



Crowd
Works



Mr. Yamane (CrowdWorks order receiver)

Runs a sideline business as a consultant while working as an employee in the medical field.

“I believe sideline businesses and crowd-working will change Japan.”



Mr. Muramatsu (Cyta camera coach)

After retiring from a position at a large company, teaches photography to a wide range of age groups through Cyta and lifelong-learning classrooms.

“I’d decided that photography would be my life’s work after I retired. One thing I teach my students is that mental preparedness is just as important as technique.”

Securities code: TSE Mothers 3900

“Workstyle Revolution”

CrowdWorks Inc. Financial Results for the First Half of the Fiscal Year Ending Sept. 30, 2019

(from Oct. 2018 to Mar. 2019)



Ms. Momohara (left) and Ms. Ishikawa (right) (CrowdWorks order receivers)

Teach a crowd-sourcing class while running a co-working space

“I hope more people will discover the joy of placing and receiving work orders wherever they are—even in beautiful Okinawa!”



Mr. Moriyama, Atræ, Inc. (CrowdTech order placer)

Makes extensive use of freelance engineers in a wide variety of projects

I don’t think of freelance workers as supporters. I think of them as colleagues and members of our group.”

- | 1. VISION /Business Outline
- | 2. H1 FY 2019 Results
- | 3. H1 FY 2019 KPI/Topics
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| 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



Fluidization platform for
a dispatch market of \$50 Billion
(5.4 trillion yen)

Started in April 2015

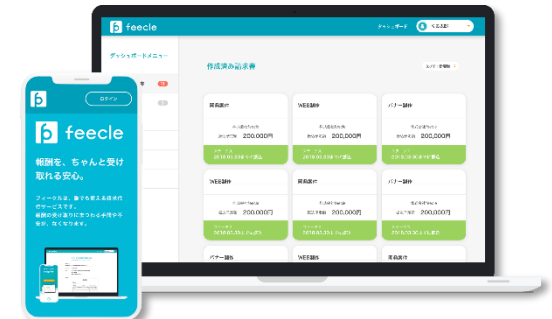
Online Agent Service



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: \$20.6 billion

(2.27 trillion yen)

FY 2018 Results
Total contract value:
\$111.5M
(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

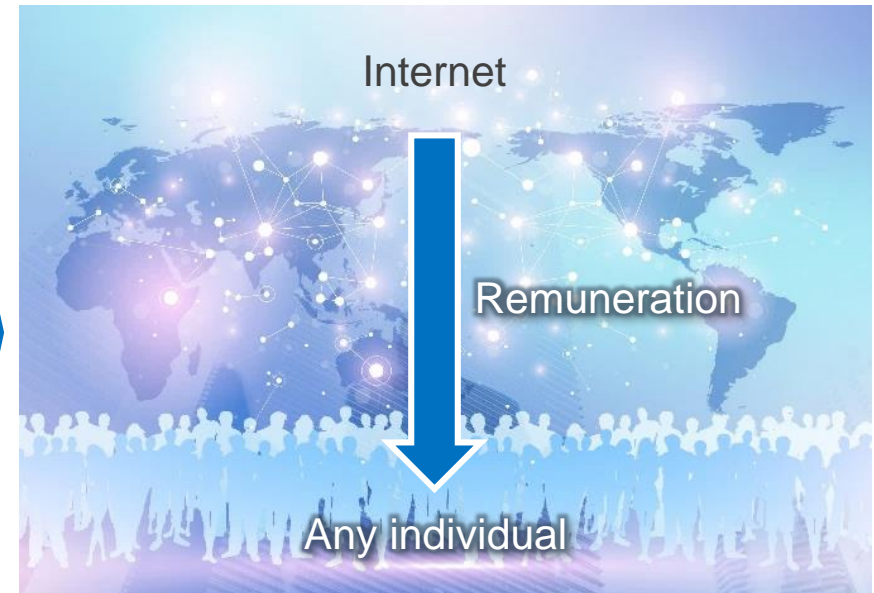
CrowdWorks develops a business that delivers remuneration to any individual via the Internet

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



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	\$15K (1.69 million yen)	\$85B (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	\$15K (1.69 million yen)	\$292B (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	\$4.5K (0.5 million yen)	\$50B (5.5 trillion yen)
Temporary employee	Fluidization, work-style reform (1) A free working style possible more than temps	1,340,000 people	\$24K (2.62 million yen)	\$32B (3.5 trillion yen)

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

The dollar notation is expressed as 1 dollar = 110 yen.

Total **\$460B**
(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 \$1,936B
(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	\$85B (9.4 trillion yen)	0.012%	\$50M (5.53 billion yen) Direct Matching	4.5%	\$3.8B (423 billion yen)
Non-regular employee <small>(Contract employee) (Part-time employee)</small>	\$292B (32.1 trillion yen)			4.5%	\$13.1B (1.44 trillion yen)
Regular employee	\$50B (5.5 trillion yen)			4.5%	\$2.3B (247.5 billion yen)
Temporary employee	\$32B (3.5 trillion yen)	0.13%	\$42M (4.57 billion yen) Online Agent	4.5%*	\$1.4B (157.5 billion yen)
Total	\$460B (50.5 trillion yen)	0.002% <small>(Including 1.03 billion yen in peripheral business)</small>	\$111M (11.1 billion yen) <small>(Including 1.03 billion yen in peripheral business)</small>	4.5%	\$20.6B (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 \$1.5B:160 billion yen)

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| 2. H1 FY 2019 Results

H1 FY 2019 Profit and Loss Statement

H1 was impacted by seasonal factors affecting business results in FY 2018. These factors' effect on the rate of growth of total contract value and gross profit is already factored in, however, so the forecast of full-year business results is unchanged.

In operating profit, profitable operation is maintained in H1, so the Company will continue to reinvest, setting the stage for growth in H2.

(Unit: million yen)

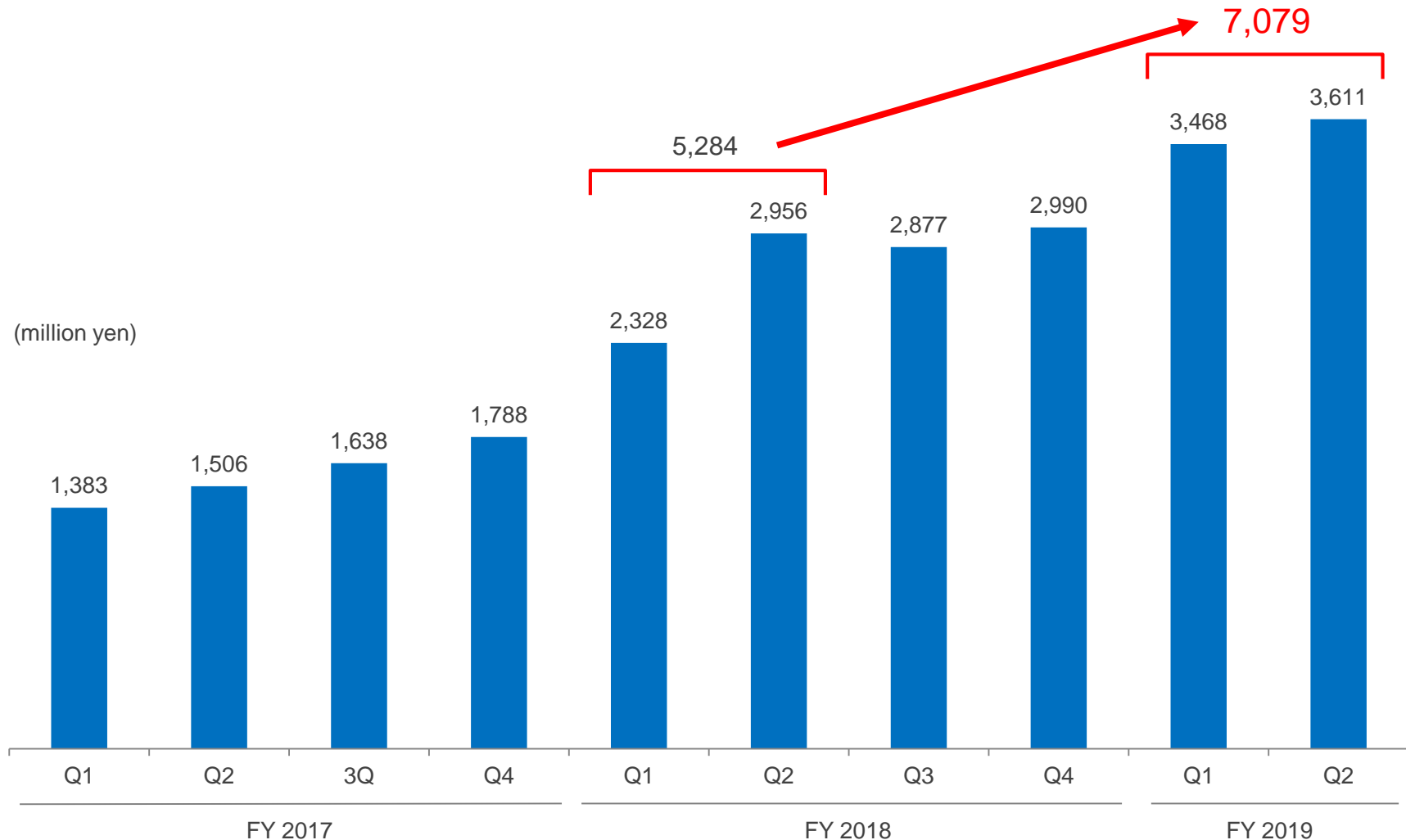
	H1 FY 2019 (consolidated)		H1 FY 2018 results (consolidated)	FY 2019 full-year target (consolidated)
	Results	Year-on-year comparison		
Total contract value	7,079	+34.0%	5,284	+40% or more
Net sales	4,231	+31.4%	3,219	+30% or more
Gross profit	1,546	+21.8%	1,269	+30% or more
SG&A expenses	1,509	+22.5%	1,231	—
Operating profit	36	0	37	Maintaining a surplus
EBITDA	103	+4	98	Maintaining a surplus
Ordinary profit	48	+16	32	—
Profit attributable to owners of parent	(39)	+17	(56)	—

- Note on impact on profit attributable to owners of parent
 - An extraordinary loss of 96 million yen was recorded due to impairment of software assets in the Cyta business in Q2.

- 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.

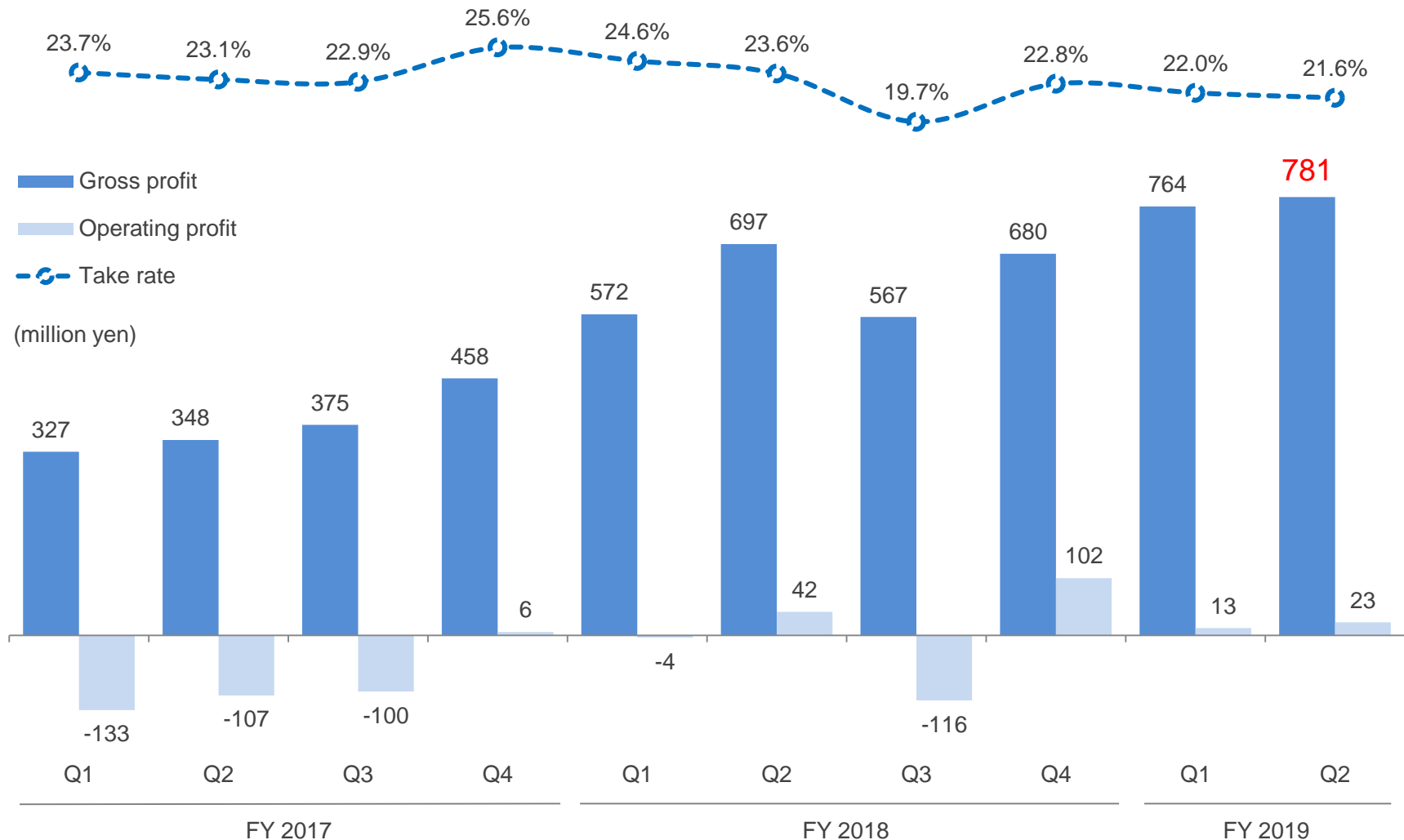
Quarterly Total Contract Value

Growth in total contract value in Q2 FY 2019 includes the effect of acquisitions in the previous fiscal year. Total contract value in H1 expanded **34.0%** over the same period of the previous fiscal year.



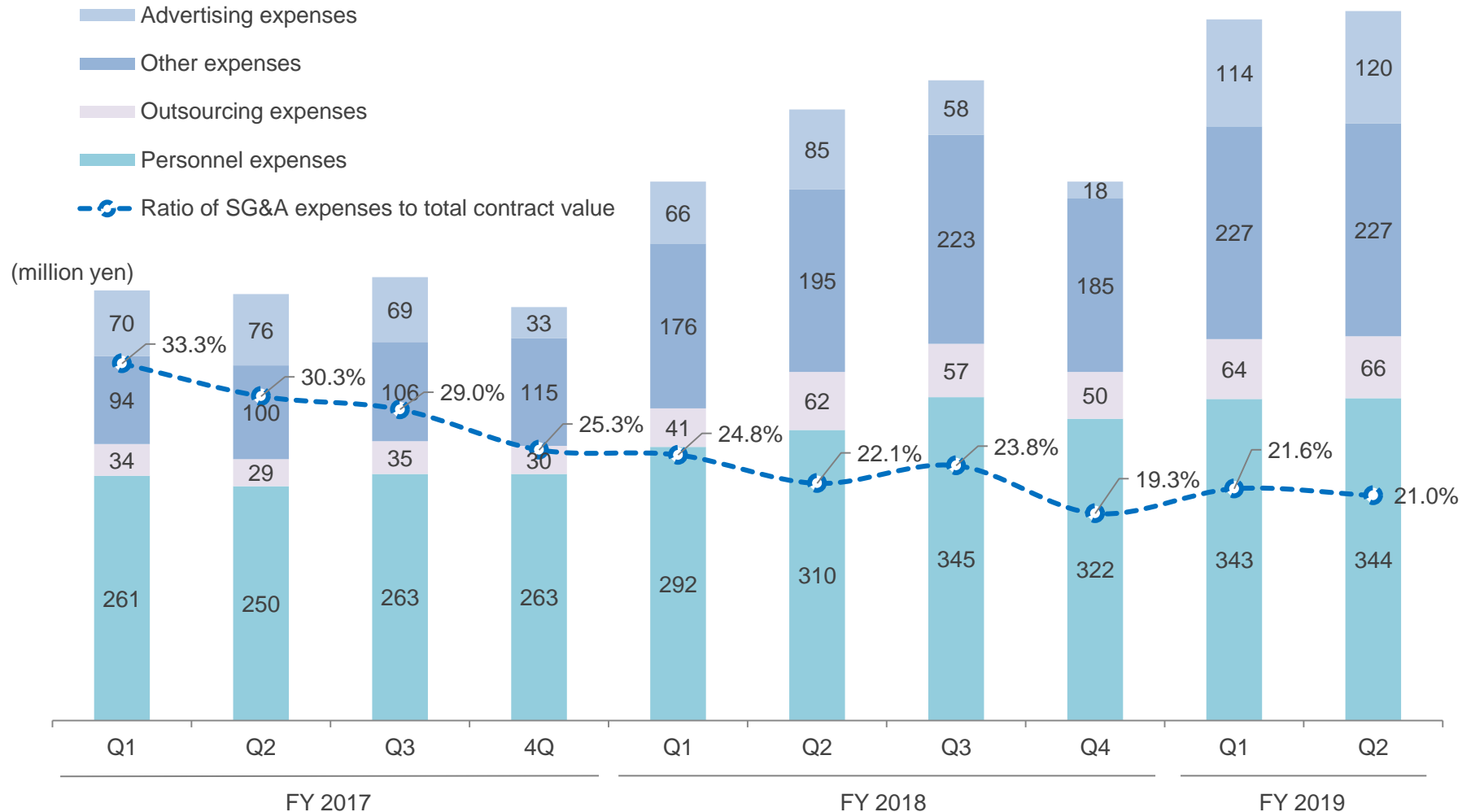
Quarterly Take Rate/Gross Profit, Operating Profit

Take rate was supported within a certain band. Quarterly gross profit, from which reinvestments are derived, notched its highest-ever level for the Company.



Quarterly SG&A Expenses/Ratio of SG&A Expenses to Total Contract Value

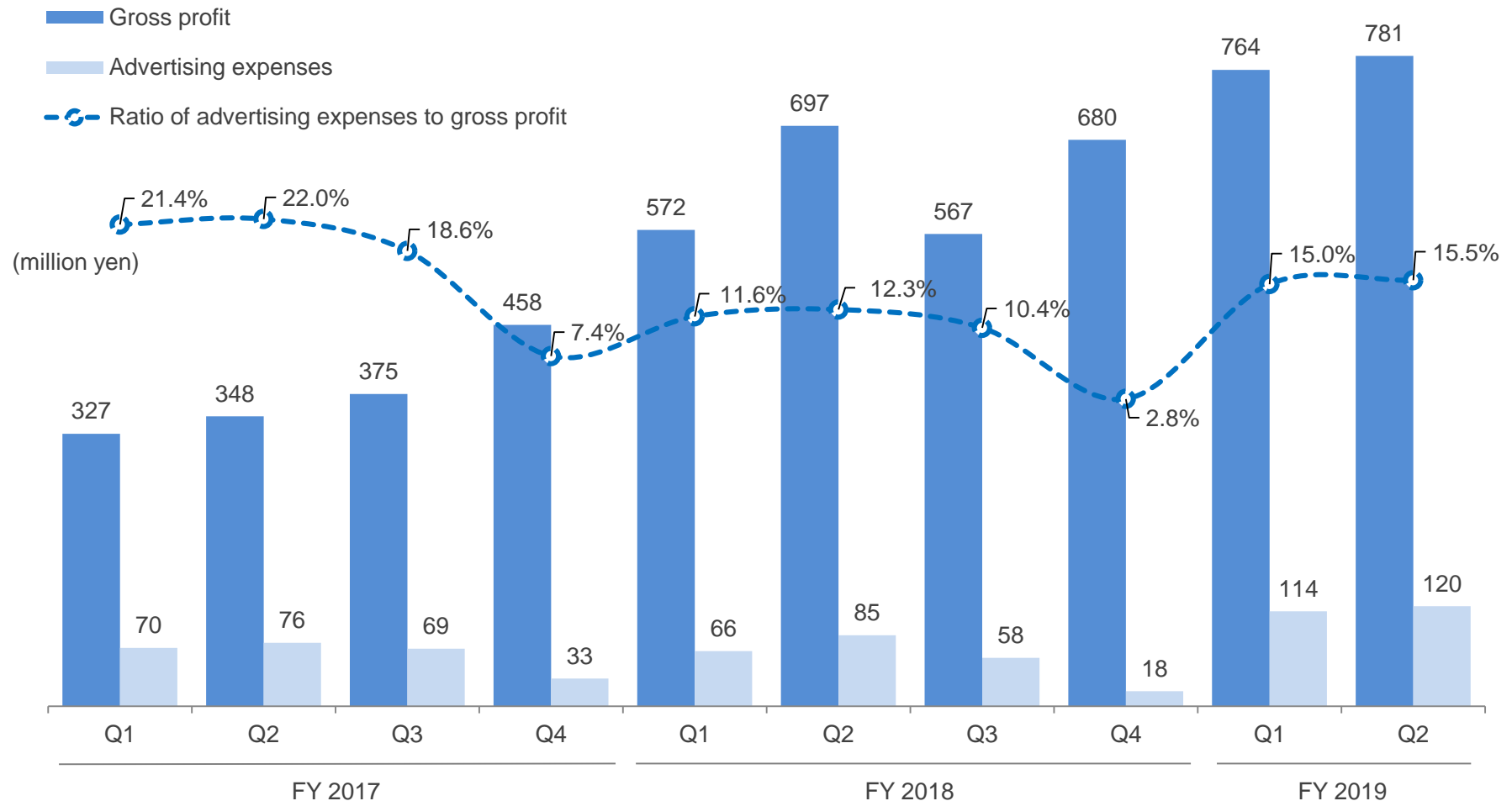
SG&A expenses rose, as the Company bolstered advertising through online ads to increase market share. However, the Company succeeded in restraining overall expenses, resulting in a year-on-year decrease in the quarterly ratio of SG&A expenses to total contract value.



Quarterly Advertising Expenses/Ratio of Advertising Expenses to Gross Profit

To attract new users, the Company continued to invest strongly in advertising in Q2, maintaining advertising expenses ratio.

However, following an examination of advertising effectiveness, the Company plans to revise its online-advertising policy in H2.



| 3. H1 FY 2019 KPI/Topics

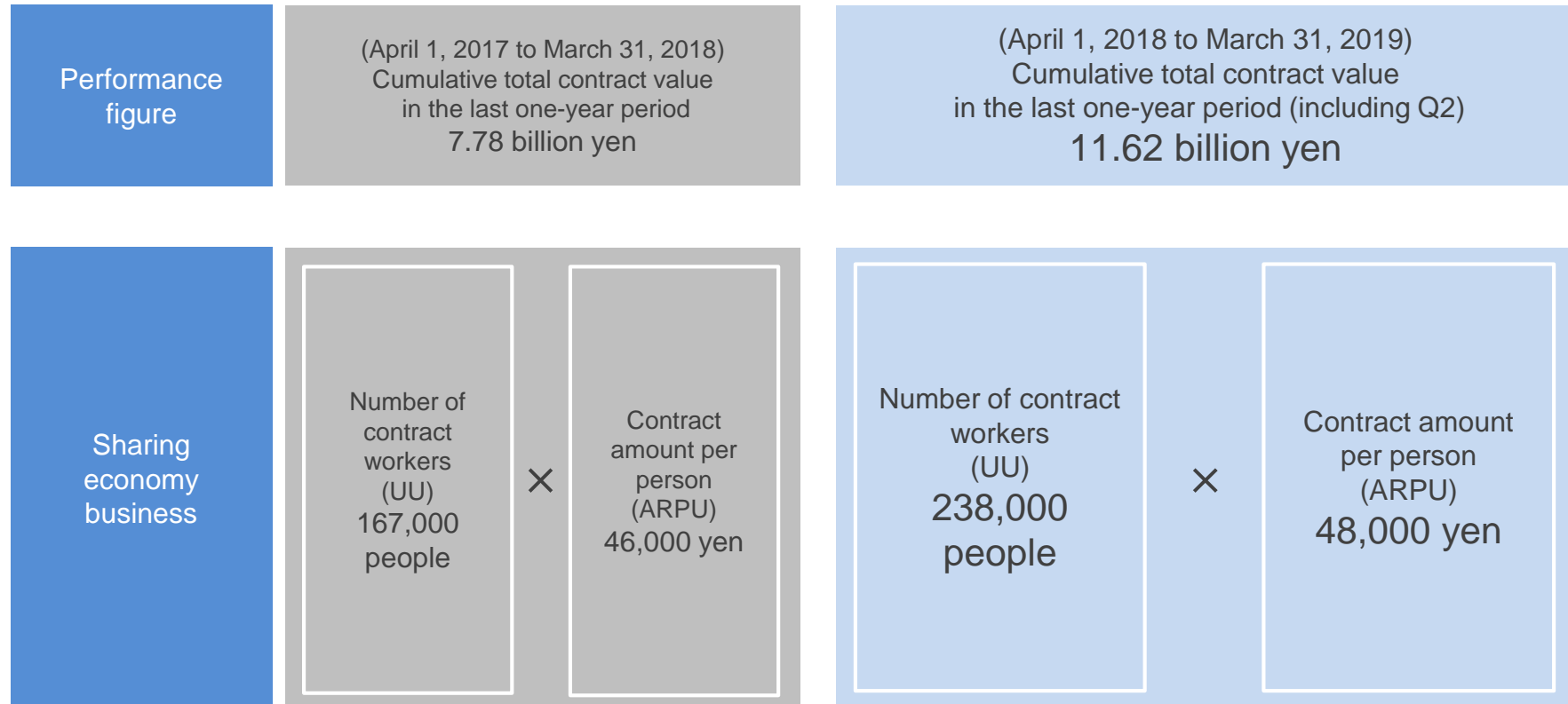
Sharing economy business: Due to the impact of seasonal factors, take rate in Q2 improved over Q1. The figure for the full fiscal year is forecast to be maintained at the current level.

Performance figure	<p>[Important indicator] Total contract value 7.08 billion yen</p> <p>(Same period of previous fiscal year 5.28 billion yen Comparison with same period of previous fiscal year +34.0%)</p>	×	<p>Take rate 21.8%</p> <p>(Same period of previous fiscal year 24.0%) (Comparison with same period of previous fiscal year -2.2%)</p>	=	<p>Gross profit (Growth fund) 1.55 billion yen</p> <p>(Same period of previous fiscal year 1.27 billion yen) (Comparison with same period of previous fiscal year +21.8%)</p>
Sharing economy business	<p>Total contract value 6.34 billion yen</p> <p>(Same period of previous fiscal year 4.71 billion yen Comparison with same period of previous fiscal year +34.5%)</p>	×	<p>Take rate 19.8%</p> <p>(Same period of previous fiscal year 21.7%) (Comparison with same period of previous fiscal year -1.9%)</p>	=	<p>Gross profit 1.26 billion yen</p> <p>(Same period of previous fiscal year 1.02 billion yen) (Comparison with same period of previous fiscal year +22.9%)</p>
Fintech/New peripheral business	<p>Total contract value 740 million yen</p> <p>(Same period of previous fiscal year 570 million yen Comparison with same period of previous fiscal year +29.7%)</p>	×	<p>Take rate 39.3%</p> <p>(Same period of previous fiscal year 43.4%) (Comparison with same period of previous fiscal year -3.7%)</p>	=	<p>Gross profit 290 million yen</p> <p>(Same period of previous fiscal year 250 million yen) (Comparison with same period of previous fiscal year +17.5%)</p>

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

Q2 FY 2019 Business KPI (UU × ARPU) – in the Last One-year Period

Cumulative total contract value in the last one-year period including Q2 (April 1, 2018 to March 31, 2019) was 11.62 billion yen. Both UU and ARPU grew in comparison with the same period of the previous fiscal year.



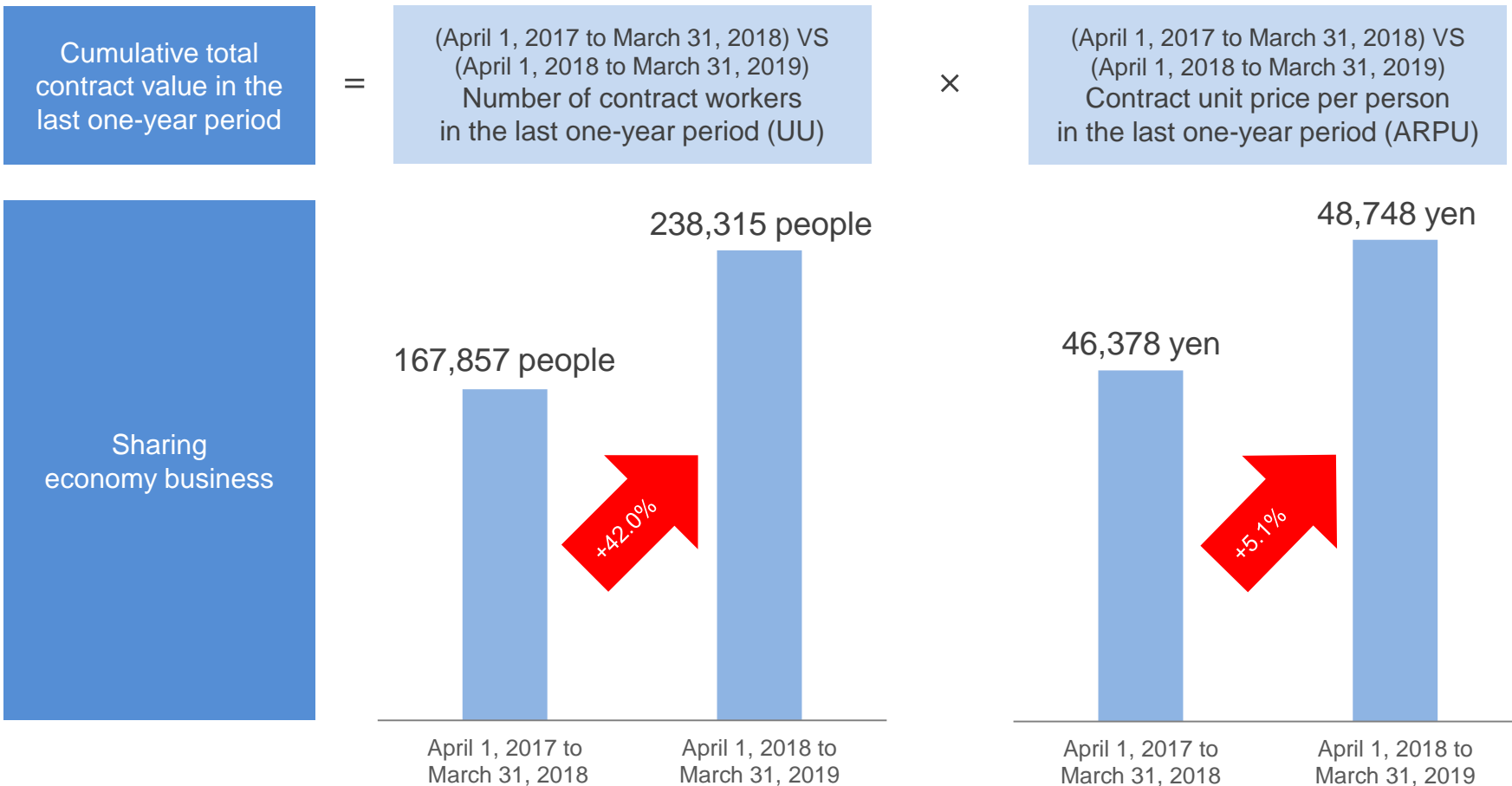
* Number of contract workers (UU): Unique contract number of people who had orders received during the period

* Contract amount per person (ARPU): Average contract amount per person during the period

Q2 FY 2019 Business KPI (UU × ARPU) – in the Last One-year Period

An increasing number of contract users is driving acceleration in total contract value in the last one-year period including Q2. In accordance with policy for the current fiscal year, the Company is prioritizing increase of number of contract users while improving contract unit price per person.

As a result of strong growth in UU, this policy will continue to be implemented in H2, along with a policy to improve ARPU.

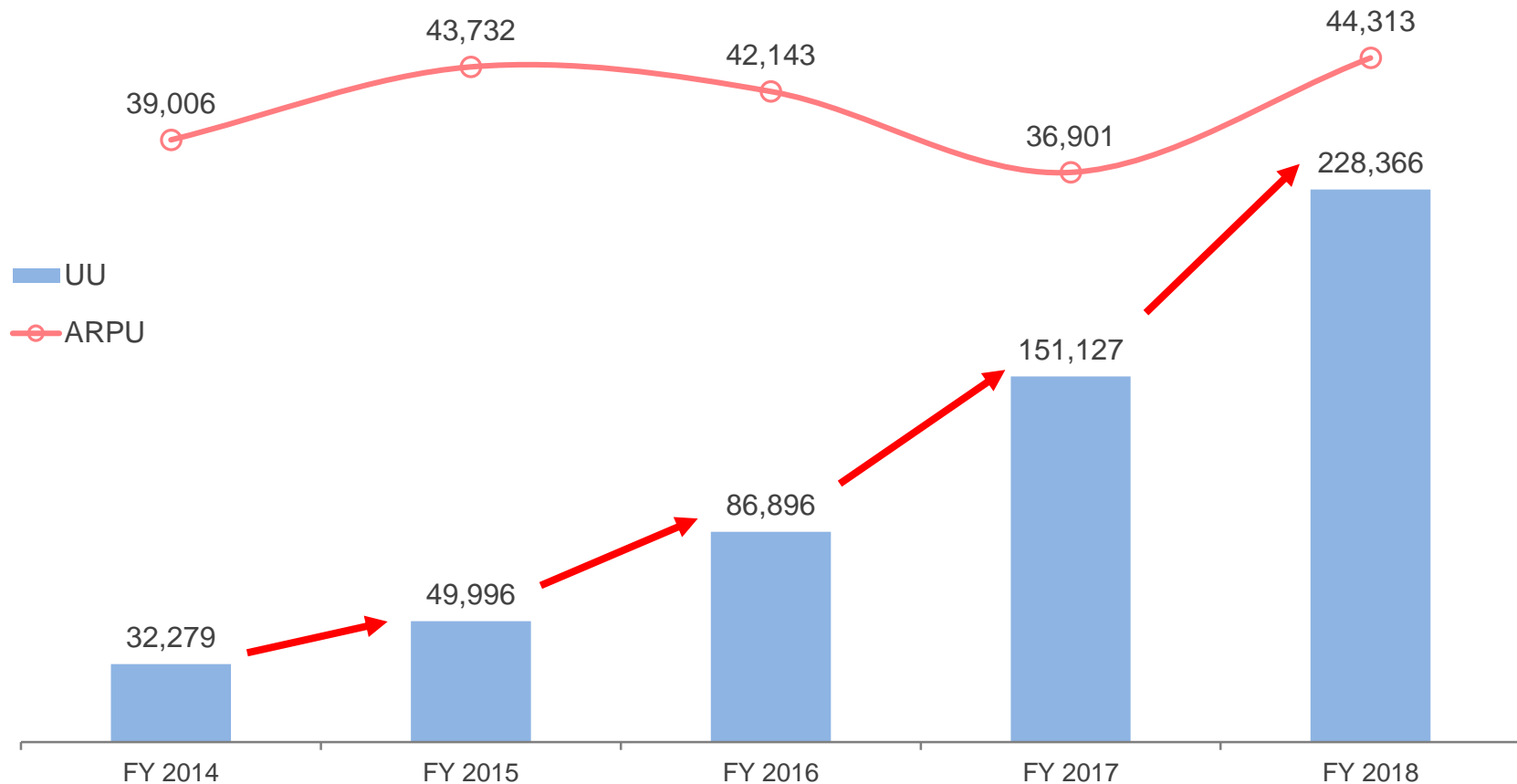


* Number of contract workers (UU): Unique contract number of people who had orders received during the period

* Contract amount per person (ARPU): Average contract amount per person during the period

Reference Data: Business KPI (UU × ARPU) – Comparison by Fiscal Year

Since its IPO, CrowdWorks has supported annual contract unit price per person (ARPU) at a steady level while expanding the number of contract workers (UU). In the fiscal year ended September 2018, however, the Company succeeded in increasing both UU and ARPU.

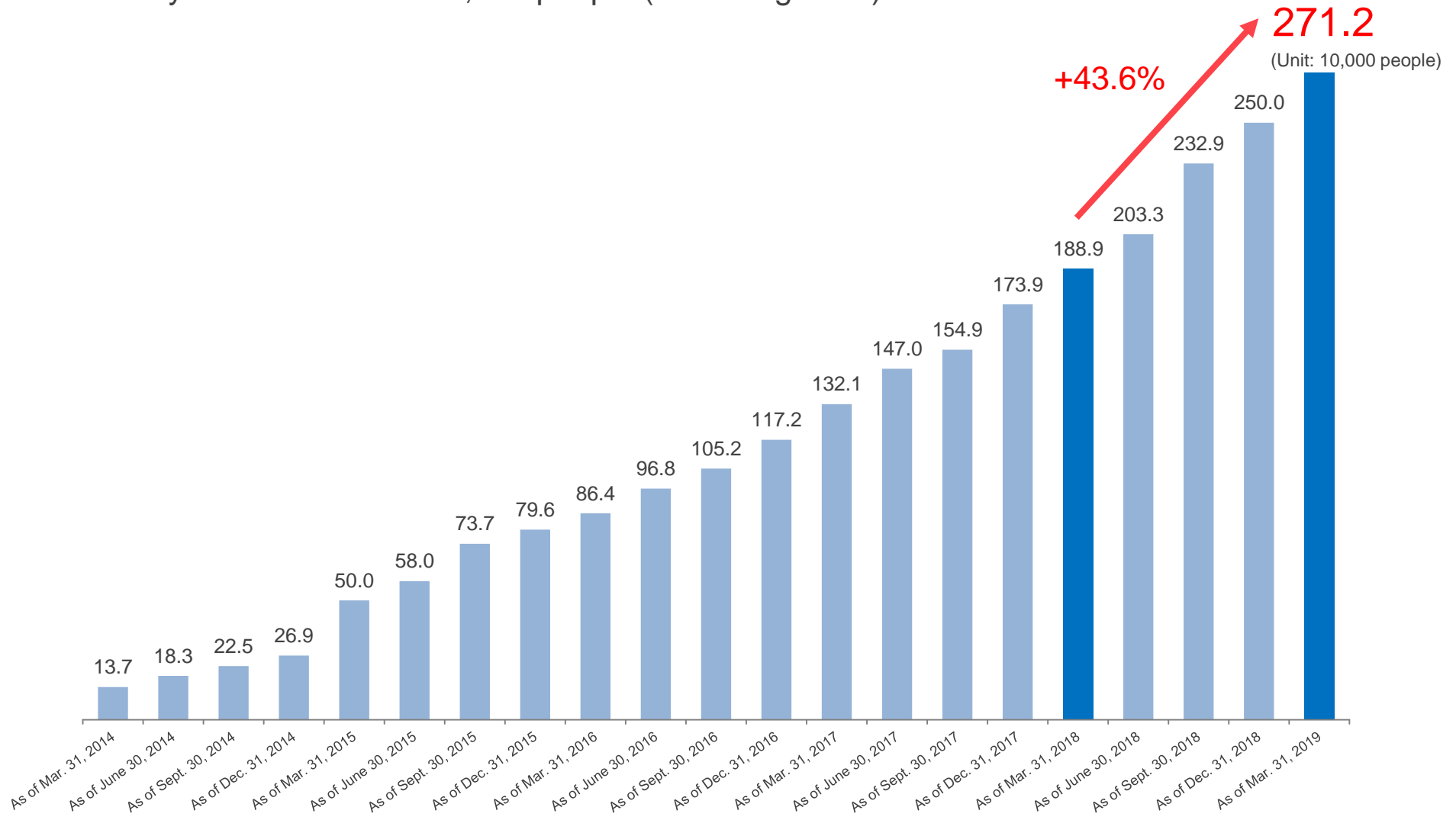


* Number of contract workers (UU): Unique contract number of people who had orders received during the period

* Contract amount per person (ARPU): Average contract amount per person during the period

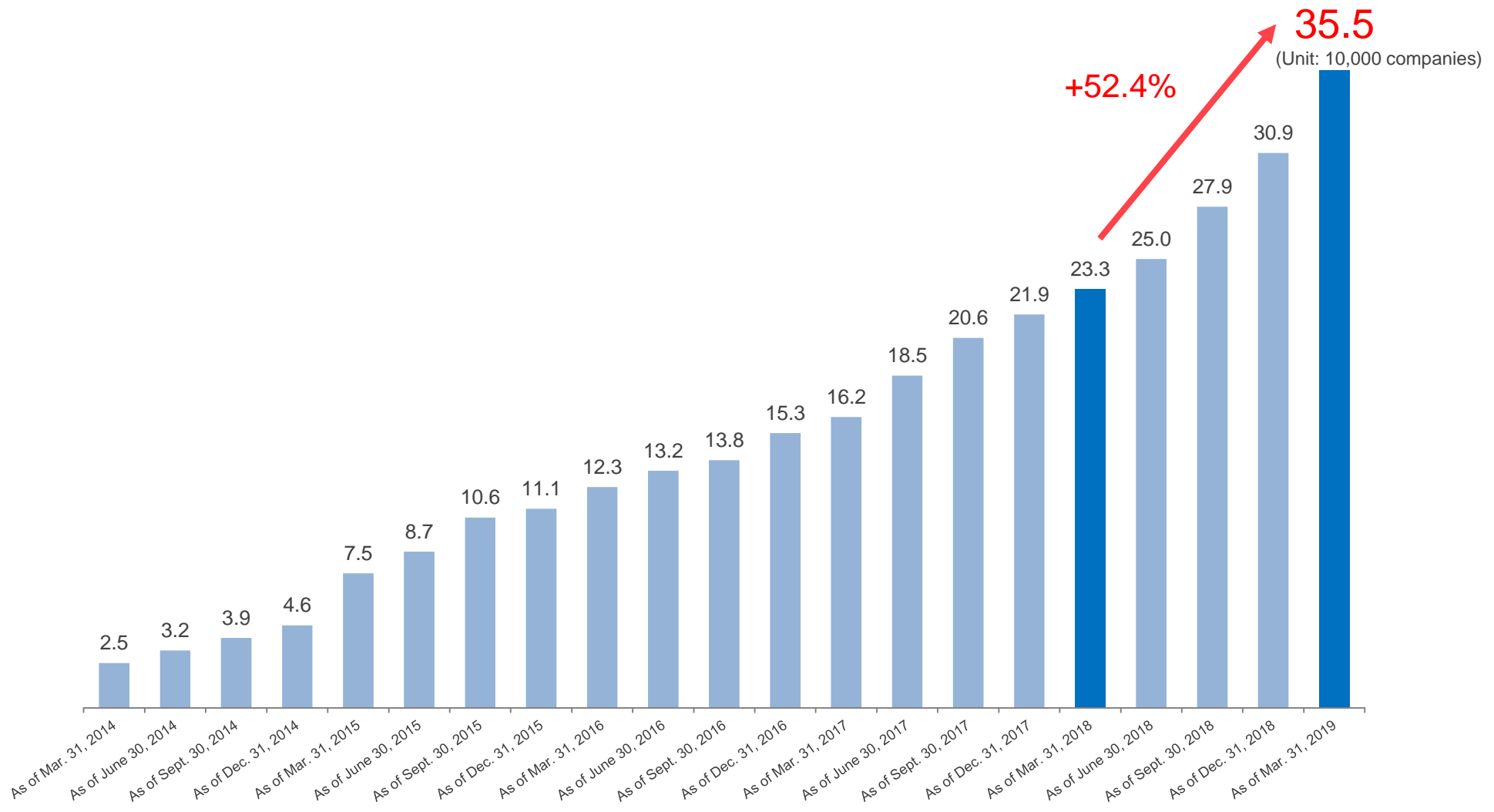
Group Cumulative Number of Workers

The number of workers in the entire group: 2,712,000 people (as of Mar. 31, 2019)
Year-on-year increase of 823,000 people (+43.6% growth)



Group Cumulative Number of Clients

The number of clients recorded the highest ever increase with a year-on-year increase of 122,000



Direct Matching Service

1. Improvement of the worker search feature

Contribute to increasing in the
“contract amount per person”



An improvement in the worker search feature (search narrowing feature) enables the discovery of optimal personnel, thereby improving the contract rate.

2. Expansion of sales area through opening of the Osaka Office of BizAsst., Inc., a subsidiary

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

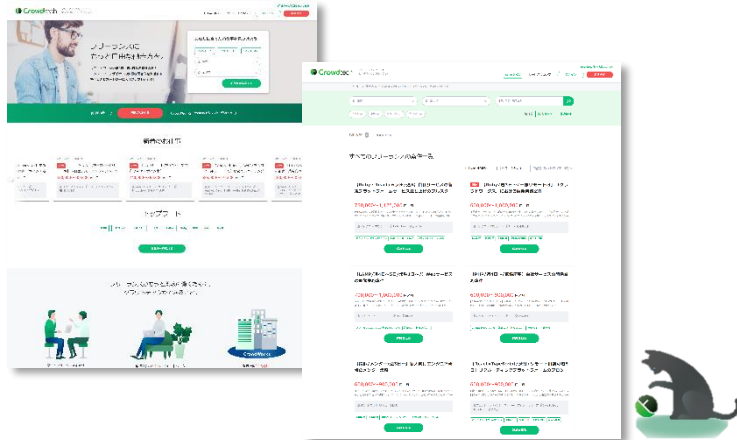


An increase in the sales area of BizAsst., which conducts online matching of administrative assistants, is solving issues of personnel shortages at companies in the Kansai region. Opportunities to employ online workers nationwide are increasing.

Online Agent Service

1. Strengthened attraction of new members and return users through an overhaul of the website design

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



An overhaul of the website design for the Company's CrowdTech service improved both the registration rate for new members and the contract rate for return users.

2. Improved remote activation rate of freelance workers at graviee, a subsidiary

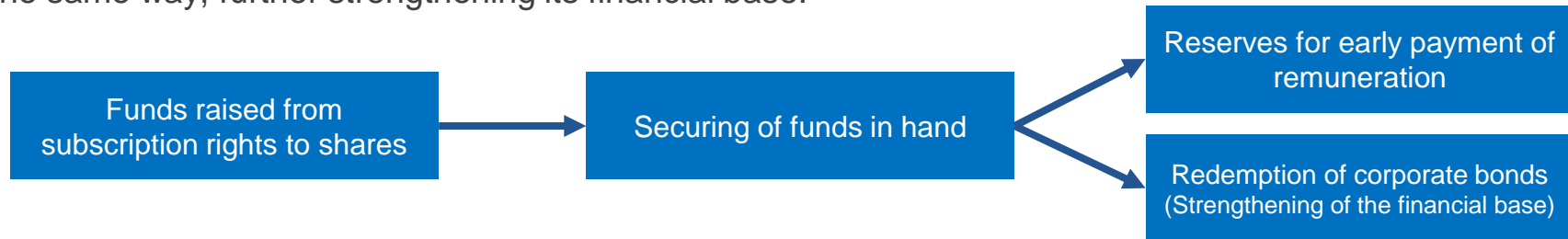
Contribute to an increase in the “number of contract users”

Remote activation: Over 30%
Rate of projects taking 4 days per week or less: 70%



In the service provided by graviee, the rate of remote activation of freelance workers improved to over 30%, while the number of remote-work projects and projects taking 4 days per week or less expanded, providing a flexible, supportive work environment.

In Q2 the Company completed fundraising of approximately 500 million yen through partial exercise of the 9th issue of subscription rights to shares by allocation to third parties (with clauses revising the exercise price and exercise permissions). In Q3 the Company plans to raise additional funds of approximately 540 million yen in the same way, further strengthening its financial base.



■ Fundraising from 9th issue of subscription rights to shares

	Details		
Issue date (exercisable period)	January 24, 2019 (January 25, 2019 to January 25, 2021)		
Number of subscription rights issued	1,300,000 shares		
Original exercise price	1,804 yen (Minimum exercise price: 1,263 yen)		
Funds raised	2,334,114,000 yen (See note below)		
	Status of exercise		Shares for which rights are not yet exercised
Exercise date	January 24, 2019	April 1 to 23, 2019	TBD (subject to Company permission to exercise)
Number of shares not yet delivered	975,000 shares	650,000 shares	650,000 shares
Number of shares delivered	325,000 shares	325,000 shares	TBD
Number of shares delivered ÷ number of subscription rights issued	25%	25%	TBD
Exercise price (* = average exercise price during the exercisable period)	1,542 yen	1,661 yen*	TBD
Funds raised	501,150,000 yen	539,775,000 yen	TBD

Note: The amount of funds raised consists of the total issue price of the subscription rights to shares, plus the total assets contributed when the subscription rights to shares are exercised based on the original exercise price, minus an estimate of the various costs incurred in issuing the subscription rights to shares. The amount of funds raised is subject to increase or decrease if the exercise price is revised or adjusted. Also, the amount of funds raised is subject to decrease if the subscription rights to shares are not exercised within the exercise period, or if the Company cancels some or all of the subscription rights to shares it has acquired.

Amid intensifying competition in the fintech market, the Company has withdrawn from an electronic-wallet project it had begun developing in the previous fiscal year. Pursuant to this withdrawal, the Company has decided to dissolve Crowd Money Inc., a consolidated subsidiary.

- Reason for dissolution of Crowd Money

The Company had been working on development of a settlement system with the aim of releasing an electronic-wallet (settlement) app for the use of crowd workers, its main users. However, in view of recent intensifying competition in the payment-wallet business, the Company determined that it was unlikely to achieve the profitability and competitive position it originally thought possible. Accordingly, following careful consultation with its co-investor, Japan Digital Design, Inc., the Company judged that the most prudent next step was an early withdrawal from this market and decided to dissolve the two companies' joint-venture company, Crowd Money Inc.

- Effect on operating partnership with Japan Digital Design

The dissolution of Crowd Money marks the Company's decision to withdraw from the electronic-wallet business. However, the Company's policy is to continue its operating partnership with Japan Digital Design, a subsidiary of Mitsubishi UFJ Financial Group, Inc., and to move forward with continued collaboration in the fintech field.

- Policy on future Fintech business

Although it has withdrawn from the electronic-wallet business, the Company's policy is to continue operations in the Fintech business, including new businesses.

- Impact on the Company's future business results

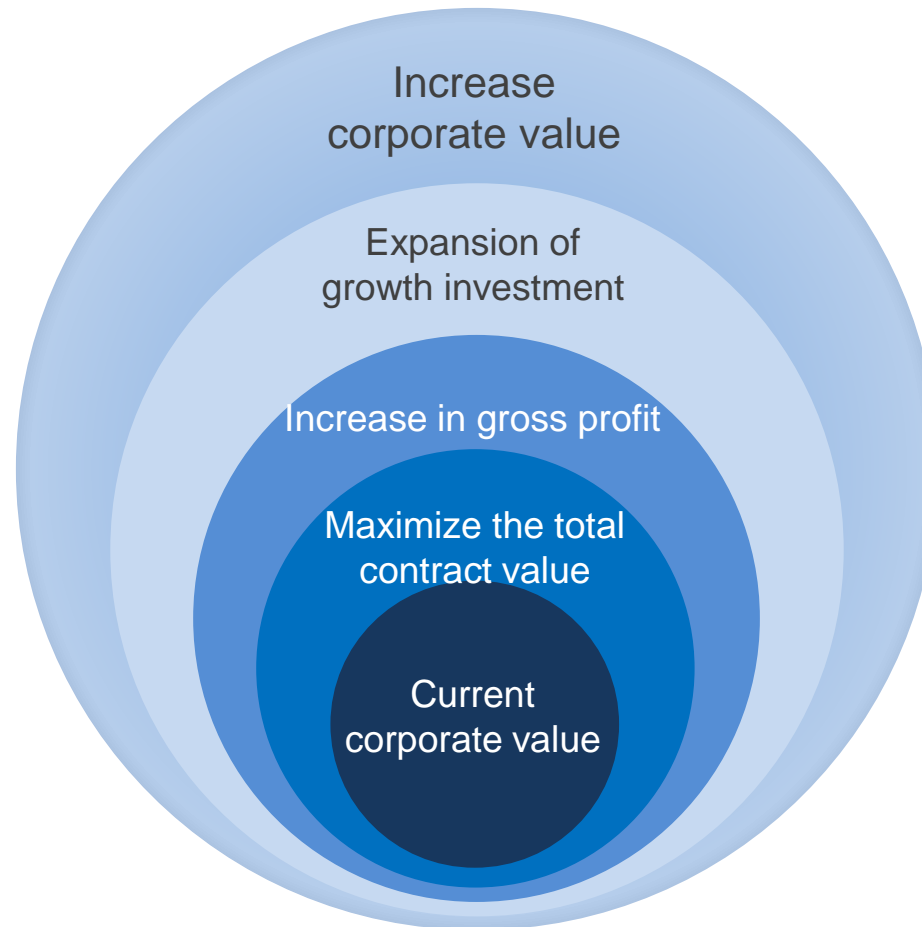
In tandem with the dissolution of Crowd Money and withdrawal from the electronic-wallet business, the Company expects to appropriate an extraordinary loss in Q3, which is currently reviewing specific amounts.

| 4. Business Policy/FY 2019 Results Forecast

Business Policy: Increase Corporate Value Through Reinvestment

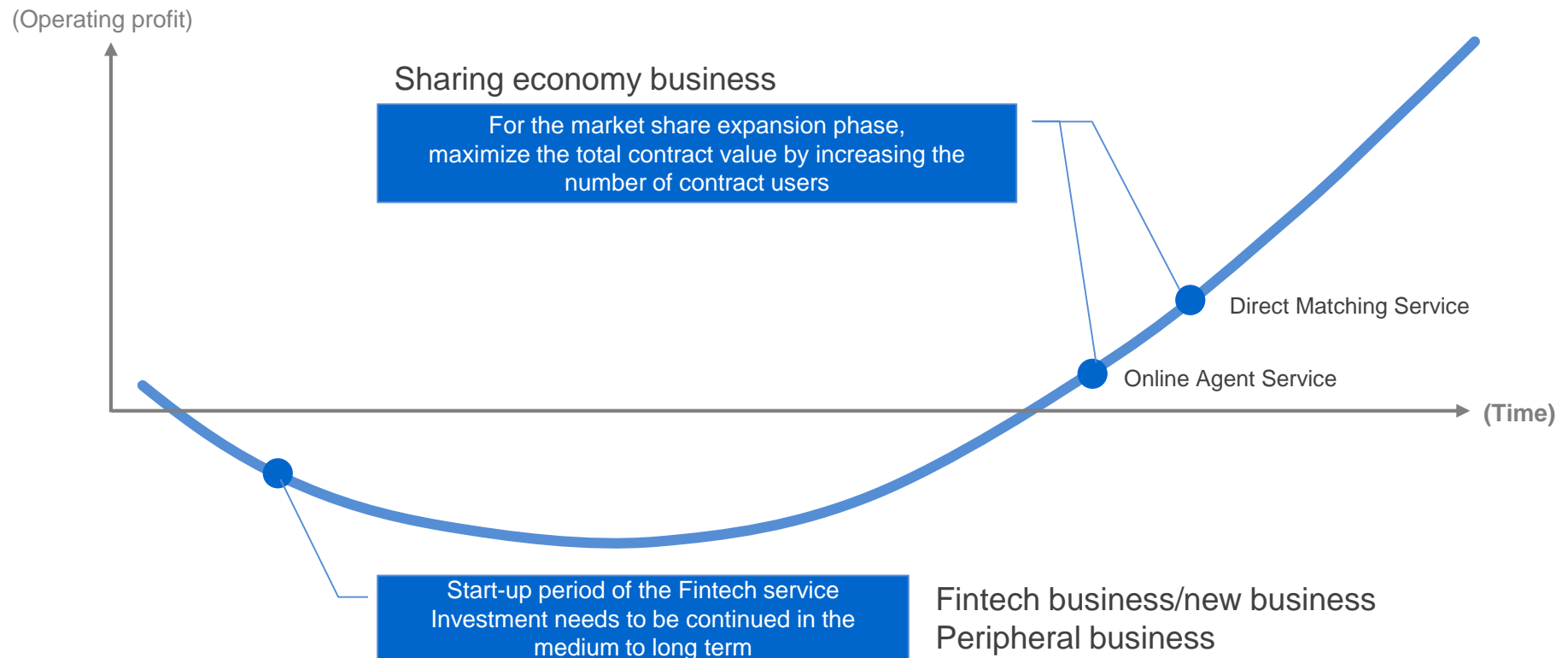
By maximizing the total contract value, the Company will steadily build up the base of long-term earnings

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



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

● Measures in H2 for the full year forecast

- The Company factors in the degree of downswing in total contract value and gross profit caused by seasonal factors. In H2 the Company will endeavor to offset those declines with growth in business results.
- Over the last one-year period, including Q2, worker UU rose 42% year-on-year, while worker ARPU grew 5.1%. The Company recognizes that this increase in UU caused a greater-than-expected divergence between supply and demand. In H2 the Company will make efforts to increase the supply of work from clients, as a measure to improve worker ARPU.

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

Upside

- Common to the sharing economy business
 - More new users than expected are being captured due to an increase in the sideline segment caused by work-style reform.
 - Last-minute ordering before the consumption-tax hike is engendering a greater-than-expected increase in work volume.
- Direct Matching Service
 - The effects of advertising and marketing are engendering a greater-than-expected increase in contract workers.
- Online Agent Service
 - Contracts with major clients are increasing the number of long-term projects.

Downside

- Common to the sharing economy business
 - Difficulty in recruiting engineers is causing delays in service development.
 - Costs from hiring activities are increasing.
- Direct Matching Service
 - The unusually long Golden Week holiday is reducing contract volume.
- Online Agent Service
 - A deteriorating economy is reducing work volume.

| 5. Appendix

FY 2019 Profit and Loss Statement: Quarterly Transition

The total contract value for the 2nd quarter of FY 2019 was 3,611 million yen (+22.2% year-on-year)

Net sales : 2,203 million yen (+18.0% year-on-year)

Gross profit : 781 million yen (+12.1% year-on-year)

Operating profit : 23 million yen (-19 million-yen year-on-year)

(Unit: million yen)

	FY 2018 (consolidated)				FY 2019 (consolidated)			
	Q1	Q2	Q3	Q4	Q1	Q2	Year-on-year basis	Quarter-on-quarter basis
Total contract value	2,328	2,956	2,877	2,990	3,468	3,611	+22.2%	+4.1%
Net sales	1,352	1,867	1,622	1,792	2,027	2,203	+18.0%	+8.7%
Gross profit	572	697	567	680	764	781	+12.1%	+2.3%
SG&A expenses	577	654	684	578	750	758	+15.9%	+1.1%
Operating profit	(4)	42	(116)	102	13	23	(19)	+9
EBITDA	17	81	(83)	135	46	56	(24)	+9
Ordinary profit	(6)	38	(109)	87	13	34	(3)	+21
Profit attributable to owners of parent	(35)	(21)	(111)	87	(2)	(37)	(15)	(34)

- 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.

The Company executed fundraising of approximately 500 million yen from partial exercise of subscription rights to shares. The funds raised through this move were applied to redemption of bonds. In Q2 the Company's capital adequacy ratio improved 8.3% compared with the end of the previous fiscal year, strengthening its financial base for growth.

(Unit: million yen)

	Q2 FY 2019 end (consolidated)	FY 2018 end (consolidated)	Compared with the end of the previous fiscal year
Current assets	4,852	4,758	+93
Non-current assets	1,060	1,199	(138)
Total assets	5,912	5,957	(44)
Current liabilities	2,708	3,124	(416)
Non-current liabilities	513	605	(92)
Net assets	2,690	2,227	+463
Capital adequacy ratio	44.0%	35.7%	+8.3%

- 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.
- 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 of the current consolidated fiscal year. For purposes of comparison of financial condition, this revision is applied retroactively to the figures at the end of the previous consolidated fiscal year.

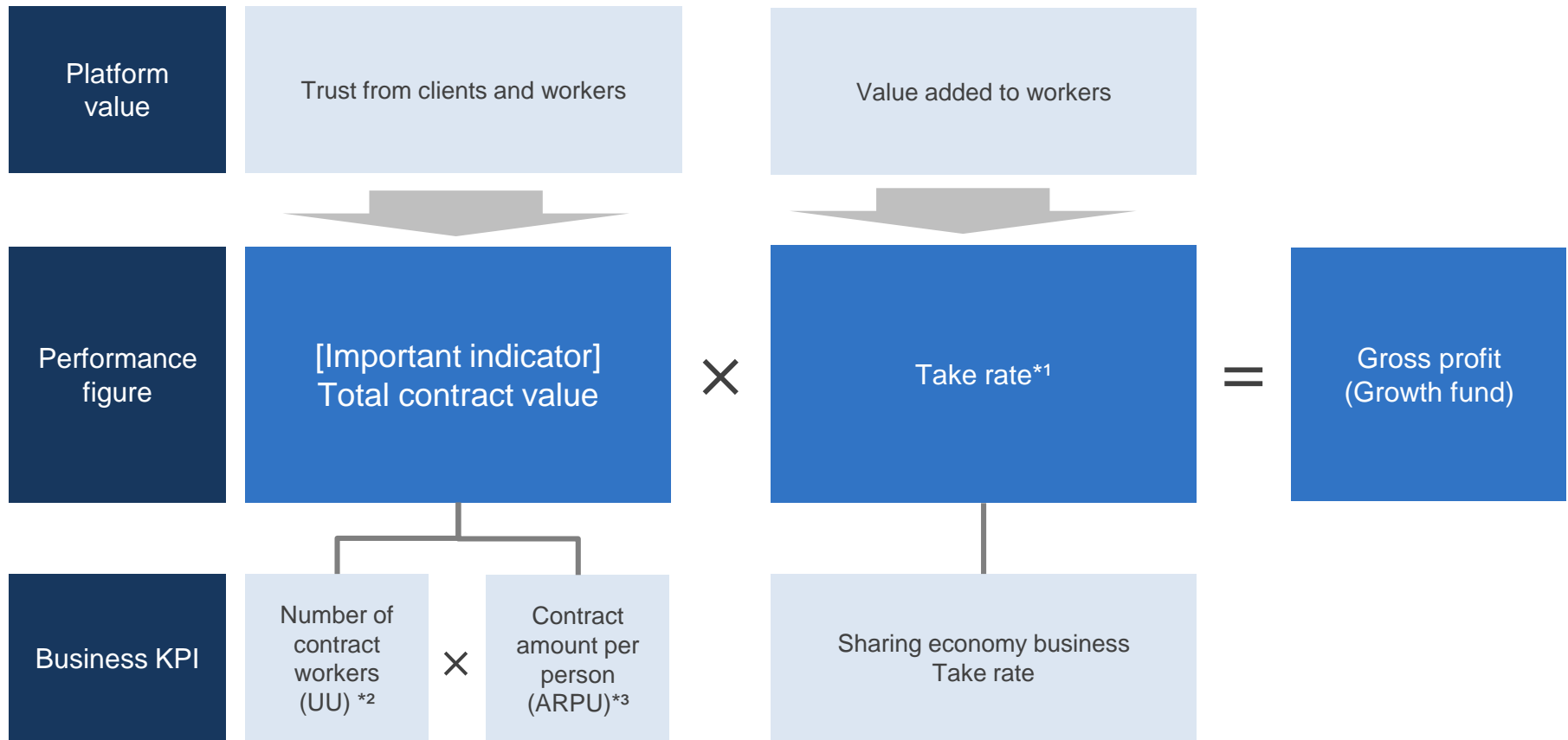
H1 FY 2019 cash flow statement

(Unit: million yen)

	H1 FY 2019 (consolidated)	FY 2018 (consolidated)	H1 FY 2018 (consolidated)
Cash flows from operating activities	(55)	(542)	(461)
Cash flows from investing activities	(27)	(75)	4
Cash flows from financing activities	(189)	1,794	1,008
Net increase (decrease) in cash and cash equivalents	(272)	1,175	551
Cash and cash equivalents at end of period	2,612	2,884	2,260

- In compliance with financial statement regulations, actual figures are rounded down to the nearest million yen.

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 during a certain period

*3 Contract amount per person (ARPU): Average contract amount per person during a certain period

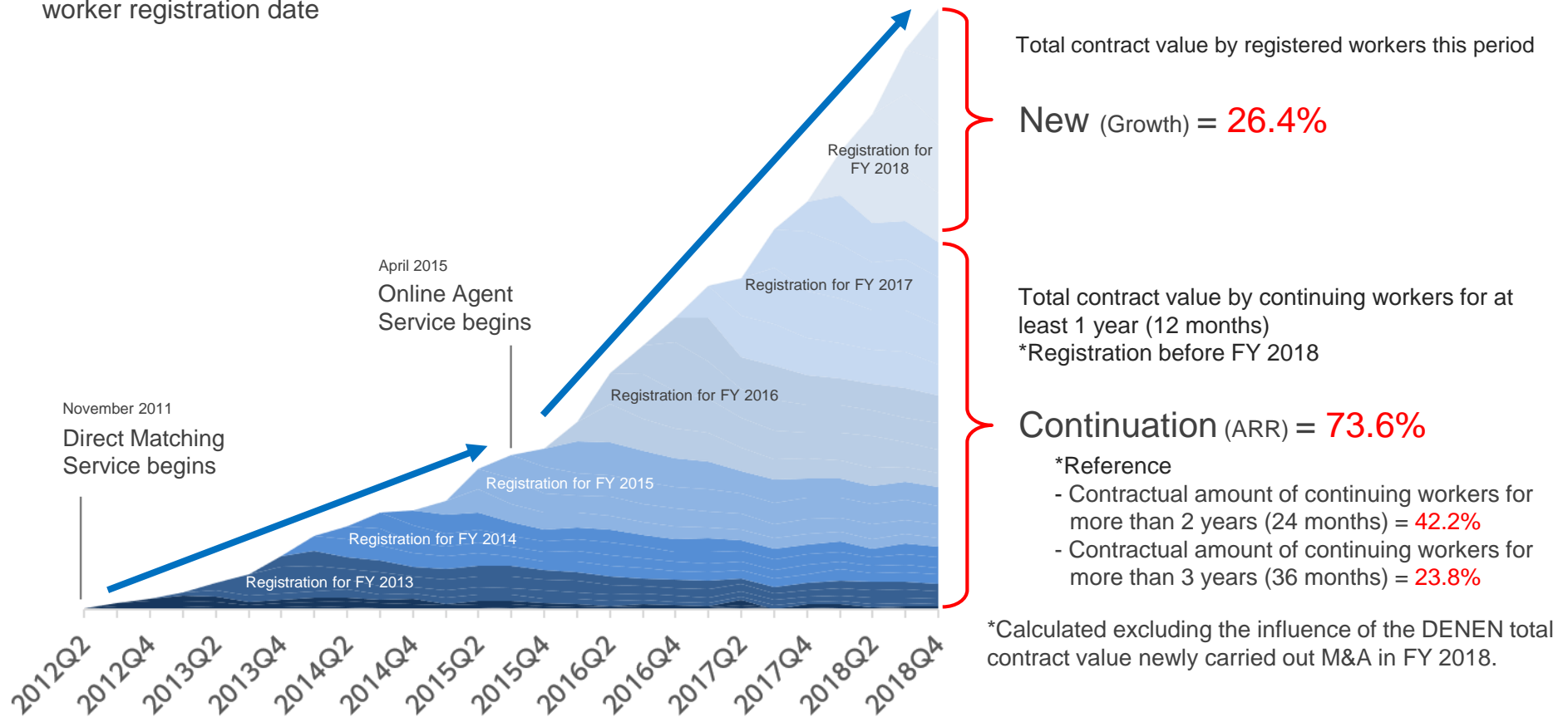
Business Strength: Business Model Generating Stock Revenues

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**

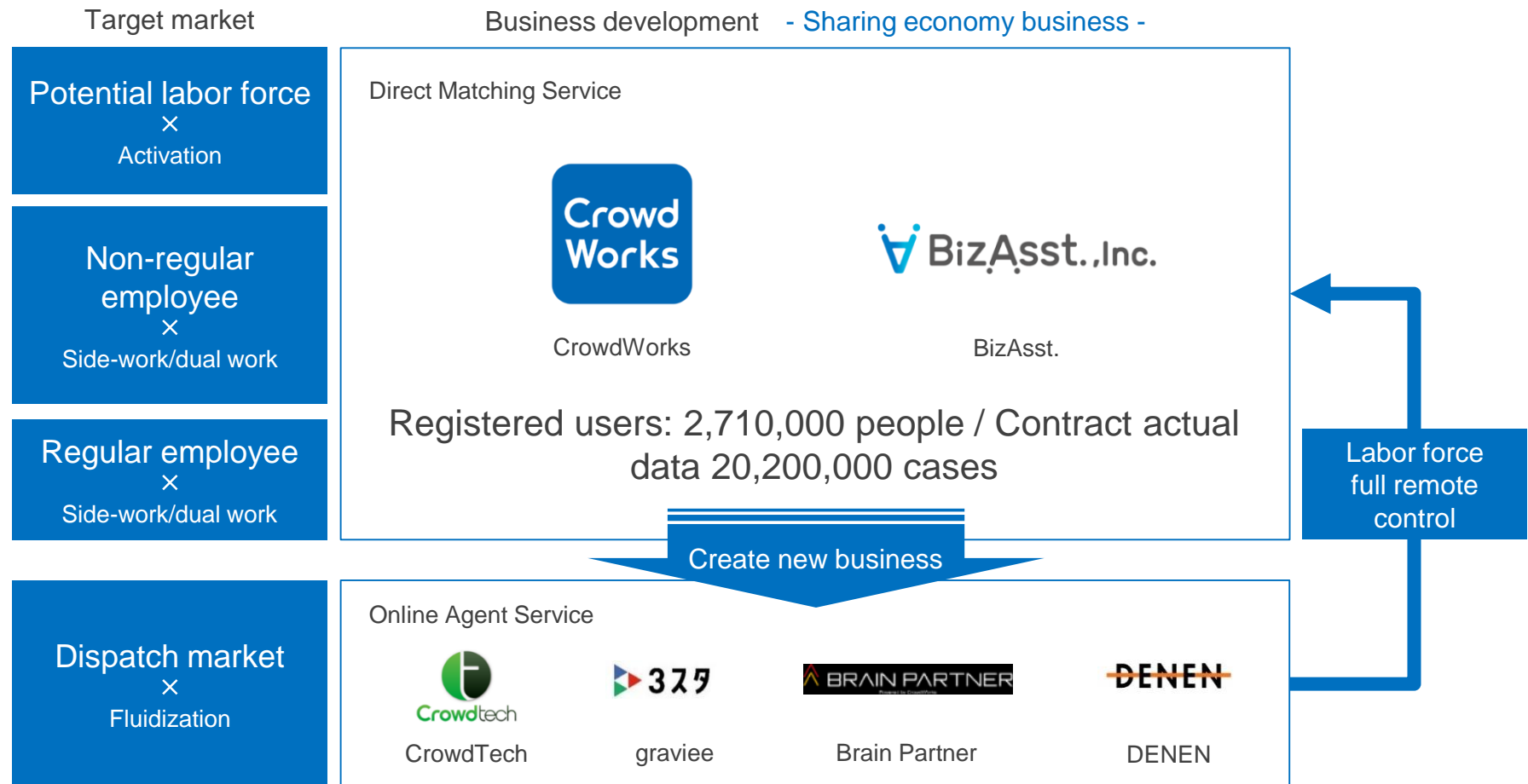
Total contract value calculated from the worker registration date



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



ユーザー登録数100万人突破&5周年記念イベント
クラウドワークス感謝祭

Bring a smile to everyone
through work

[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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