

Disclaimer: This document is a translation of the Japanese original. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original is assumed to be correct.

Summary of Financial Results for the First Half of the Fiscal Year Ending September 30, 2019 [Japan Standards] (Consolidated)

May 14, 2019

Company name: CrowdWorks Inc.	Stock listing: Tokyo Stock Exchange
Securities code: 3900	URL: https://crowdworks.co.jp
Representative: Koichiro Yoshida, President and CEO	
Inquiries: Shinichi Nomura, Director	TEL: +81-3-6450-2926
Scheduled filing date of quarterly report:	May 14, 2019
Scheduled payment date of dividend:	—
Supplementary materials for the quarterly financial results:	Yes
Investor conference for the quarterly financial results:	Yes (for institutional investors and security analysts)

(Millions of yen rounded down)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending September 30, 2019 (From October 1, 2018 to March 31, 2019)

(1) Consolidated Financial Performance

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
H1/ FY ending September 30, 2019	4,231	31.4	36	(1.8)	48	51.0	(39)	—
H1/ FY ended September 30, 2018	3,219	156.8	37	—	32	—	(56)	—

Note: Comprehensive income H1/ FY ending September 30, 2019 (60) million yen (— %)
H1/ FY ended September 30, 2018 (34) million yen (— %)

	Profit per share	Diluted profit per share
	Yen	Yen
H1/ FY ending September 30, 2019	(2.74)	—
H1/ FY ended September 30, 2018	(4.16)	—

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

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of March 31, 2019	5,912	2,690	44.0
As of September 30, 2018	5,957	2,227	35.7

Reference: Shareholders' equity As of March 31, 2019 2,601 million yen
As of September 30, 2018 2,126 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended September 30, 2018	—	0.00	—	0.00	0.00
FY ending September 30, 2019	—				
FY ending September 30, 2019 (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, 2019 (From October 1, 2018 to September 30, 2019)

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

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

Notes: 1. Revision of most recently published financial forecast: None

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

* Notes

(1) Significant changes in subsidiaries during the six-month period ended March 31, 2019 (changes in specific subsidiaries affecting the scope of consolidation): None

New: — (Company name:) Excluded: — (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)

As of March 31, 2019: 14,755,160 shares

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

2) Number of treasury shares at term-end

As of March 31, 2019: 48 shares

As of September 30, 2018: — shares

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

H1/ FY ending September 30, 2019: 14,483,287 shares

H1/ FY ended September 30, 2018: 13,686,404 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.

Table of Contents of the Appendix

1. Qualitative Items Regarding the Quarterly Accounts.....	2
(1) Summary of Business Results	2
(2) Summary of Financial Position	3
(3) Forecast of Business Results and Future Prospects	3
2. Quarterly Consolidated Financial Statements and Important Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Quarterly Consolidated Statements of Cash Flows	8
(4) Notes on Quarterly Consolidated Financial Statements	10
(Notes Regarding Going Concern Assumptions)	10
(Notes Regarding Significant Changes in Shareholders' Equity).....	10
(Application of Accounting Procedures Specific to Preparing Quarterly Consolidated Financial Statements) ..	10
(Segment Information).....	11
(Additional Information).....	12
(Important Subsequent Events).....	13
3. Other	14
Material Events Related to Going Concern Assumptions	14

1. Qualitative Items Regarding the Quarterly Accounts

(1) Summary of Business Results

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

In recent years, Japanese government has spearheaded work-style reforms, spurring an expansion of new ways for individuals to work, such as freelance and sideline work. This trend creates an advantageous situation for the growth of the market that the Company serves. Supported by these favorable conditions, the Company is advancing a strategy that places top priority on continued business growth.

The Company’s policy is to pursue maximization of total contract value—the total amount of transactions handled through the Company’s services—through continuous reinvestment, within a range that maintains an operating surplus. At the same time, to expand the gross profit that is the source of reinvestment, the Company is endeavoring to support and improve its take rate—the rate of value added from operations, defined as the ratio of gross margin to total contract value.

The Company’s target for FY 2019 is to maintain the take rate at the previous fiscal year’s level of 22.6% while raising the total contract value by 40%. However, in the consolidated fiscal half-year under review (hereinafter, “H1”), the take rate was 21.8%, while the total contract value stood at 7 billion yen, 34% higher than in the previous fiscal year. Steady growth in existing businesses contributed to this result, as did growth in new businesses and M&A activity carried out in the previous consolidated period. Nonetheless, the Company recognizes that further growth in new businesses will be necessary to achieve the full-year target.

As a result of the foregoing, net sales for the consolidated H1 of the fiscal year under review grew 31.4% from the same period of the previous fiscal year (YoY) to 4,231.6 million yen, operating profit was 36.966 million yen (down 1.8% YoY), ordinary profit was 48.499 million yen (up 51.0% YoY) and loss attributable to owners of parent was 39.617 million yen (loss attributable to owners of parent in the same period of the previous fiscal year was 56.998 million yen).

Financial results by segment are as follows:

1) Direct Matching Business

The Direct Matching Business continued to expand in scale while narrowing its operating losses. At CrowdWorks, a fully internet-based service, the Company seeks to maximize total contract value by bolstering both the number of contract workers and the contract value per person. In H1 of the consolidated fiscal period under review, the Company placed emphasis on increasing its matching rate by investing in advertising to attract new worker registrations and by improving its customer experience. This effort bore fruit with an upturn in the number of contract workers. Net sales gained 16.3% YoY to reach 548.153 million yen. The segment loss of 5.427 million yen was narrower than the segment loss of 19.169 million yen posted in the same period of the previous fiscal year. The Company considers that the increase in number of registered workers leaves room for expansion of the total request amount from client companies and is therefore redoubling its undertaking to attract corporate clients.

2) Agent Matching Business

The Agent Matching Business enjoyed YoY growth during H1. CrowdTech expanded steadily during the period. Transfer of the Cyta business, completed in Q2 of the previous fiscal year, and conversion of DENEN Co., Ltd. into a subsidiary, completed in Q1 of the previous fiscal year, continued to contribute to income. As a result, net sales were 2,281.447 million yen (up 34.3% YoY), and segment profit was 55.797 million yen, against a segment loss of 43.127 million yen in the same period of the previous fiscal year. The Company is striving to increase registration of workers with high unit remuneration rates, generated by high levels of worker skills and confidence from corporate clients. To this end, the Company is reinforcing its sales framework at its West Japan base, to reach new user companies in the current consolidated fiscal year.

3) Business Solution Business

The Business Solution Business benefited from the conversion of DENEN Co., Ltd. into a subsidiary, completed in Q1 of the previous fiscal year, as well as the inclusion of DENEN Co., Ltd. and I/O System Integration Co., Ltd. in the consolidated accounts. Net sales increased 24.0% YoY to 1,301.358 million yen. On the other hand, an increase in long-term development projects at the end of Q2 contributed to a rise in the sales cost ratio. Segment profit dropped 75.3% YoY to 35.974 million yen.

4) Fintech Business

The Fintech Business was established in Q3 of the previous consolidated fiscal year. In this segment the Company developed “feecle,” a service used to guarantee acquisition of remunerations for freelancers. At Crowd Money Inc., the Company also developed a digital wallet application that allows use of remunerations for payment at retail outlets and the like. Front-loading of development costs for this segment impacted business results in H1. Net sales were 625 thousand yen, while a segment loss of 57.791 million yen was recorded.

5) Investment Development Business

The Investment Development Business became a reporting segment in Q2 of the previous consolidated fiscal year. The Company sold operational investment securities in Q1 and appropriated a loss on valuation of operational investment securities in Q2. The segment turned in net sales of 100.014 million yen and segment profit of 65.98 million yen, contrasting with a segment loss of 23.8 million yen in the same period of the previous fiscal year.

(2) Summary of Financial Position

(Assets)

Total assets at end of Q2 stood at 5,912.741 million yen, down 44.975 million yen from the end of the previous consolidated fiscal year. Key factors in this result were a decline of 269.856 million yen in cash and deposits and a decrease of 107.439 million yen in other intangible assets, the latter caused by an impairment of software in the Cyta business. However, notes and accounts receivable - trade increased 356.157 million yen in tandem with business expansion, primarily in the Agent Matching Business.

(Liabilities)

Total liabilities at end of Q2 were 3,221.982 million yen, down 508.303 million yen from the end of the previous consolidated fiscal year. Major factors in this result included a 420 million yen decrease in short-term loans payable, a 179.84 million yen decline in current portion of bonds and a 93.494 million yen contraction in long-term loans payable (including current portion of long-term loans payable), resulting from repayments and reimbursements of the above.

(Net assets)

Net assets at end of Q2 were 2,690.758 million yen, up 463.328 million yen from the end of the previous consolidated fiscal year. This increase mainly resulted from a rise in both capital stock and capital surplus of 260.219 million yen, engendered by the exercise of subscription rights to shares.

(3) Forecast of Business Results and Future Prospects

The Group’s forecast of business results for FY 2019 (consolidated fiscal year ending September 30, 2019) remains unchanged from the previous announcement on November 14, 2018 but is currently under review. If it judges that a revision of the forecast of business results is required, the Group will publish such revision promptly.

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

	(Thousands of yen)	
	Fiscal Year Ended September 30, 2018 (As of September 30, 2018)	Q2/ Fiscal Year Ending September 30, 2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	3,021,105	2,751,249
Notes and accounts receivable - trade	786,916	1,143,073
Accounts receivable - other	461,409	531,761
Deposits paid	26,982	28,441
Operational investment securities	107,894	75,654
Merchandise and finished goods	74,245	28,698
Work in process	250,508	241,232
Other	47,711	64,382
Allowance for doubtful accounts	(18,202)	(12,425)
Total current assets	4,758,570	4,852,066
Non-current assets		
Property, plant and equipment	82,011	98,597
Intangible assets		
Goodwill	754,329	710,161
Other	111,948	4,508
Total intangible assets	866,277	714,670
Investments and other assets		
Other	266,312	262,861
Allowance for doubtful accounts	(15,454)	(15,454)
Total investments and other assets	250,857	247,406
Total non-current assets	1,199,146	1,060,674
Total assets	5,957,717	5,912,741

	(Thousands of yen)	
	Fiscal Year Ended September 30, 2018 (As of September 30, 2018)	Q2/ Fiscal Year Ending September 30, 2019 (As of March 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	190,019	173,951
Short-term loans payable	680,000	260,000
Current portion of long-term loans payable	314,243	295,747
Current portion of bonds	520,000	340,160
Accounts payable - other	267,084	353,878
Income taxes payable	75,543	40,079
Provision for bonuses	78,992	94,477
Provision for loss on order received	—	25,660
Deposits received	776,323	845,940
Other	222,082	278,133
Total current liabilities	3,124,288	2,708,029
Non-current liabilities		
Long-term loans payable	391,026	316,028
Bonds payable	80,000	60,000
Asset retirement obligations	51,469	54,422
Other	83,502	83,502
Total non-current liabilities	605,997	513,952
Total liabilities	3,730,286	3,221,982
Net assets		
Shareholders' equity		
Capital stock	2,090,457	2,350,676
Capital surplus	2,049,120	2,309,340
Retained earnings	(2,017,155)	(2,056,772)
Treasury shares	—	(64)
Total shareholders' equity	2,122,422	2,603,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,812	(1,563)
Total accumulated other comprehensive income	3,812	(1,563)
Subscription rights to shares	372	4,058
Non-controlling interests	100,822	85,083
Total net assets	2,227,430	2,690,758
Total liabilities and net assets	5,957,717	5,912,741

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Scope of Consolidation of First Half Period

	(Thousands of yen)	
	H1/ Fiscal Year Ended September 30, 2018 (Oct. 1, 2017 to Mar. 31, 2018)	H1/ Fiscal Year Ending September 30, 2019 (Oct. 1, 2018 to Mar. 31, 2019)
Net sales	3,219,779	4,231,600
Cost of sales	1,950,529	2,685,405
Gross profit	1,269,249	1,546,194
Selling, general and administrative expenses	1,231,608	1,509,228
Operating profit	37,641	36,966
Non-operating income		
Gain from lapsed deposits received	1,156	8,595
Insurance premiums refunded cancellation	—	7,694
Other	1,710	2,200
Total non-operating income	2,866	18,490
Non-operating expenses		
Interest expenses	6,897	6,434
Other	1,480	522
Total non-operating expenses	8,378	6,957
Ordinary profit	32,129	48,499
Extraordinary income		
Gain on sales of investment securities	—	9,030
Total extraordinary income	—	9,030
Extraordinary losses		
Impairment loss	—	96,440
Loss on retirement of non-current assets	1,016	—
Loss on valuation of investment securities	—	2,110
Total extraordinary losses	1,016	98,551
Profit (loss) before income taxes	31,113	(41,021)
Income taxes - current	89,824	23,301
Income taxes - deferred	(26,223)	(8,967)
Total income taxes	63,600	14,334
Loss	(32,487)	(55,355)
Profit (loss) attributable to non-controlling interests	24,511	(15,738)
Loss attributable to owners of parent	(56,998)	(39,617)

Quarterly Consolidated Statement of Comprehensive Income

Scope of Consolidation of First Half Period

	(Thousands of yen)	
	H1/ Fiscal Year Ended September 30, 2018 (Oct. 1, 2017 to Mar. 31, 2018)	H1/ Fiscal Year Ending September 30, 2019 (Oct. 1, 2018 to Mar. 31, 2019)
Loss	(32,487)	(55,355)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,500)	(5,375)
Total other comprehensive income	(2,500)	(5,375)
Comprehensive income	(34,987)	(60,731)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(59,727)	(44,992)
Comprehensive income attributable to non-controlling interests	24,740	(15,738)

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)	
	H1/ Fiscal Year Ended September 30, 2018 (Oct. 1, 2017 to Mar. 31, 2018)	H1/ Fiscal Year Ending September 30, 2019 (Oct. 1, 2018 to Mar. 31, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	31,113	(41,021)
Depreciation	14,199	22,078
Amortization of goodwill	37,523	44,167
Impairment loss	—	96,440
Loss on valuation of investment securities	—	2,110
Loss on retirement of non-current assets	1,016	—
Interest expenses	6,897	6,434
Interest income	(35)	(134)
Loss (gain) on sales of investment securities	—	(9,030)
Decrease (increase) in notes and accounts receivable - trade	(248,421)	(356,157)
Decrease (increase) in inventories	(21,178)	54,823
Increase (decrease) in notes and accounts payable - trade	20,213	(16,067)
Decrease (increase) in accounts receivable - other	(127,388)	(70,351)
Decrease (increase) in investment securities for sale	(8,794)	32,240
Increase (decrease) in allowance for doubtful accounts	1,518	(5,776)
Increase (decrease) in provision for bonuses	75,000	15,485
Increase (decrease) in provision for loss on order received	—	25,660
Increase (decrease) in accounts payable - other	(206,896)	80,975
Increase (decrease) in deposits received	16,913	69,616
Decrease (increase) in other assets	(11,389)	4,791
Increase (decrease) in other liabilities	144	52,894
Subtotal	(419,563)	9,181
Interest and dividend income received	35	133
Interest expenses paid	(6,897)	(6,434)
Income taxes paid	(34,997)	(58,641)
Net cash provided by (used in) operating activities	(461,423)	(55,759)
Cash flows from investing activities		
Payments into time deposits	(31,701)	(50,802)
Proceeds from withdrawal of time deposits	123,601	37,600
Purchase of property, plant and equipment	(11,812)	(16,688)
Purchase of intangible assets	—	(2,313)
Payments for transfer of business	(110,000)	—
Purchase of investment securities	(30,000)	—
Proceeds from sales of investment securities	—	37,800
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	78,833	—
Payments for lease deposits	(14,561)	(33,026)
Collection of lease deposits	—	352
Net cash provided by (used in) investing activities	4,359	(27,079)

	(Thousands of yen)	
	H1/ Fiscal Year Ended September 30, 2018 (Oct. 1, 2017 to Mar. 31, 2018)	H1/ Fiscal Year Ending September 30, 2019 (Oct. 1, 2018 to Mar. 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	475,000	(420,000)
Proceeds from long-term loans payable	150,000	80,000
Repayments of long-term loans payable	(122,843)	(173,494)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	3,500	—
Proceeds from issuance of bonds	480,000	321,600
Redemption of bonds	(20,000)	(521,440)
Repayments of lease obligations	—	(385)
Purchase of treasury shares	—	(64)
Proceeds from issuance of common shares	42,960	519,210
Proceeds from issuance of subscription rights to shares	—	4,914
Net cash provided by (used in) financing activities	1,008,617	(189,660)
Net increase (decrease) in cash and cash equivalents	551,552	(272,499)
Cash and cash equivalents at beginning of period	1,709,005	2,884,589
Cash and cash equivalents at end of period	2,260,557	2,612,090

(4) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Significant Changes in Shareholders' Equity)

Previous consolidated cumulative second quarter (October 1, 2017 to March 31, 2018)

1. Dividends distributed

Not applicable.

2. Dividends whose record date is in H1 FY 2018 and whose effective date is after the last date of Q2 FY 2018

Not applicable.

3. Significant changes in shareholders' equity

Not applicable.

Current consolidated cumulative second quarter (October 1, 2018 to March 31, 2019)

1. Dividends distributed

Not applicable.

2. Dividends whose record date is in H1 FY 2019 and whose effective date is after the last date of Q2 FY 2019

Not applicable.

3. Significant changes in shareholders' equity

The Company issued 436,000 new shares in H1 FY 2019, partly in response to requests for exercise of subscription rights to shares. As a result, capital stock and capital surplus both increased by 260.219 million yen in H1 FY 2019. Capital stock at the end of Q2 FY 2019 was 2,350.676 million yen, while capital surplus at the end of Q2 FY 2019 was 2,309.340 million yen.

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

Not applicable.

(Segment Information)

Segment Information

For the consolidated first half of the fiscal year ended September 30, 2018 (October 1, 2017 to March 31, 2018)

1. Net sales and profit or loss of each reportable segment

(Thousands of yen)

	Reportable segments						Other (Note 1)	Adjusted amount (Note 2)	Amounts shown on quarterly consolidated statement of income
	Direct Matching	Agent Matching	Business Solution	Fintech	Investment Development	Total			
Net sales									
(1) Sales to external customers	471,252	1,699,093	1,049,433	—	—	3,219,779	—	—	3,219,779
(2) Internal sales or exchange between segments	—	—	—	—	—	—	—	—	—
Total	471,252	1,699,093	1,049,433	—	—	3,219,779	—	—	3,219,779
Segment profit (loss)	(19,169)	(43,127)	145,449	—	(23,800)	59,352	(9,996)	(11,714)	37,641

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

2. Segment profit has been adjusted with operating profit in the quarterly consolidated statement of income and includes the commission fee.

2. Impairment loss and goodwill regarding non-current assets for each reportable segment

(Important impairment loss regarding non-current assets)

Not applicable.

(Important changes in amount of goodwill)

In Q2 FY 2019, the Company purchased shares in DENEN Co., Ltd. and I/O System Integration Co., Ltd. In tandem with this move, the Company appropriated additional goodwill of 380.320 million yen in its Agent Matching Business and of 416.972 million yen in its Business Solution Business, for a total increase in goodwill of 797.293 million yen.

(Important gain on bargain purchase)

Not applicable.

For the consolidated first half of the fiscal year ending September 30, 2019 (October 1, 2018 to March 31, 2019)

1. Net sales and profit or loss of each reportable segment

(Thousands of yen)

	Reportable segments						Other (Note 1)	Adjusted amount (Note 2)	Amounts shown on quarterly consolidated statement of income
	Direct Matching	Agent Matching	Business Solution	Fintech	Investment Development	Total			
Net sales									
(1) Sales to external customers	548,153	2,281,447	1,301,358	625	100,014	4,231,600	—	—	4,231,600
(2) Internal sales or exchange between segments	46,244	90	2,150	—	—	48,485	—	(48,485)	—
Total	594,397	2,281,537	1,303,509	625	100,014	4,280,085	—	(48,485)	4,231,600
Segment profit (loss)	(5,427)	55,797	35,974	(57,791)	65,980	94,533	(9,081)	(48,485)	36,966

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

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

2. Impairment loss and goodwill regarding non-current assets for each reportable segment

(Important impairment loss regarding non-current assets)

	Reportable segments						Other	Corporate/ elimination	Total
	Direct Matching	Agent Matching	Business Solution	Fintech	Investment Development	Subtotal			
Impairment loss	—	96,440	—	—	—	96,440	—	—	96,440

Note: For details on impairment loss, please refer to “Impairment loss” in “1. Notes on Quarterly Consolidated Financial Statements (Related to Quarterly Consolidated Statement of Income)” under “No. 4 Status of Accounting.”

(Important changes in amount of goodwill)

Not applicable.

(Important gain on bargain purchase)

Not applicable.

(Additional Information)

The Group began applying the Partial Revision of Accounting Standards in Tax-effect Accounting (Corporate Accounting Standards No. 28, February 16, 2018) at the beginning of Q1. As a result, deferred tax assets are listed under Investments and Other Assets, while deferred tax liabilities are listed under Non-current Liabilities.

(Important Subsequent Events)

(Exercise of subscription rights to shares with clauses on revised exercise prices and permission to exercise)

The Company has exercised the 9th subscription rights to shares (with clauses on revised exercise prices and permission to exercise) within the period from the end of Q2 to April 30, 2019, as follows.

Number of subscription rights to shares exercised	3,250
Number of shares issued	325,000
Total exercise price	541.003 million yen
Number of shares for which subscription rights not yet exercised	6,500
Increase in total number of outstanding shares	325,000
Increase in capital stock	270.501 million yen
Increase in legal capital surplus	270.501 million yen

Note: Total number of outstanding shares as of end of Q2: 14,755,160 (including 48 treasury shares)

(Dissolution and liquidation of a consolidated subsidiary)

At a meeting of the Board of Directors convened on May 14, 2019, the Company resolved to dissolve and liquidate CrowdMoney, Inc., a consolidated subsidiary of the Company.

(1) Reason for dissolution and liquidation

The Company had been working on development of systems for settlement applications, with a view to releasing a digital-wallet application for the use of its main users, crowd workers. However, in view of the recent intensification of competition in the digital-wallet field, the Company concluded that it would be difficult to achieve the profitability and competitive preeminence it originally anticipated. Accordingly, and following close consultation with its joint investor Japan Digital Design, Inc., the Company decided that early withdrawal from the project was its best option. The Company therefore decided to dissolve the joint-venture company established for the purpose, CrowdMoney, Inc.

(2) Name of the consolidated subsidiary in question, type of business and Company stake

- 1) Name CrowdMoney, Inc.
- 2) Location Shibuya Ward, Tokyo
- 3) Type of business Development of digital-wallet applications
- 4) Capital stock 200 million yen
- 5) Ownership structure The Company (66%), Japan Digital Design, Inc. (34%)

(3) Timing of dissolution and liquidation

- 1) May 14, 2019 Resolution by the Company's Board of Directors
- 2) May 31, 2019 Resolution for dissolution of CrowdMoney at said company's general meeting of shareholders
- 3) July 2019 Completion of liquidation (expected)

(4) Status of the consolidated subsidiary in question

- | | |
|-------------------|---------------------|
| Total assets | 163.323 million yen |
| Total liabilities | 39.630 million yen |

(5) Impact on earnings from the dissolution and liquidation

The impact on the consolidated business results in accordance with the liquidation of the consolidated subsidiary described above is currently under examination.

(6) Impact on operating activities, etc. from the dissolution and liquidation

The dissolution and liquidation will have no significant impact on operating activities, etc.

3. Other

Material Events Related to Going Concern Assumptions

Not applicable.