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

May 15, 2020

Company name: CrowdWorks, Inc.

Security code: 3900

Representative: Koichiro Yoshida, President and CEO

Inquiries: Shinichi Nomura, Director

Scheduled filing date of quarterly report: May 15, 2020

Supplementary materials for the quarterly financial results:

Investor conference for the quarterly financial results:

Stock listing: Tokyo Stock Exchange

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Scheduled payment date of dividend: —

Yes

Yes (for institutional investors and security analysts)

(Million yen, rounded down)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending September 30, 2020 (From October 1, 2019 to March 31, 2020)

(1) Consolidated Financial Performance)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
H1 / FY ending Sep. 30, 2020	4,889	15.5	(15)	-	12	(75.1)	(69)	-
H1 / FY ended Sep. 30, 2019	4,231	31.4	36	(1.8)	48	51.0	(39)	-

Note: Comprehensive income H1 / FY ending September 30, 2020 (68) million yen (-%)

H1 / FY ended September 30, 2019 (60) million yen (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
H1 / FY ending Sep. 30, 2020	(4.58)	-
H1 / FY ended Sep. 30, 2019	(2.74)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of March 31, 2020	6,247	3,161	49.8
As of Sep. 30, 2019	6,328	3,245	50.4

Reference: Shareholders' equity As of March 31, 2020 3,113 million yen

As of Sep. 30, 2019 3,186 million yen

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

2. Dividends

	Annual dividends per share				
	End of Q1	End of Q2	End of Q3	End of Q4	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Sep. 30, 2019	-	0.00	-	0.00	0.00
FY ending Sep.30, 2020	-	0.00	-	-	-
FY ending Sep. 30, 2020 (Forecast)	-	-	-	0.00	0.00

Note: Revision of most recently published dividend forecast: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending September 30, 2020 (From October 1, 2019 to September 30, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	9,012	3.0	(500)~ (1,000)	-	-	-	-	-	-

Note: Revision of most recently published financial forecast: None

Concerning financial forecasts for the fiscal year ending September 30, 2020, CrowdWorks (hereinafter, “the Company”) has established a policy to concentrate and expand investment in the matching business in order to improve growth rate, and maximize medium and long-term profit rather than short-term profit against the background of a tailwind in the market surrounding the Company and favorable progress of the matching business, its main business. Consequently, it is forecasted that net sales of the matching business will realize continuous growth of about plus 20% and operating profit will be negative. Although the contracting business will maintain positive operating profit, its growth rate of sales will become minus 22% owing to reduction of the business. As a result, it is forecasted to realize plus 3% growth on total consolidated net sales, plus 8% growth on gross profit, and operating profit will be from minus 500 million yen to minus 1,000 million yen, by virtue of investment expansion toward growth improvement of the matching business, and medium and long-term profit maximization. Incidentally, from the viewpoint of making a judgment on swift and flexible investment, the Company has the policy not to disclose a forecast of specific figures concerning ordinary profit and the following profits of each phase. For details, please refer to P. 3 “1. Qualitative Information Regarding the Quarterly Accounts (3) Overview of Forecast of Operating Results Including Consolidated Financial Results.”

*Notes

- (1) Changes in significant subsidiaries during the six-month period ended March 31, 2020 (changes in specific subsidiaries affecting the scope of consolidation): None

No. of new companies: • • (Company name:) No. of excluded companies: • • • (Company name:)

- (2) Application of accounting procedures specific to preparing quarterly consolidated financial statements: None

- (3) Changes in accounting principles, changes in accounting estimates and restatements

- 1) Changes in accounting policies associated with revision of accounting standards: None
- 2) Changes in accounting policies other than the above 1): None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

- (4) Number of outstanding shares (common stock)

- 1) Number of shares outstanding at term-end
(including treasury shares)
- 2) Number of treasury shares at term-end
- 3) Number of average shares outstanding
during term (quarterly total)

March 31, 2020	15,225,160 shares	Sep. 30, 2019	15,210,160 shares
March 31, 2020	48 shares	Sep. 30, 2019	48 shares
March 31, 2020	15,211,260 shares	March 31, 2019	14,483,287 shares

*The summary of quarterly financial results is not subject to the quarterly review by certified public accountants or audit corporations.

*Explanation regarding the appropriate use of the earnings forecast, and other noteworthy items.

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast, depending on a range of factors.

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1. Qualitative Information Regarding the Quarterly Accounts

(1) Overview of Operating Results

Advocating the vision of “Work-style revolution —To become the world’s biggest platform that provides the largest amount of monetary rewards through the Internet,” since its inauguration, the CrowdWorks Group (hereinafter, “the Group”) has been promoting the on-line talent matching business with crowdsourcing at its core, which is a scheme by which individuals can receive monetary rewards using the Internet.

In recent years, the range of work-style choices other than being employed at an enterprise has been widened as job opportunities for potential manpower; namely, women, the elderly, and people with disabilities, are expanding, and there is a trend to allow employees side jobs and side business in accordance with “Work-style Reforms” which is the greatest theme of “Dynamic Engagement of All Citizens,” the slogan of the current government, and the values regarding individual work-styles have been diversifying, seeking more flexible ways to work. While “laws related to work-style reforms” sequentially took effect in April 2019 and the legislation for dealing with equal pay for equal work and extending employment of older employees until age 70 has been studied since April 2020, the number of enterprises who adopt working systems that allow diversified work styles of individual persons has increased and the trend to review the conventional employment system has spread widely.

Particularly, among enterprises, while the seriousness of the manpower shortages has been increasing, 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 are moving toward removing the ban on side jobs. Aiming to increase the incomes of their own employees, to improve motivation, and to secure and retain excellent human resources, the tendency to allow employees to have a side job or a side business has been becoming popular. Further, these days, owing to the impact from the novel coronavirus, many companies of all sizes and across all industry sectors are required to introduce and utilize working at home or teleworking, and the traditional way of corporate management is also facing a turning point. With this tendency, a change in procurement method of human resources is observed such that enterprises would take in not only their own employees but also external excellent specialized talents (freelancers, double jobbers) and let them contribute to the management or business via online networks.

Under such an environment, during the second quarter, the Company has steadily proceeded with implementation of its selection processes and its concentration on the matching business, its core business, in accordance with the investment policy for this fiscal year established at the end of fiscal year ended September 2019.

In the matching business, the Company encourages enterprises struggling to acquire human resources to introduce or utilize freelancers such as engineers, designers, etc., and online office work assistants, and raising of ordering unit prices and increase of new clients have been continuing since the first quarter. Herewith, the net sales of the matching business have achieved growth of 31.0%. Further, during the second quarter, in January the Company started TV commercial test marketing advocated in this fiscal year’s investment policy, and has been proceeding with the verification of its effects, while the Company has completed strengthening the online sales team for enterprises and establishing a dedicated team to develop new customers among large enterprises, in order to focus on the development of a dynamic force toward the second half of this fiscal year.

In the project contracting business, the results have remained strong in comparison with the full-year business forecast, because the delivery and inspection of contracting development projects from major systems integrators have made progress as scheduled continuously as in the first quarter. On the other hand, there is no change to its forecast for this fiscal year, and the Company is planning to reduce the business and make it profitable.

As a result of the foregoing, concerning the business results of the Group during the first half of the fiscal year, net sales were 4,889,182 thousand yen (year-on-year increase of 15.5%), operating loss was 15,361 thousand yen (corresponding period of the previous year: operating profit of 36,966 thousand yen), ordinary profit was 12,073 thousand yen (year-on-year decrease of 75.1%), and loss attributable to owners of parent was 69,730 thousand yen (corresponding period of the previous year: loss attributable to owners of parent of 39,617 thousand yen).

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

Financial results by segment are as follows:

1) Matching Business

In the matching business, maintaining conventional advertising efficiency, the Company has conducted ongoing online advertising investment. It has been satisfactory for the increasing number of new clients and new workers. The Company has promoted an increase in the size of clients, and strived to increase the number of clients who place orders and improve the ordering unit price per client.

Consequently, net sales were 3,123,594 thousand yen (year-on-year increase of 31.0%); however, because of an increase in personnel expenses and outsourcing expenses associated with the expansion of the sales team advocated in this fiscal year's investment policy, the segment loss was 72,142 thousand yen (segment loss of the corresponding period of the previous year: 3,693 thousand yen).

2) Project Contracting Business

While the contracting business will be reduced and made profitable according to the plan for this fiscal year as a part of the Company policy, the business results during the first half of the fiscal year were almost the same as those of the same period of last year, because the delivery timing of contracting development projects from DENEN Co., Ltd. and I/O SYSTEM INTEGRATION CO., LTD. fell within the period and the projects made progress as scheduled. Net sales were 1,688,699 thousand yen (year-on-year increase of 1.4%); and segment profit was 78,352 thousand yen (year-on-year increase of 12.8%) owing to a decrease of sales cost.

(2) Overview of Financial Position

(Assets)

Total assets at the end of the second quarter of this fiscal year stood at 6,247,919 thousand yen, down 80,664 thousand yen from the end of the previous fiscal year.

Current assets stood at 5,218,411 thousand yen, and as its main components, cash and deposits stood at 3,138,284 thousand yen and notes and accounts receivable – trade stood at 1,241,104 thousand yen.

Non-current assets stood at 1,029,507 thousand yen, and as its main component, goodwill, stood at 612,297 thousand yen.

(Liabilities)

Total liabilities at the end of the second quarter of this fiscal year stood at 3,086,576 thousand yen, up 3,350 thousand yen from the end of the previous fiscal year.

Current liabilities stood at 2,617,964 thousand yen, and as its main components, deposits received stood at 931,595 thousand yen and accounts payable – other stood at 514,592 thousand yen.

Non-current liabilities stood at 468,612 thousand yen, and as its main component, long-term loans payable stood at 297,231 thousand yen.

(Net assets)

Net assets at the end of the second quarter of this fiscal year stood at 3,161,343 thousand yen, down 84,014 thousand yen from the end of the previous fiscal year.

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

It can be assumed that the domestic crowd sourcing market will also continue to expand in the medium-to long-term future owing to manpower shortages at enterprises and the accelerated social trend toward seeking diversified work-styles. The Group achieved positive full-year operating profit in the fiscal year ended September 2018 and the fiscal year ended September 2019, and the total contract value of matching business, its core business, reached 11 billion yen (year-on-year increase of 35.4%) in the fiscal year ended September 2019, indicating its steady growth. The Company will work on growing businesses and creating profit through striving for pioneering customers and optimizing marketing activities toward future market expansion.

Particularly, during the fiscal year ending September 2020, implementing a selection process and a concentration of business with optimum allocation of management resources, the Company is focusing on matching business through selection and concentration in order to enhance growth ratio and to build a strong medium- to long-term profit foundation.

Also, in order to realize the vision of “Work-style revolution — To become the world’s biggest platform that provides the largest amount of monetary rewards through the Internet,” in the matching business, the Company is working on maximizing total contract value for the purpose of increasing market share, strengthening the sales structure to pioneer customers, and carrying out companywide marketing investment to optimize advertising effectiveness, so that the Company will expand the foundation to continuously create profit.

Herewith, the matching business, its main business, has been forecasted to realize a growth rate of total contract value and net sales of plus 20% during the fiscal year ending September 2020, maintaining this growth through the fiscal year. Also, against the background of a tailwind in the external market environment, the Company considers it important to aim at increasing medium and long-term growth ratio and profit maximization rather than securing short-term profit, so the Company has been proceeding with concentrating and expanding investment in the matching business. Because of this, operating profit is estimated to show a loss from (500) million yen to (1,000) million yen. On the other hand, in the project contracting business, while positive EBITDA and operating profit are estimated, the total contract value, net sales, and gross profit are all forecasted to decline from the fiscal year ended September 2019.

At the present time, concerning financial forecasts for the fiscal year ending September 2020, no adjustment has been made from the financial forecasts announced on November 14, 2019. However, while because of a recent worldwide pandemic of the novel coronavirus, the influence on overall economic activities from avoiding going outdoors and the request for temporary closures has started to be observed, there is concern that the impact on the domestic economy will grow when such circumstances are prolonged.

Under the business environment surrounding the Company, the Company’s major customers are mainly operating in IT/media/Internet sectors and the demand remains strong at the present time. However, in the event that stagnant economic activities will be prolonged, this could affect the recruitment market and outsourcing market and reduce demand, and future conditions remain uncertain.

Therefore, the Company has been paying attention to the degree of impact on the business performance from the novel coronavirus pandemic by daily monitoring and assuming positive and negative scenarios respectively.

■ Positive aspects

- Utilization of telework by enterprises of any size could make progress in response to the government’s request to avoid going outdoors, and an increasing number of enterprises could construct the system to give instructions and execute tasks via online so that opportunities to take in online workers and freelancers who are joining in the Company’s business could expand.
- While the Company’s major customers are mainly operating in the IT/media/Internet sectors, the trend toward online/EC could accelerate in the entire industry, so demand for human resources in these sectors could increase.
- After the end of the epidemic of the novel coronavirus, a demand for flexible sourcing methods such as taking in freelancers and online workers could increase through enterprises’ measures to reduce employment-related risk amid the economic slowdown.

■ Negative aspects

- An increasing number of enterprises could postpone or suspend employing new personnel because of prolonged epidemic of the novel coronavirus.
- Workers' demand for tasks could increase amid the economic slowdown. Meanwhile, a shortage in clients' supply of tasks could take place, and the balance between supply and demand could worsen.

The above-mentioned scenarios can be assumed at this time by the Company, and could be changed depending on future conditions. At the moment, concerning financial forecasts for this fiscal year, no adjustment has been made; however, when actual results could differ from the forecasts due to various factors in the future including the influence from the novel coronavirus, the Company will disclose the change promptly.

2. Quarterly Consolidated Financial Statements and Main Noted Items

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Fiscal Year Ended September 30, 2019 (As of September 30, 2019)	Q2 / Fiscal Year Ending September 30, 2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	3,411,499	3,138,284
Notes and accounts receivable - trade	995,201	1,241,104
Accounts receivable – other	502,393	589,933
Deposits paid	26,056	8,745
Operational investment securities	59,584	59,715
Merchandise and finished goods	64,555	22,897
Work in process	82,454	51,518
Other	91,186	118,981
Allowance for doubtful accounts	(12,364)	(12,769)
Total current assets	5,220,567	5,218,411
Non-current assets		
Property, plant, and equipment	100,603	106,357
Intangible assets		
Goodwill	655,837	612,297
Other	37,618	46,111
Total intangible assets	693,455	658,409
Investments and other assets		
Other	329,412	280,195
Allowance for doubtful accounts	(15,454)	(15,454)
Total investments and other assets	313,957	264,741
Total non-current assets	1,108,016	1,029,507
Total assets	6,328,583	6,247,919

(Thousand yen)

	Fiscal Year Ended September 30, 2019 (As of September 30, 2019)	Q2 / Fiscal Year Ending September 30, 2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	183,047	175,791
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	282,473	320,030
Current portion of bonds	308,000	40,000
Accounts payable - other	379,502	514,592
Income taxes payable	33,643	48,688
Provision for bonuses	-	113,394
Deposits received	876,781	931,595
Other	469,185	373,870
Total current liabilities	2,632,633	2,617,964
Non-current liabilities		
Long-term loans payable	257,715	297,231
Bonds payable	40,000	20,000
Deferred tax liabilities	11,210	9,549
Asset retirement obligations	58,163	58,328
Other	83,502	83,502
Total non-current liabilities	450,592	468,612
Total liabilities	3,083,226	3,086,576
Net assets		
Shareholders' equity		
Capital stock	2,687,217	2,688,567
Capital surplus	2,645,880	2,641,400
Retained earnings	(2,144,759)	(2,214,490)
Treasury shares	(64)	(64)
Total shareholders' equity	3,188,274	3,115,412
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,645)	(2,046)
Total accumulated other comprehensive income	(1,645)	(2,046)
Subscription rights to shares	2,440	350
Non-controlling interests	56,288	47,627
Total net assets	3,245,357	3,161,343
Total liabilities and net assets	6,328,583	6,247,919

(2) Quarterly Consolidated Statements of income and Comprehensive Income

Quarterly Consolidated Statement of Income

The First Half of Consolidated Fiscal Year

(Thousand yen)

	H1 / Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to March 31, 2019)	H1 / Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to March 31, 2020)
Net sales	4,231,600	4,889,182
Cost of sales	2,685,405	3,087,031
Gross profit	1,546,194	1,802,151
Selling, general, and administrative expenses	1,509,228	1,817,512
Operating profit (loss)	36,966	(15,361)
Non-operating income		
Gain from lapsed deposits received	8,595	15,682
Subsidy income	-	7,817
Refund of premium for cancelled insurance	7,694	-
Other	2,200	7,940
Total non-operating income	18,490	31,441
Non-operating expenses		
Interest expenses	6,434	3,240
Other	522	765
Total non-operating expenses	6,957	4,006
Ordinary profit (loss)	48,499	12,073
Extraordinary income		
Gain on sales of investment securities	9,030	-
Gain on reversal of subscription rights to shares	-	11
Gain on sales of non-current assets	-	19
Total extraordinary income	9,030	31
Extraordinary loss		
Impairment loss	96,440	-
Loss on valuation of investment securities	2,110	54,540
Total extraordinary loss	98,551	54,540
Profit (loss) before income taxes	(41,021)	(42,435)
Income taxes – current	23,301	30,531
Income taxes – deferred	(8,967)	(5,071)
Total income taxes	14,334	25,459
Loss	(55,355)	(67,895)
Profit (loss) attributable to non-controlling interests	(15,738)	1,835
Loss attributable to owners of parent	(39,617)	(69,730)

Quarterly Consolidated Statement of Comprehensive Income
The First Half of Consolidated Fiscal Year

(Thousand yen)

	H1 Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to March 31, 2019)	H1 / Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to March 31, 2020)
Loss	(55,355)	(67,895)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,375)	(401)
Total other comprehensive income	(5,375)	(401)
Comprehensive income	(60,731)	(68,296)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(44,992)	(70,132)
Comprehensive income attributable to non-controlling interests	(15,738)	1,835

(3) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	H1 / Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to March 31, 2019)	H1 / Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Loss before income taxes	(41,021)	(42,435)
Depreciation	22,078	13,856
Amortization of goodwill	44,167	43,539
Impairment loss	96,440	-
Profit (loss) on valuation of investment securities (Minus indicates profit)	2,110	54,540
Interest expense	6,434	3,240
Interest income	(134)	(185)
Gain (loss) on sales of investment securities (Minus indicates gain)	(9,030)	-
Gain (loss) on sales of non-current assets (Minus indicates gain)	-	(19)
Gain on reversal of subscription rights to shares	-	(11)
Decrease (Increase) in notes and accounts receivables (Minus indicates increase)	(356,157)	(245,902)
Decrease (Increase) in inventories (Minus indicates increase)	54,823	72,594
Increase (Decrease) in notes and accounts payable (Minus indicates decrease)	(16,067)	(7,256)
Decrease (Increase) in accounts receivable-other (Minus indicates increase)	(70,351)	(87,539)
Decrease (Increase) in operational investment securities (Minus indicates increase)	32,240	(130)
Increase (decrease) in allowance for doubtful accounts (Minus indicates decrease)	(5,776)	404
Increase (Decrease) in provision for bonuses (Minus indicates decrease)	15,485	113,394
Increase (Decrease) in provision for loss on order received (Minus indicates decrease)	25,660	-
Increase (decrease) in accounts payable-other (Minus indicates decrease)	80,975	125,591
Increase (decrease) in deposits received (Minus indicates decrease)	69,616	54,814
Decrease (Increase) in other assets (Minus indicates increase)	4,791	(59,459)
Increase (Decrease) in other liabilities (Minus indicates decrease)	52,894	(97,151)
Subtotal	9,181	(58,115)
Interest and dividend received	133	184
Paid interest	(6,434)	(3,240)
Paid (Refunded) income taxes (Minus indicates payment)	(58,641)	18,931
Total cash flows from operating activities	(55,759)	(42,239)
Cash flows from investing activities		
Payments into time deposits	(50,802)	(8,601)
Proceeds from withdrawals of time deposits	37,600	68,078
Payments for purchase of tangible assets	(16,688)	(5,514)
Proceeds from sale of tangible assets	-	20
Payments for purchase of intangible assets	(2,313)	(13,196)
Proceeds from sale of investment securities	37,800	-
Payments for security deposits	(33,026)	(325)
Proceeds from collection of security deposits	352	96
Other	-	(7,303)
Total cash flows from investing activities	(27,079)	33,252

(Thousand yen)

	H1 / Fiscal Year Ended September 30, 2019 (Oct. 1, 2018 to March 31, 2019)	H1 / Fiscal Year Ending September 30, 2020 (Oct. 1, 2019 to March 31, 2020)
Cash flows from financing activities		
Increase (Decrease) in short-term loans payable (Minus indicates decrease)	(420,000)	-
Proceeds from long-term loans payable	80,000	260,000
Payments of long-term loans payable	(173,494)	(182,927)
Payments for acquisition of subsidiary shares accompanied with no change in the scope of consolidation	-	(7,000)
Proceeds from issuance of bonds	321,600	-
Payments for redemption of bonds	(521,440)	(288,000)
Payments of lease obligations	(385)	-
Payments for acquisition of treasury shares	(64)	-
Proceeds from issuance of new shares	519,210	2,700
Proceeds from issuance of subscription rights	4,914	-
Payments for acquisition of treasury share subscription rights	-	(2,079)
Total cash flows from financing activities	(189,660)	(217,306)
Increase (decrease) in cash and cash equivalents (Minus indicates decrease)	(272,499)	(226,293)
The balance of cash and cash equivalent at the beginning of the period	2,884,589	3,266,442
The balance of cash and cash equivalent at the end of the period	2,612,090	3,040,149

(4) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

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

Previous consolidated cumulative second quarter (Oct. 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 corresponding to the exercise of subscription rights during the H1 FY 2019. As a result, capital stock and capital surplus increased by 260,219 thousand yen respectively during the H1 FY 2019, and at the end of the Q2 FY 2019, the balances of capital stock and capital surplus were 2,350,676 thousand yen and 2,309,340 thousand yen respectively.

Current consolidated cumulative second quarter (Oct. 1, 2019 to March 31, 2020)

- 1) Paid amount of dividends

Not applicable.

- 2) Dividends whose record date is in H1 FY 2020 and whose effective date is after the last date of Q2 FY 2020

Not applicable.

- 3) Significant changes in shareholders' equity

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

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

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

(Thousand yen)

	Reportable segments			Other (Note)	Adjusted Amount	Amounts shown on quarterly consolidated statement of income
	Matching	Project Contracting	Total			
Net sales						
(1) Sales to external customers	2,385,021	1,665,077	4,050,098	181,501	-	4,231,600
(2) Internal sales or exchange between segments	30,934	2,150	33,085	90	(33,175)	-
Total	2,415,956	1,667,227	4,083,184	181,591	(33,175)	4,231,600
Segment profit (loss)	(3,693)	69,457	65,764	4,378	(33,175)	36,966

Notes (1) The category of “Other” indicates business segments which are not included in reportable segments, and includes any newly developed business, etc.

(2) Segment profit (loss) is calculated with an adjustment of operating profit (loss) on the quarterly consolidated statement of income and includes the commission fee.

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

(Significant impairment loss concerning non-current assets)

	Reportable segments			Other	Elimination/ corporate	Total
	Matching	Project Contracting	Total			
Impairment loss	96,440	-	96,440	-	-	96,440

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

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

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

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

(Significant changes in the value of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

For the consolidated first half of the fiscal year ending September 30, 2020 (October 1, 2019 to March 31, 2020)

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

(Thousand yen)

	Reportable segment			Other (Note)	Adjusted Amount	Amounts shown on quarterly consolidated statement of income
	Matching	Project Contracting	Total			
Net sales						
(1) Sales to external customers	3,123,594	1,688,699	4,812,294	76,888	-	4,889,182
(2) Internal sales or exchange between segments	30	2,549	2,579	90	(2,669)	-
Total	3,123,625	1,691,248	4,814,874	76,978	(2,669)	4,889,182
Segment profit (loss)	(72,142)	78,352	6,210	(18,901)	(2,669)	(15,361)

Notes (1) The category of “Other” indicates business segments which are not included in reportable segments, and includes any newly developed business, etc.

(2) Segment profit (loss) is calculated with an adjustment of operating profit (loss) on the quarterly consolidated statement of income and includes the commission fee.

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

Not applicable.

3. Changes to reporting segments

Finalizing a policy of focusing investment on its Matching Business centered on CrowdWorks, CrowdTech, BizAsst, griviece, on October 1, 2019, the Group reorganized to focus on the Matching Business. In tandem with that reorganization, the Group made changes to its reporting segments from the first quarter of the fiscal year ending September 2020.

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

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

(Material subsequent events)

Not applicable.

3. Other

Material Events Related to Going Concern Assumptions

Not applicable.