

CrowdWorks Inc.
3900 Tokyo Stock Exchange
Mothers Section

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* FY9/15 results are on a non-
consolidated basis

■ A Crowd Sourcing Company Pursuing a Vision of “Workstyle Revolution”

CrowdWorks Inc. <3900> (hereinafter also “the Company”) operates a crowdsourcing business that offers workstyles that are not restricted by location or time using the Internet. It is a young company, founded in November 2011, but its operation has built strong results in a short time. It is an industry leader with one of the largest business scales in Japan.

In the crowdsourcing business, the Company provides a platform to enable online business matching. Currently, the Company offers three services: “CrowdWorks,” which is also the Company’s name, “CrowdTech,” and “WoW!me.” The main service among these is CrowdWorks, which matches freelancers with clients. The Company receives fee revenue based on freelancer remuneration and on project management.

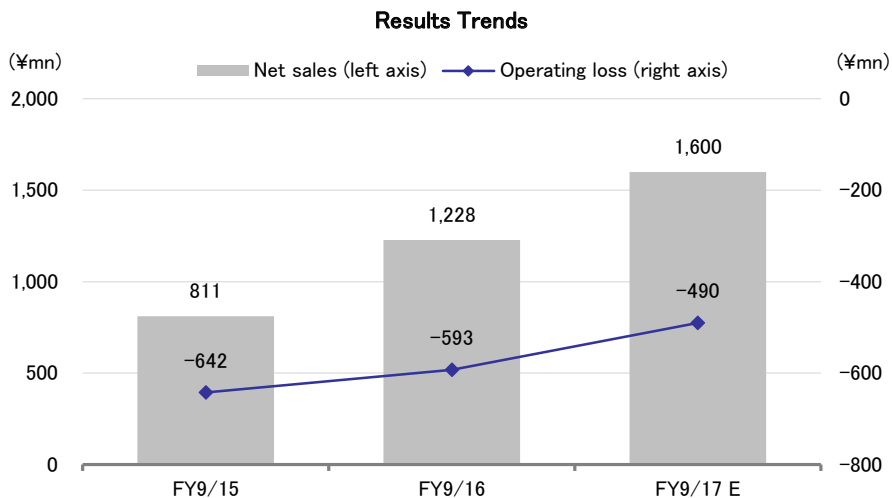
At this stage, crowdsourcing is still in its infancy, but the Company is resolutely pursuing every possibility. There is plenty of scope for further growth in its existing businesses, but the Company is also looking to develop the new fields that derive from these, growing their sales share to around half that of the existing fields. The potential needs for the Company’s business within a wide range of fields appear huge, and it is expected to continue growing strongly.

Looking at the Company’s performance, at this early stage it is still reporting losses, but it is showing rapid growth in the numbers of users, clients, and contracts. Net sales for FY9/16 were up 51.3%* year on year (YoY), to ¥1,228mn. In FY9/17 as well, net sales are projected to grow 30.2% to ¥1,600mn. The Company appears to be enjoying a period of high growth where its momentum will continue unchecked.

Turning to profits, the Company’s operating losses have been shrinking due to efforts to reign in rising costs, including restraints on advertising expenses for increasing public awareness of the Company. Total contract amount for FY9/16 amounted to ¥4,570mn, and is projected to reach ¥6,500mn for FY9/17. Over the short term, the Company is targeting a total contract amount of ¥10,000mn and to make a full-year operating profit. The Company is expecting to achieve these targets by around FY9/19 as a conservative estimate, but given the apparent size of potential demand, it seems likely to achieve the targets at an earlier stage.

■ Check Point

- Two business models with fully Internet-based services for SMEs and Internet + on-site services for large corporations
- Steady growth in numbers of users and clients
- Aiming to achieve total contract amount of ¥10,000mn and to make a full-year operating profit at an early stage



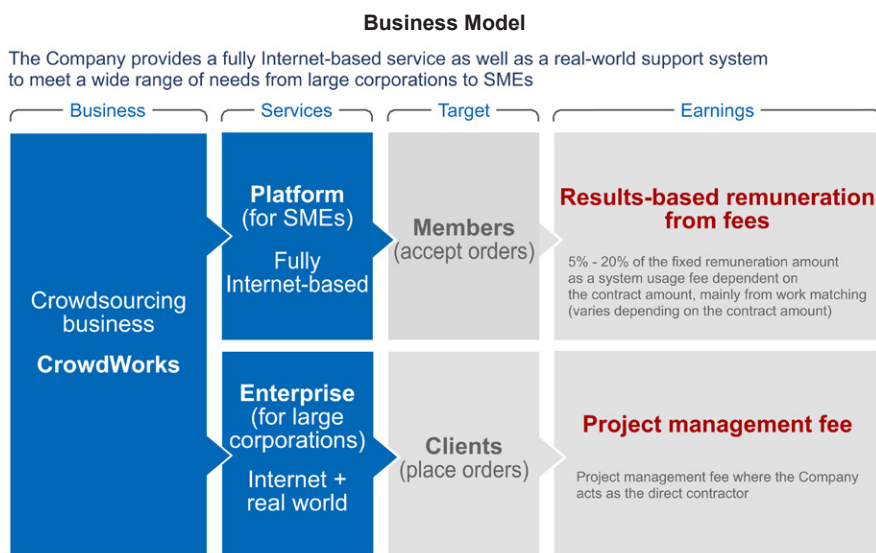
Note: FY9/15 results are non-consolidated

■ Description of Businesses

Twin business models with fully Internet-based services for SMEs and Internet + on-site services for large corporations

The Company's crowdsourcing business was started by president and CEO Koichiro Yoshida after he noticed this style of working using the Internet that does not restrict time and location as he was traveling back and forth between Japan and overseas. A wide range of operations are covered, such as writing, website production, and design.

The business models for the crowdsourcing business are a fully Internet-based model for SMEs and an Internet + on-site model for large corporations. The platform service for SMEs enables all services to be performed online, from worker recruitment to delivery, acceptance inspection, and payment of remuneration. Earnings are results-based remuneration, namely, a system usage fee of between 5% and 20% depending on the total amount of the contract made through the matching service. In the enterprise service for large corporations, the Company becomes the direct contractor and receives earnings in the form of project management fees.



Source: Materials published by the Company

In the mainstay CrowdWorks service, work-seekers register themselves and are matched with companies that want to place orders for work. The service has proved popular with stay-at-home mothers who want to utilize their free time. For the corporations who use the service, it offers many convenient features, such as an easy way to find a contractor and management of the entire process from worker recruitment to acceptance inspection and payment of remuneration. On one hand, there is a great potential demand for working without restrictions on time and location, on the other, the service is tailored to the outsourcing process of companies. As a result, it is currently in the process of rapid expansion both in the users who are matched, known as “crowdworkers,” and in clients. The number of users at the end of FY9/13 was only 67,000, but by the end of FY9/16 had grown to over 1,000,000. The number of clients also grew rapidly over the same period from 13,000 companies to 138,000.

CrowdTech is a career support business for freelancers such as engineers and designers, with a business model where work is subcontracted to registered members. The service matches client companies seeking to outsource sophisticated system development and website production with highly skilled crowdworkers such as IT engineers and web designers. The WoW!me service is a new type of C2C service where individuals can display any type of product, skill, feature, hobby, lifestyle, idea, and so forth, for purchase by anybody. The service is designed to correspond to the “noticeboard” section in a local information magazine in the analogue world. It is a new business that started as a spin out from the platform service and is now positioned as a third pillar for the Company.



Source: Materials published by the Company

Recently, the major customers are increasingly switching from enterprise to platform. Reflecting this, the total amount of platform contracts for Q4 FY9/16 showed a 60% increase over the same period of the previous fiscal year. In addition to the full agency services offered up to now, the Company has started the “corporate support” service as a measure to support large companies in using the platform by having the client’s internal agent use the platform. This is expected to expand the market even further.

17-Apr.-17

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■ Results Trends

Steady growth in numbers of users and clients

In the Company's consolidated results for FY9/16, net sales were ¥1,228mn, up 51.3%* YoY, operating loss was ¥593mn, compared with a loss of ¥642mn for the previous fiscal year, ordinary loss was ¥590mn, compared with a loss of ¥649mn, and loss attributable to owners of parent was ¥647mn, compared with a loss of ¥722mn. Total contract amount – one of the company's key management indicators – showed strong growth at ¥4,570mn, up 62.9%. The Company improved productivity per employee, which has reduced its operating loss. Looking at the Company's financial position, the equity ratio was 60.3%, which is relatively strong for a venture company.

For FY9/17, the Company is forecasting net sales of ¥1,600mn (up 30.2% YoY), operating loss of ¥490mn, ordinary loss of ¥490mn, and loss attributable to owners of parent of ¥500mn. Losses are expected to narrow with the rate of growth in operating expenses projected to peak at 14.7%. Total contract amount is expected to be ¥6,500mn, up 42.2%, with high growth expected to continue.

■ Outlook

Aiming to achieve total contract amount of ¥10,000mn and to make a full-year operating profit at an early stage

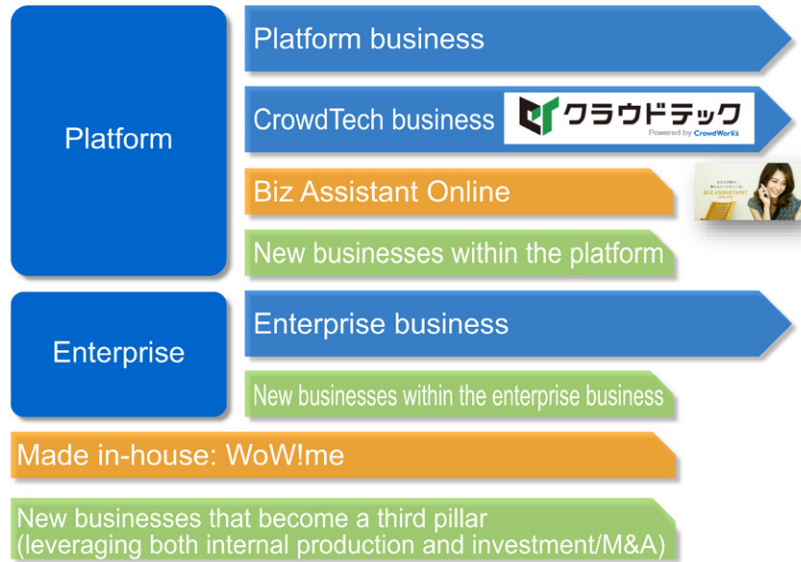
The Company has set a short-term target of total contract amount of ¥10,000mn. When this level is realized, the Company expects to make an operating profit.

In 20 years' time, over 10,000 types of work are expected to be conducted online and ordered through crowdsourcing business, such as business processes, engineering, medical services, and nursing care. The work will include operations that can be assigned to robots or AI, as well as work that can be only performed by people. By supporting the crowdsourcing of these kinds of work, the Company aims to grow over the medium- to long-term.

The Company refers to this business environment as the "crowdsourcing economic zone." It will foster growth in its existing businesses while creating new businesses in fields derived from existing ones. These new businesses will be developed in Japan and overseas on a large scale. WoW!me is an example of a new business created within the platform. The Company aims to increase the sales from the derivative business fields to around half of total sales. Currently, it has simple segment classification typical of a growth company, but this is likely to change significantly in 5 years and 10 years.

Method of creating new businesses

Create new businesses from possibilities of all angles and develop them



Source: Materials published by the Company

The Company established the Crowdsourcing Association as an industry body in May 2014. The Company has a representative director on the society's board and as an industry leader plans to expand the market going forward by striving to popularize working at home. Furthermore, the Company will work to increase recognition of the service and promote long-term crowdworking contracts, which have often been on-off contracts so far, in a bid to secure more stable earnings. "CrowdTech" is one initiative with this aim.

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