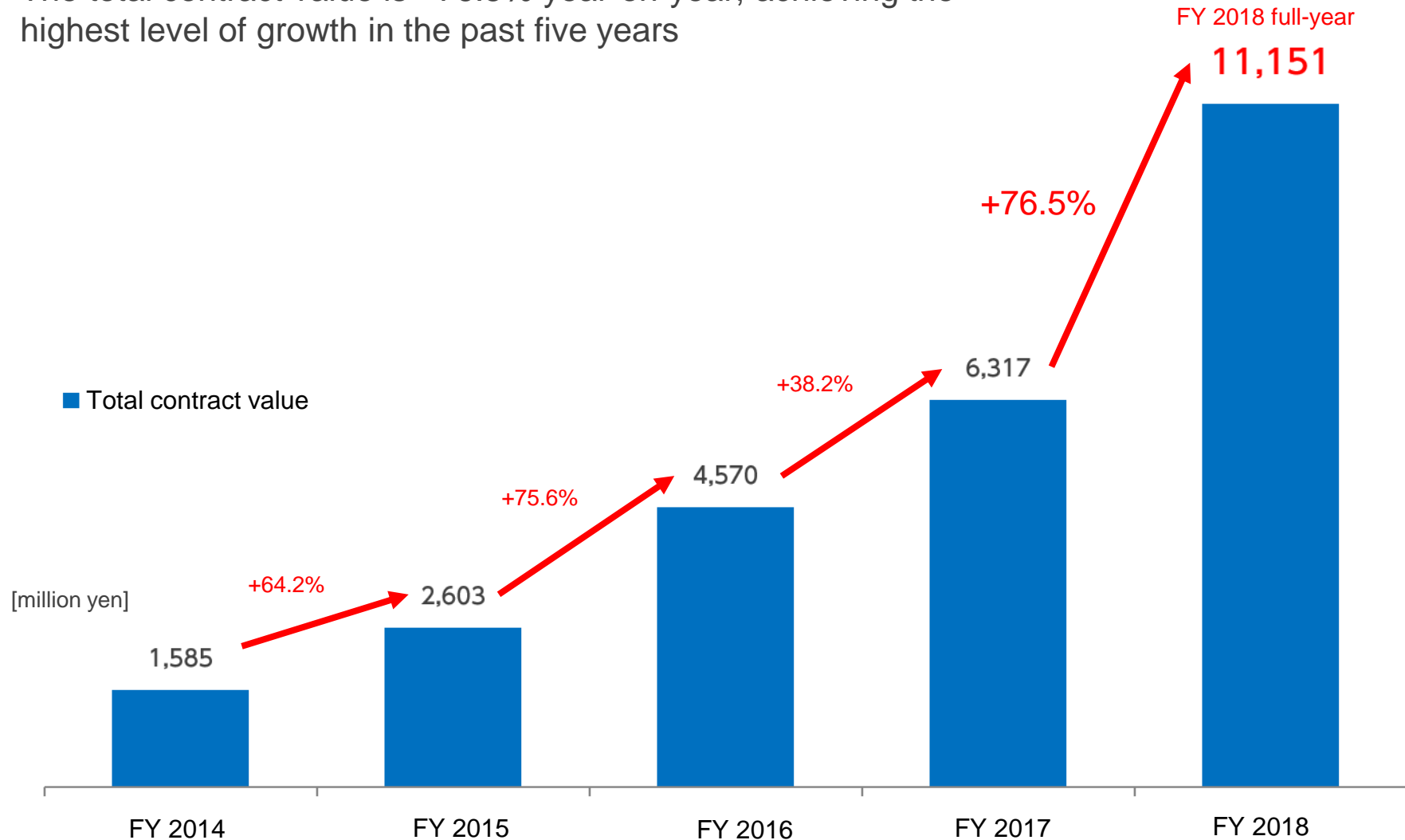
	FY 2018 full-year (consolidated)			
	Results	Year-on-year comparison	Initial full-year budget	Budget achievement rate
Total contract value	11,151	+76.5%	11,000	101.4%
Net sales	6,634	+126.8%	6,500	102.0%
Gross profit	2,517	+66.8%	2,700	93.2%
SG&A expenses	2,494	+35.2%	2,700	92.3%
Operating profit	23	+358	0	+23
EBITDA	150	+465	100-200	(50) - +50
Ordinary profit	9	+341	—	—
Profit attributable to owners of parent	(81)	+273	—	—

- Supplementary to gross profit and profit attributable to owners of parent
- Although the gross profit decreased by 183 million yen from the initial budget due to a decrease in orders received from peripheral business, there is recognition that the Company is running ahead of schedule with the contract schedule planned to shrink.
- The profit attributable to owners of parent had a temporary factor of a decrease of 68 million yen through DENEN Co., Ltd.'s income taxes paid, but in FY 2019 there is no such impact through adoption of a consolidated taxation system.

- In compliance with financial statement regulations, actual figures are rounded down to the nearest million yen, and year-on-year amounts and percentage changes are calculated taking into consideration the value of less than one million yen.

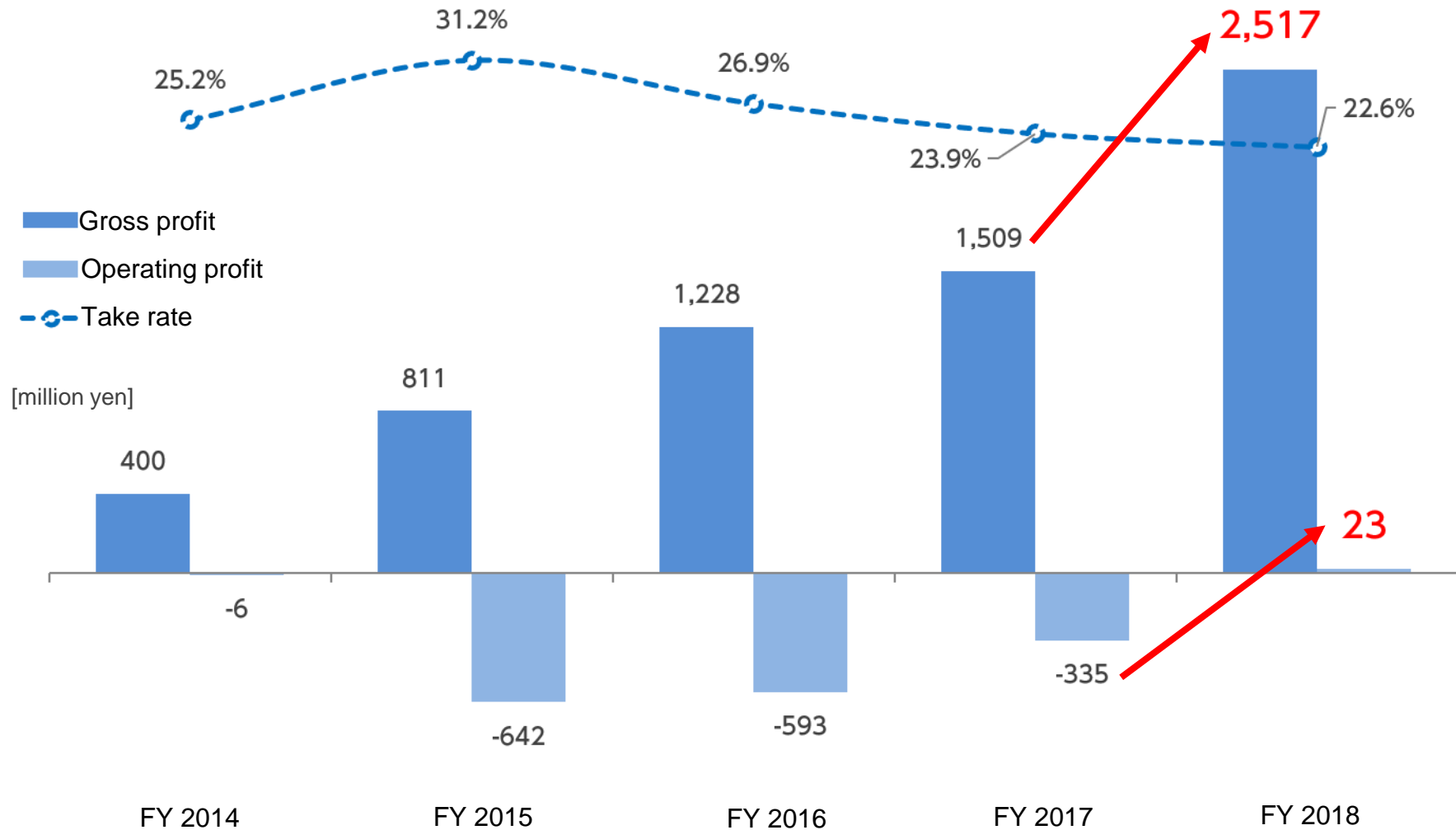
# Entire company - total contract value

The total contract value is +76.5% year-on-year, achieving the highest level of growth in the past five years



# Entire company - take rate/gross profit, operating profit

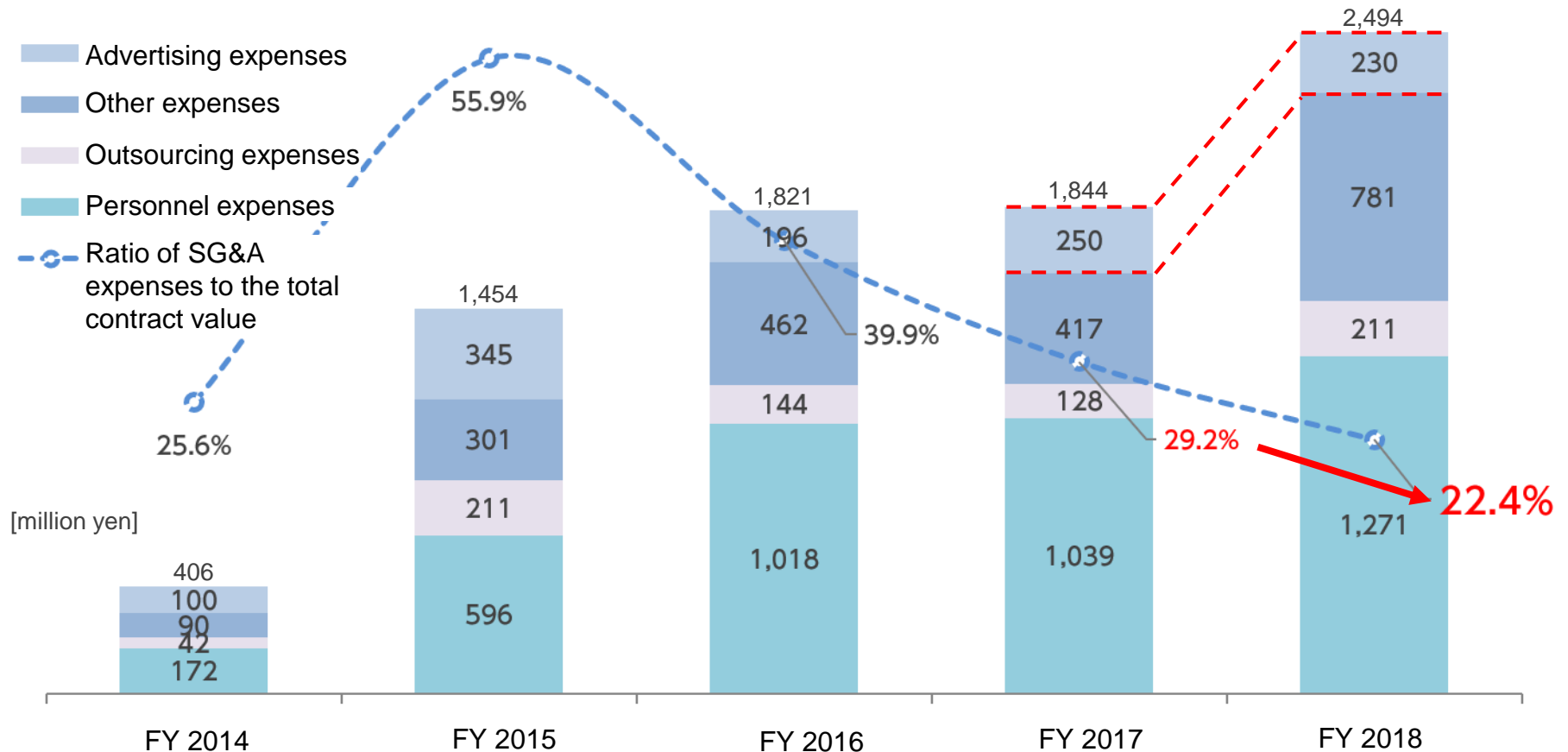
While increasing the total contract value by +76.5%, the take rate is reduced to a certain amount and realized in the black



# Entire company - SG&A expenses/ratio of SG&A expenses to the total contract value

Although the SG&A expenses increased compared with the previous fiscal year due to the acquisition of the DENEN group, the Company has succeeded in accelerating the total contract value while improving advertisement efficiency and suppressing advertising expenses

The ratio of SG&A expenses to the total contract value was the lowest value since listing, and productivity recorded the highest level



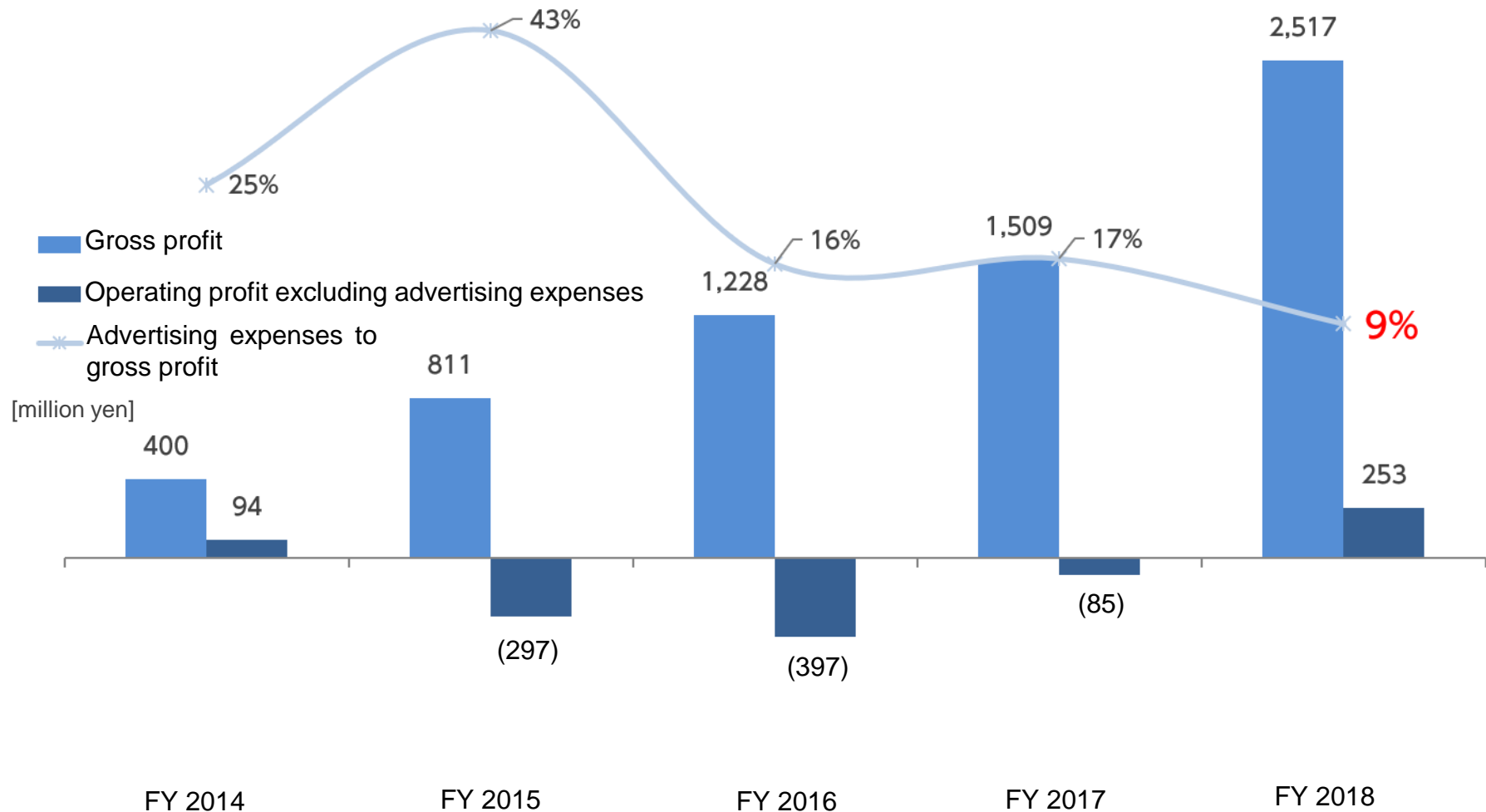


# Advertisement efficiency improvement:

## Change in operating profit excluding advertising expenses

By improving advertising efficiency, the advertising expenses to gross profit is 9%, achieving record high efficiency

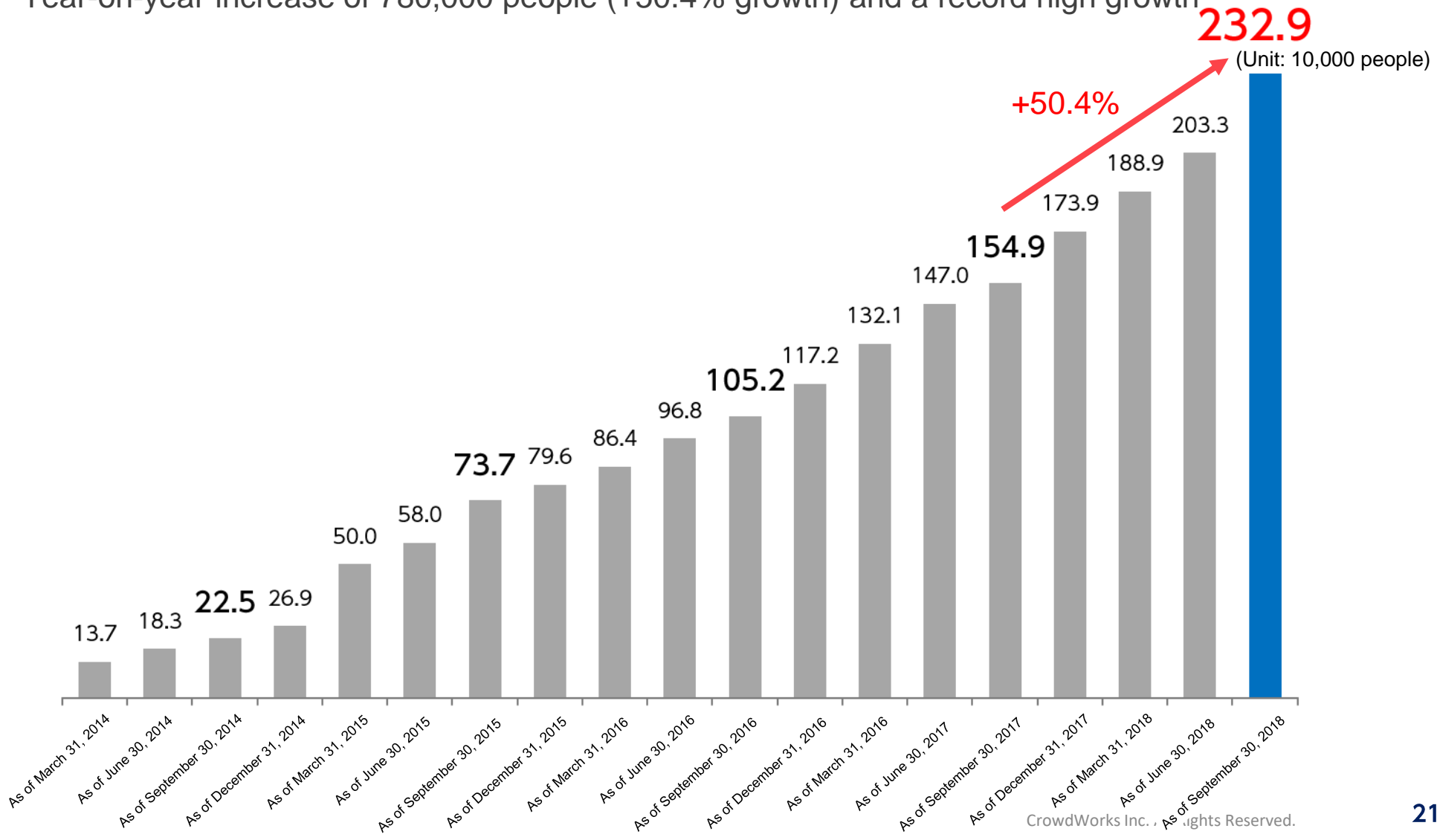
The Company will steadily build up the new total contract value by advertisement investment and the revenue base from continuous use



# Entire company - group cumulative number of workers

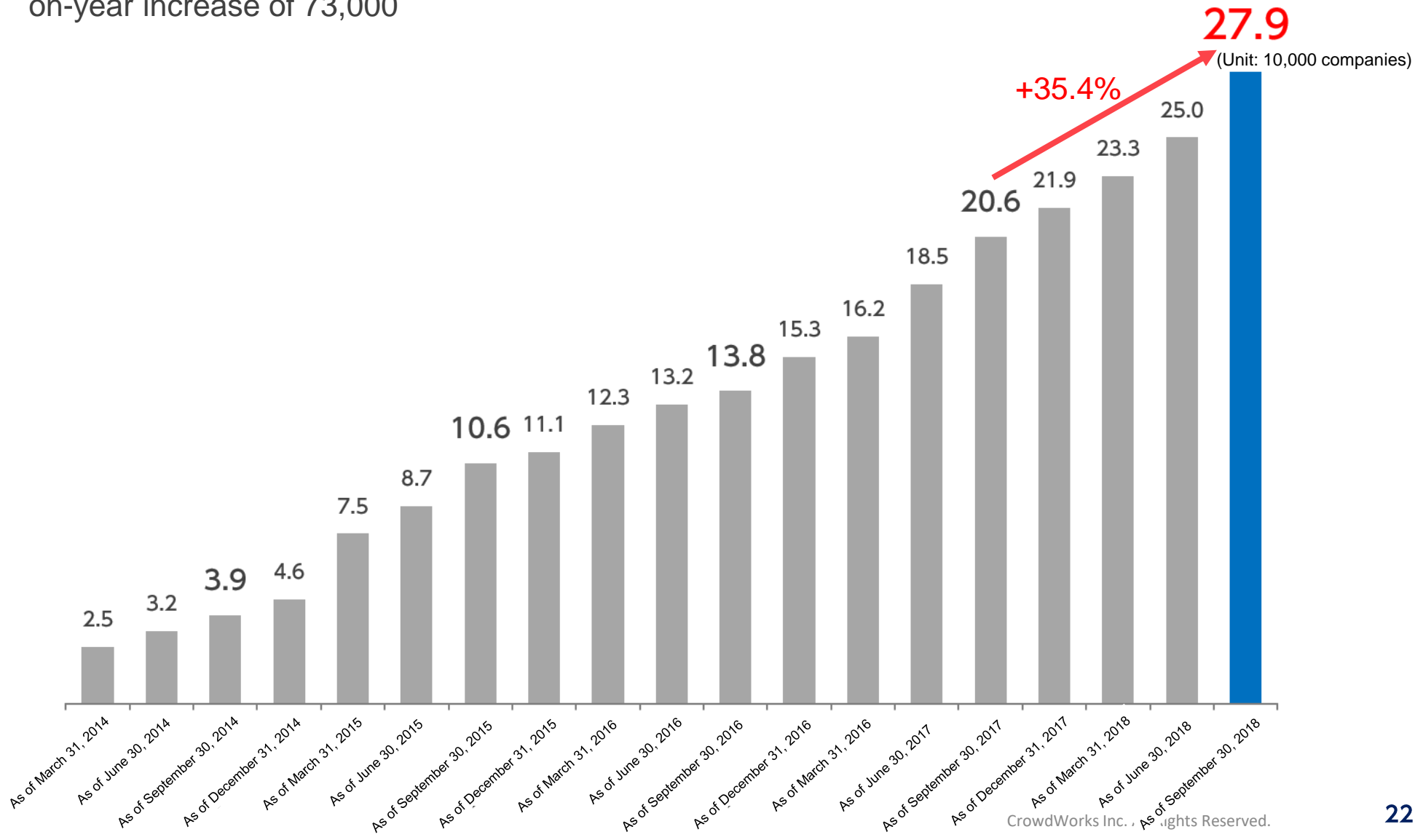
The number of workers in the entire group: 2,329,000 people (as of September 30, 2018)

Year-on-year increase of 780,000 people (+50.4% growth) and a record high growth



# Entire company - group cumulative number of clients

The number of clients recorded the highest ever increase with a year-on-year increase of 73,000



Sharing economy business: While controlling the take rate to the current level, focus on the expansion of the number of contract users and accelerate the total contract value

Performance figure	[Important indicator] Total contract value 11.15 billion yen	×	Take rate 22.6%	=	Gross profit (Growth fund) 2.52 billion yen
Sharing economy business	Total contract value 10.12 billion yen <div>                         Number of contract workers (UU)                          228,000 people                     </div> × <div>                         Contract amount per person (ARPU)                          44,000 yen                     </div>	×	Take rate 20.4%	=	Gross profit 2.06 billion yen
FINTECH/New peripheral business	Total contract value 1.03 billion yen	×	Take rate 44.2%	=	Gross profit 460 million yen

\* Number of contract workers (UU): Unique contract number of people who had orders received in the year

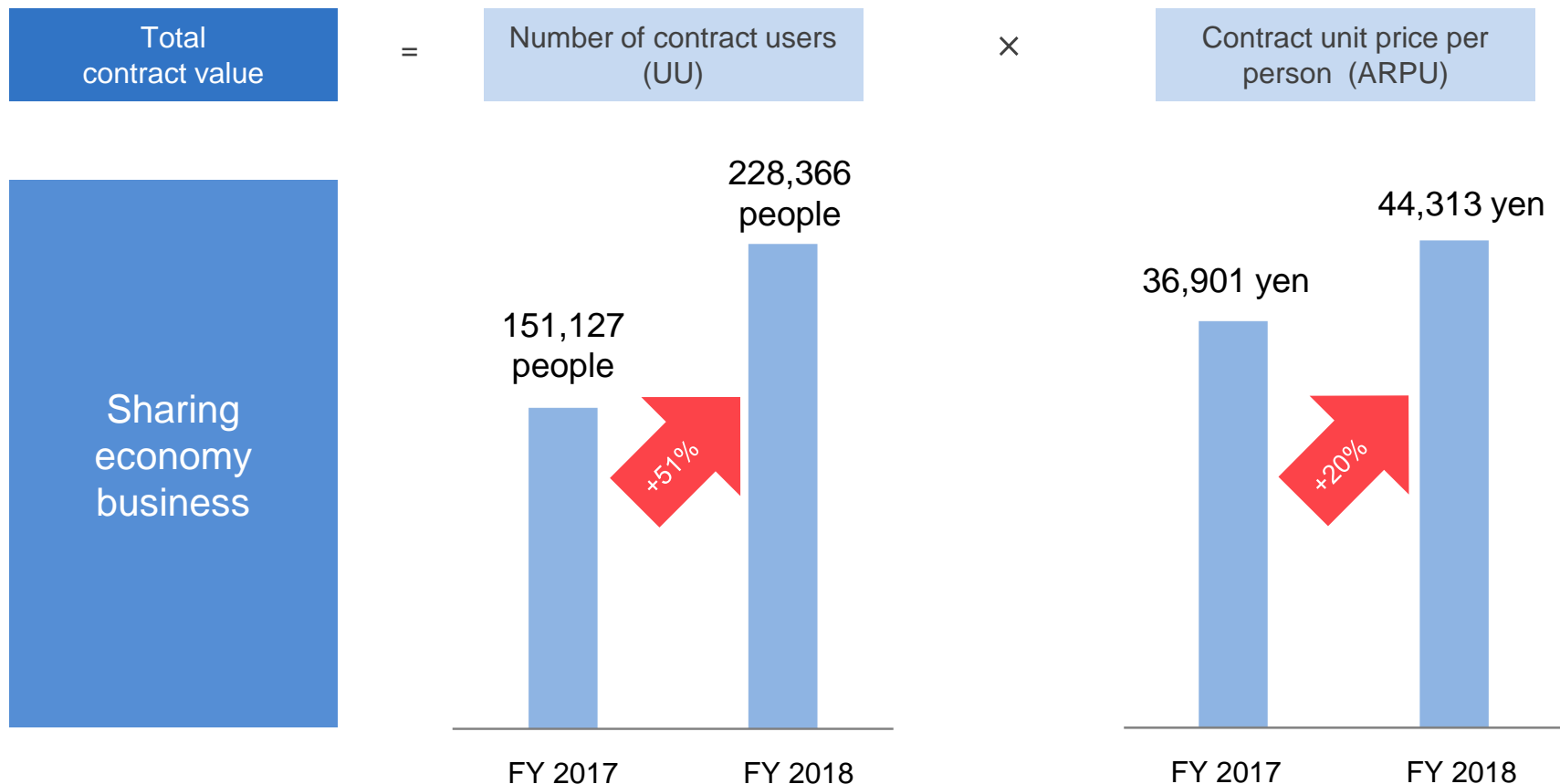
\* Contract amount per person (ARPU): Average contract amount per person per year

\* Take rate: Gross profit/Total contract value Added value (gross profit) ratio generated from our handling contract amount (%)

## Number of contract users (UU) × contract unit price per person (ARPU)

Successfully expanded the number of contract users while improving the contract unit price per person

For the time being, in order to increase the market share, there is a policy to accelerate the total contract value by increasing the number of contract users



## Direct Matching Service

### 1. Crowd Director Promotion of initial contracts by Crowd Director system

Contribute to an increase in the  
“number of contract users”



Strengthen support for the initial order acceptance to create a system that can continuously earn money

### 2. Implement side job branding

Contribute to an increase in the  
“number of contract users”



Implement promotion of “new side job” appointed TV personalities

### 3. Increase the continuation rate by improving the case matching algorithm

Contribute to improving the “contract unit  
price per person”

A screenshot of the CrowdWorks platform interface. It shows a list of job listings with details such as the job title, the number of contracts, the unit price, and the total value. The interface is in Japanese and includes a search bar and various filters.

The platform monthly total contract value is over 500 million yen (September 2018)



## Online Agent Service

### 1. Strengthen the benefit welfare service for users

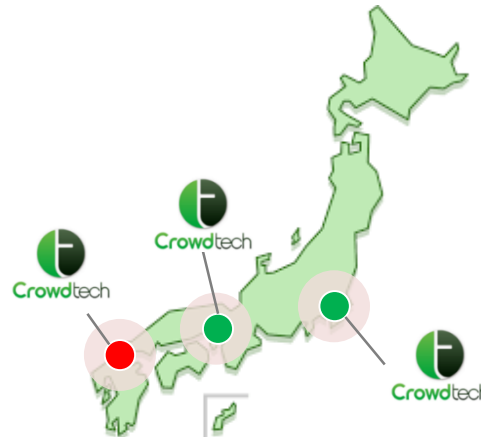
Contribute to improving the “contract unit price per person”



The Company also supports freelance health aspects in cooperation with “first call” provided by MedPeer.

### 2. Service target area expansion

Contribute to an increase in the “number of contract users”



In addition to the Kanto/Kansai areas, the Company has also expanded to the Kyushu area

### 3. Improve matching accuracy by releasing the user DB

Contribute to an increase in the “number of contract users”



Allows clients to browse freelance databases directly

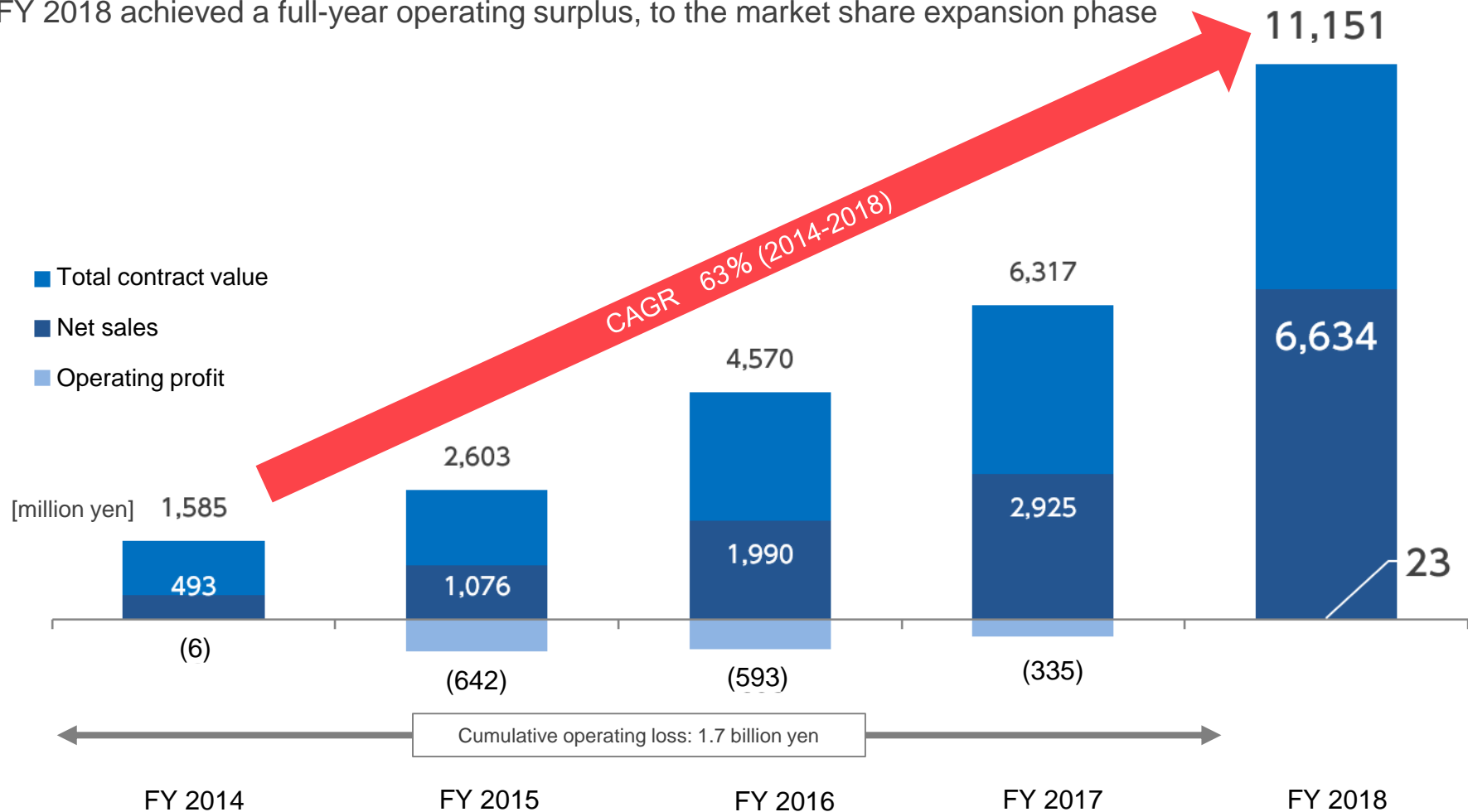
## | 4. FY 2019 Results Forecast

# To expand market share

Succeeded in expanding users and stocking the total contract value by accumulating a 1.7 billion yen investment

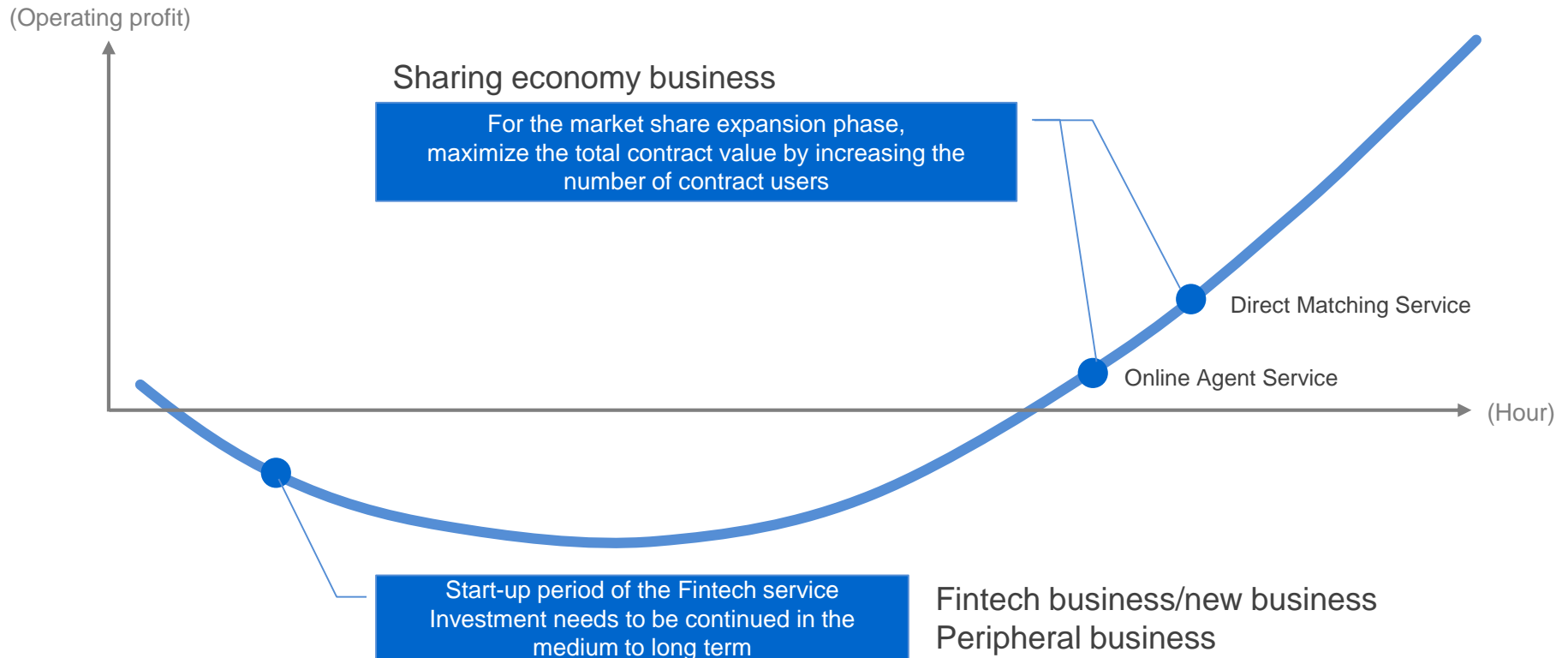
The Compound Annual Growth Rate (CAGR) of the total contract value for 5 years after listing maintains a high growth of about 63%.

FY 2018 achieved a full-year operating surplus, to the market share expansion phase



The sharing economy business goes beyond the break even point, to the market share expansion phase

In FY 2019, to maximize the total contract value, there is a policy to carry out investment in efficiency and improvement of the sharing economy business and investment in Fintech/new business for mid-to-long-term growth



Total contract value: Over 40% growth

Net sales/gross profit: Over 30% growth

EBITDA/operating profit: Maintaining a surplus

The factors not included in the forecast above are as follows.

## Upside

- Common to the sharing economy business
  - Increase in the number of subscribers more than anticipated due to the advertising/marketing effect
  - Increase in the amount of contracts per person more than expected by the case matching algorithm improvement effect
  - Increase in firms that utilize freelancers due to a talent shortage
- Direct Matching Service
  - Improve the marketing effect by side jobs branding measures
- Online Agent Service
  - Increase the number of subscribers by service target area expansion
  - Signed a project contract with a major client

## Downside

- Common to the sharing economy business
  - Delay in service development due to difficulty hiring engineers
  - Cost increase due to hiring activities
- Direct Matching Service
  - Reduction of projects due to the shrinking writing market
- Online Agent Service
  - Degradation of the recruitment environment due to economic deterioration
  - Entry of competing players

- 
- Other
    - Impact on consolidated P/L by M&A (positive due to acquisition of P/L at the acquisition company or negative due to strategic investment)

## | 5. Appendix



# FY 2018 P/L quarterly transition

The total contract value for the 4th quarter of FY 2018 was 2,990 million yen (+67.2% year-on-year)

Net sales: 1,792 million yen (+95.4% year-on-year)

Gross profit: 680 million yen (+48.4% year-on-year)

Operating profit: 102 million yen (+95 million yen year-on-year)

[Unit: million yen]

	FY 2017 Full-Year (consolidated)				FY 2018 Full-Year (consolidated)					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Year-on-year basis	Quarter-on-quarter basis
Total contract value	1,383	1,506	1,638	1,788	2,328	2,956	2,877	2,990	+67.2%	+3.5%
Net sales	607	646	775	896	1,352	1,867	1,620	1,792	+95.4%	+10.6%
Gross profit	327	348	375	458	572	697	589	680	+48.4%	+15.4%
SG&A expenses	461	455	475	451	577	654	684	578	+28.0%	-15.4%
Operating profit	(133)	(100)	(100)	6	(4)	42	(95)	102	+95	+196
EBITDA	(130)	(94)	(94)	13	17	81	(63)	135	121	+198
Ordinary profit	(133)	(99)	(99)	7	(6)	38	(109)	87	+79	+196
Profit attributable to owners of parent	(142)	(104)	(104)	(1)	(35)	(12)	(109)	87	+89	+196

- In compliance with financial statement regulations, actual figures are rounded down to the nearest million yen, and year-on-year amounts and percentage changes are calculated taking into consideration the value of less than one million yen.

[Unit: million yen]

	FY 2018 End (consolidated)	FY 2017 End (consolidated)	Compared with the end of the previous fiscal year
Current assets	4,813	2,542	+2,270
Non-current assets	1,153	232	+921
Total assets	5,966	2,774	+3,191
Current liabilities	3,124	1,154	+1,969
Non-current liabilities	615	42	+572
Net assets	2,227	1,578	+649
Capital adequacy ratio	35.6%	56.1%	(20.5)%

- In compliance with financial statement regulations, actual figures are rounded down to the nearest million yen, and year-on-year amounts and percentage changes are calculated taking into consideration the value of less than one million yen.

# FY 2018 full-year cash flow statement

[Unit: million yen]

	FY 2018 End (consolidated)	FY 2017 End (consolidated)
Cash flows from operating activities	(542)	(504)
Cash flows from investing activities	(75)	(12)
Cash flows from financing activities	1,794	120
Net increase (decrease) in cash and cash equivalents	1,175	(396)
Cash and cash equivalents at end of period	2,884	1,709

Note: Cash flows from operating activities of negative 542 million yen include expenditures of 201 million yen for payment of unpaid bonuses for the previous year 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.

- In compliance with financial statement regulations, actual figures are rounded down to the nearest million yen, and year-on-year amounts and percentage changes are calculated taking into consideration the value of less than one million yen.



[Precautions concerning future prospects]

Forward-looking statements such as the business forecasts described in this material are not intended to promise the realization of the Company. Please note that the actual results may differ depending on various factors.

[Inquiries concerning this material]

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