

CrowdWorks, Inc.

Business Plan and Growth Potential

Securities code: TSE Mothers 3900

Business Overview & Our Mission

Since 2012, we have developed a platform business offering people to work in ways unbound by traditional employment styles: freelance, side work, work from home, and more. We are Japan's largest online talent platform, with 760,000 clients and 4.7 million registered CrowdWorkers.

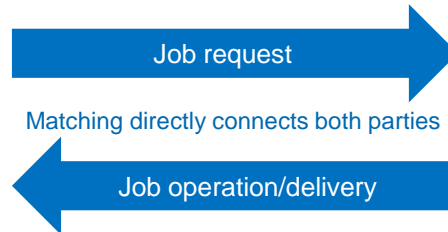


760,000
Client Companies

- Access to human resources with the right skills/track record
- Requests can be made as needed, when needed
- No additional fee for job requests



“CrowdWorks”



4,700,000
Crowd Workers

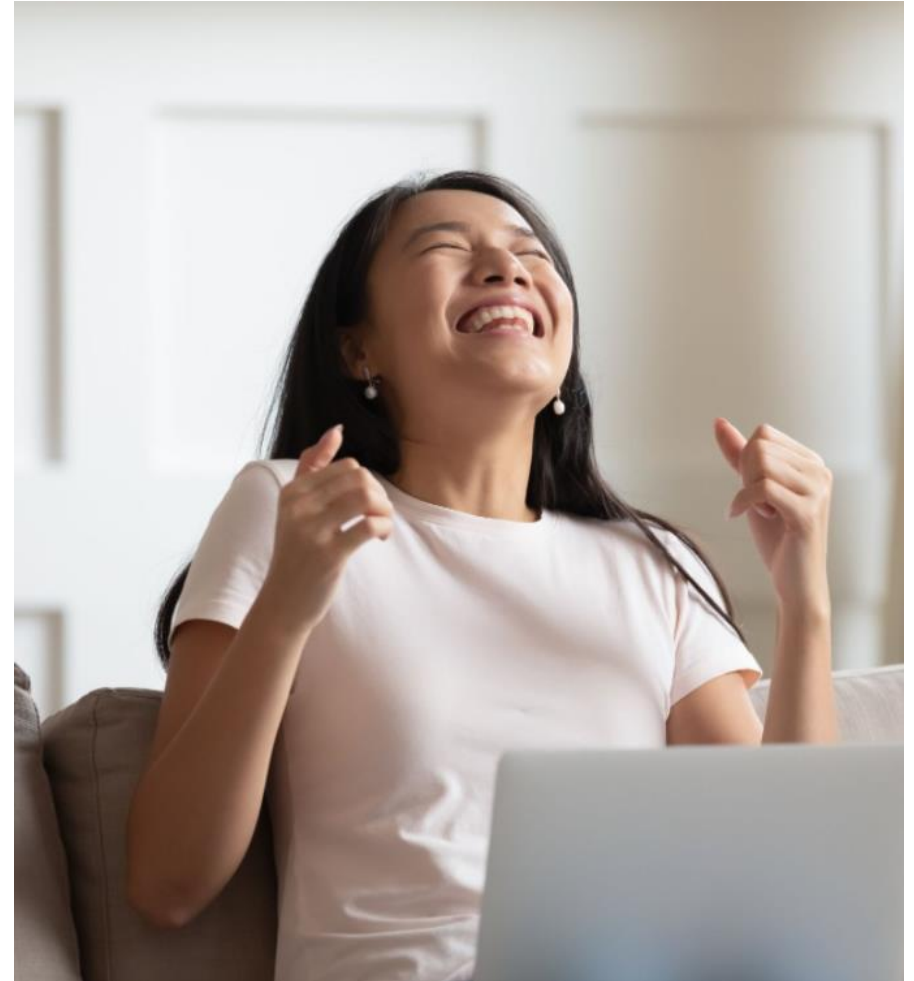
- Access to jobs fitting own skills/situation
- Work flexibility according to your lifestyle
- Assistance can be given to make contracts and get paid

Talent infrastructure

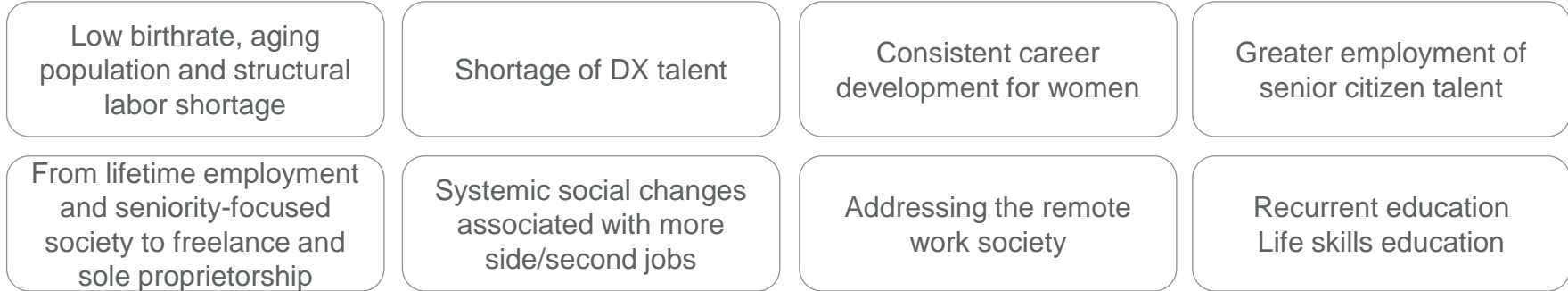
More than ever before, the world today is a place in which talent and experience can be used for the betterment of other people's lives.

Writers, designers, engineers, video distributors, school instructors, and many others are making a career out of what they are good at, helping others, and bringing smiles to the people around them.

We believe in the infinite potential of people. We believe that people's talents can be tapped to significantly improve others' lives. CrowdWorks' mission is to become a modern infrastructure for talent.



Social Issues in Japan



By creating the infrastructure for talent
We will resolve social issues



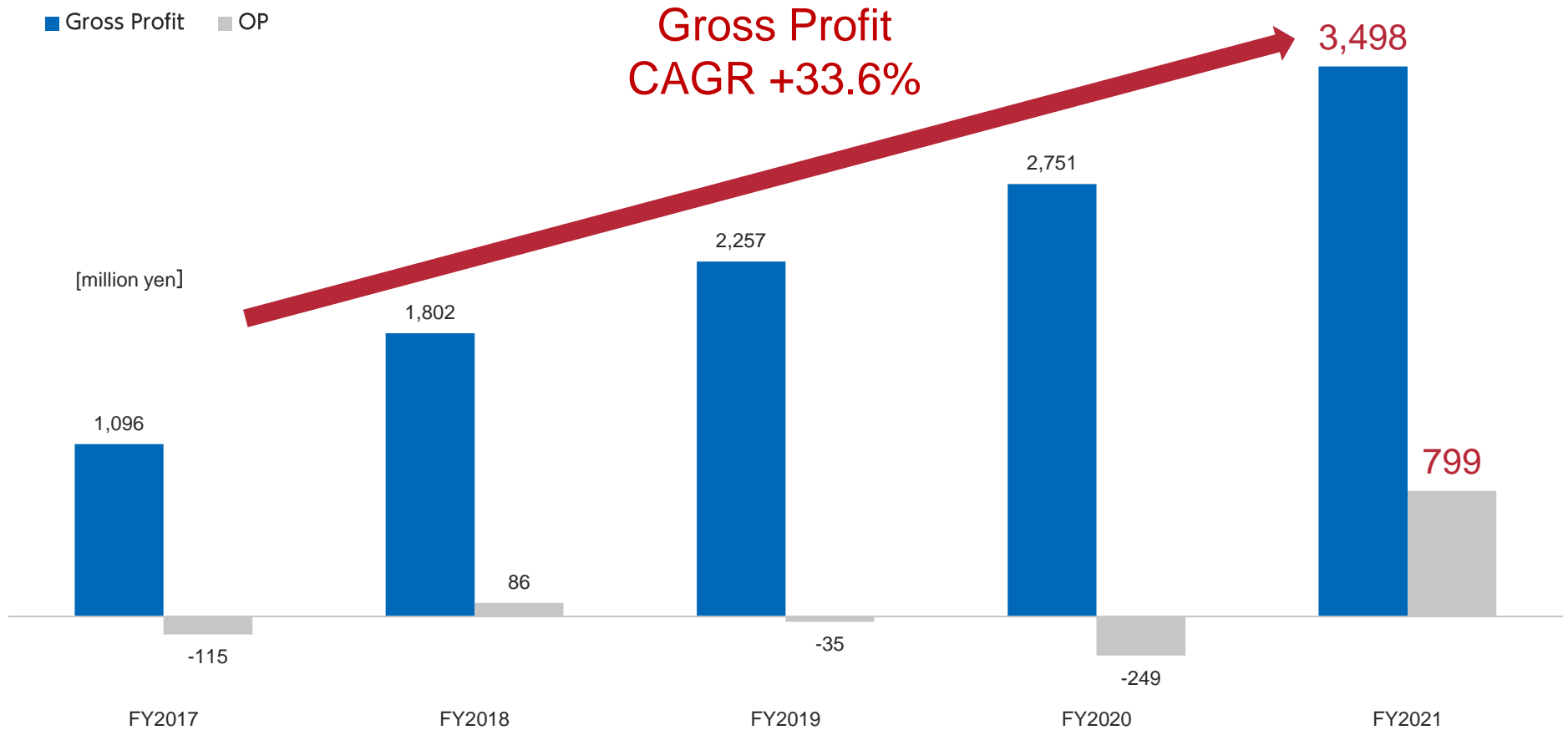
By creating the infrastructure for talent
We will grow sales and profits

SDGs to achieve through the infrastructure for the individual



Ongoing Achievement of Gross Profit Growth and Profitability

Gross profit in the Matching Business continued its growth, at a CAGR of 33.6% for five-years. The business became profitable in FY2021 with operating profit of 800 million yen, as well as a gross profit of 3.5 billion yen.



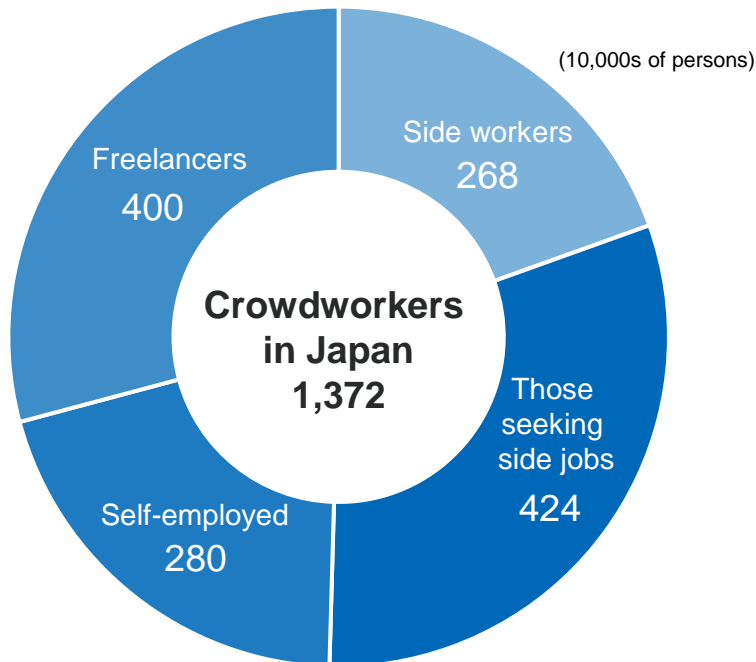


Market Trends

Growing Freelance Talent Pool and Spreading Remote Work

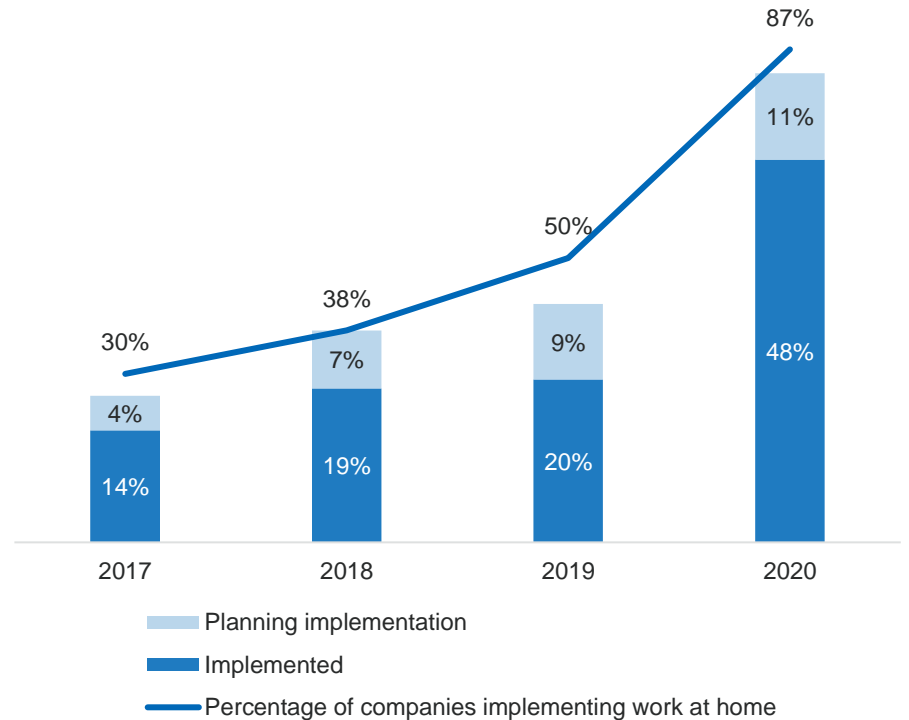
The total pool of CrowdWorkers, including freelancers and side job workers, has now surpassed 13 million and is expected to grow further. Remote work and work from home have become commonplace amid the COVID-19 pandemic, further accelerating flexible work styles.

Population of CrowdWorkers Targeted by CrowdWorks



Corporate Adoption Rate of Remote Work / Work from Home Systems

COVID-19 leads to remote work becoming commonplace; 90% of companies that introduced remote work continue use



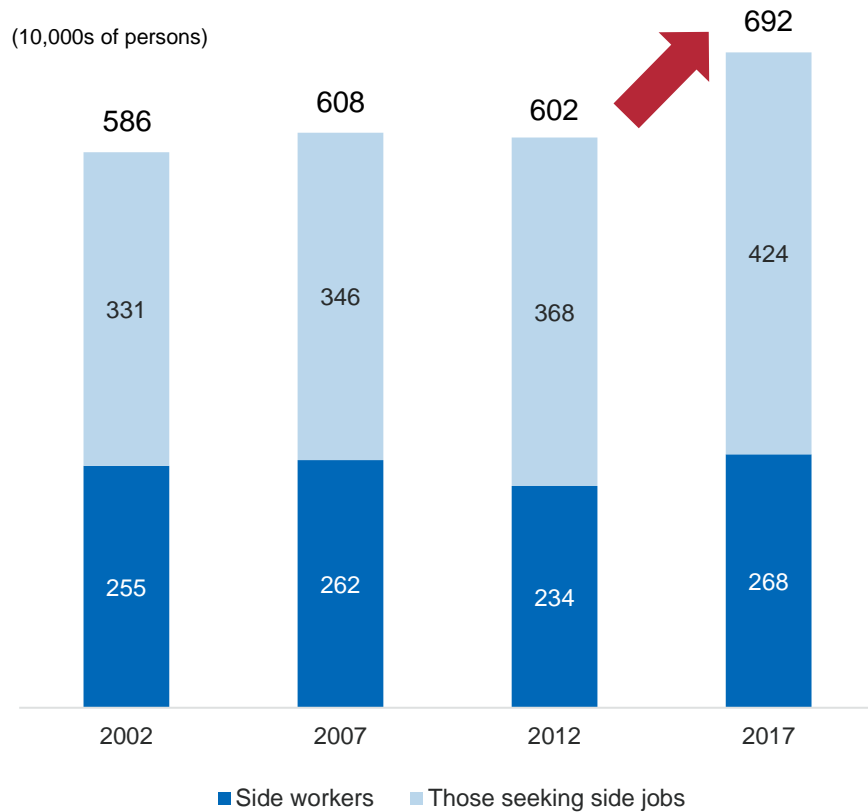
Source

Population of CrowdWorkers: "Labour Force Survey" and "Employment Status Survey," Ministry of Internal Affairs and Communications. Of "Self-employed," those business owners without employment are defined as freelancers, whereas those business owners with employment and with family employees are considered self-employed. "Side workers" refers to those people with a side job, whereas "Those seeking side jobs" refers to those seeking additional employment.

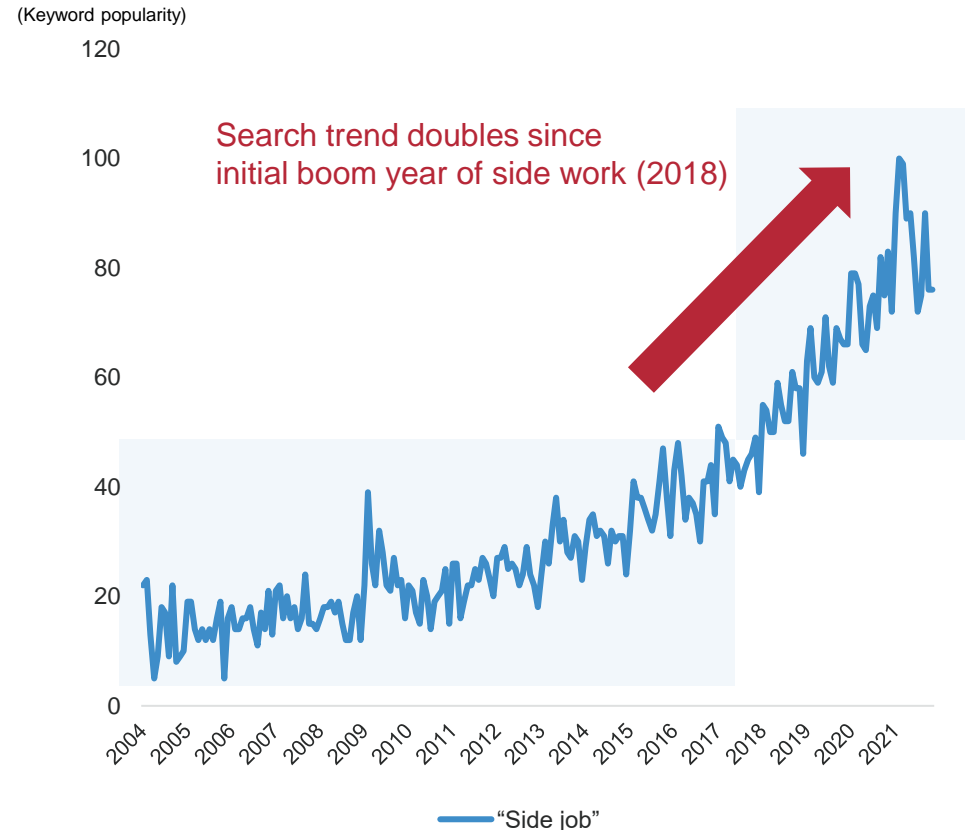
Corporate Adoption Rate of Remote Work / Work from Home Systems extracted from the "Communications Usage Trend Survey," Ministry of Internal Affairs and Communications.

The number of side workers has been on the rise in recent years, with around 7 million people now seeking side jobs. Side jobs have been on an expansionary trend since the initial boom year of 2018, with further growth expected in the number of those seeking side jobs.

Side Worker Count Over Time



“Side Job” Search Keyword Trend

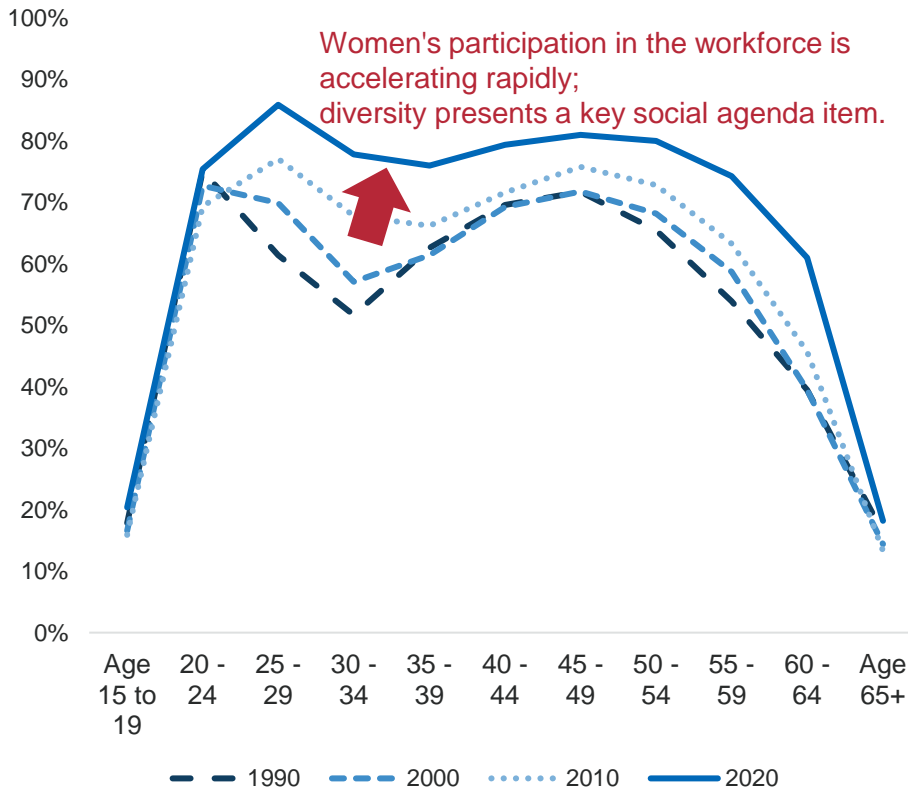


Source
Side Worker Count Over Time: “2017 Employment Status Survey,” Ministry of Internal Affairs and Communications
“Side Job” Search Keyword Trend: Keyword volume for “副業” (side job), Google Trends

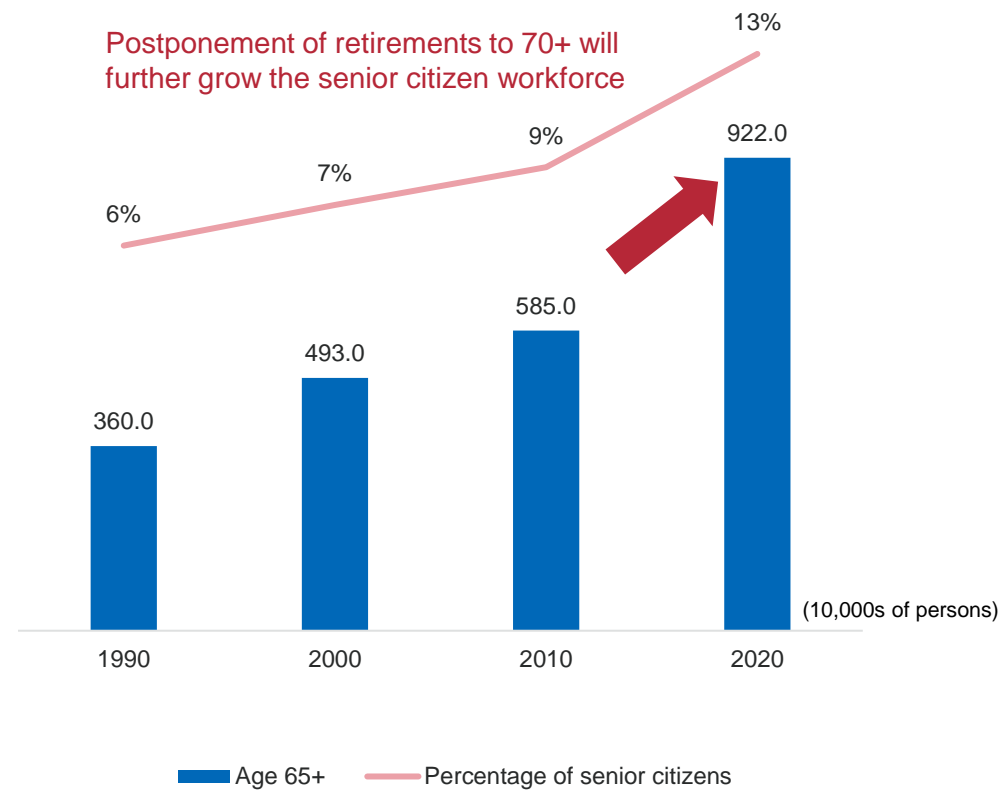
Changing Work Styles and Increasing Labor Pool Among Women and Senior Citizens

Women's participation in the workforce is further accelerated by the spread of online processes and remote work. The share of working senior citizens is also rapidly increasing, with retirement postponements to age 70 to drive this trend even further.

Share of Women Participating in the Workforce by Age Group



Share of Senior Citizens (Age 65+) Participating in the Workforce (and Total Working Population)

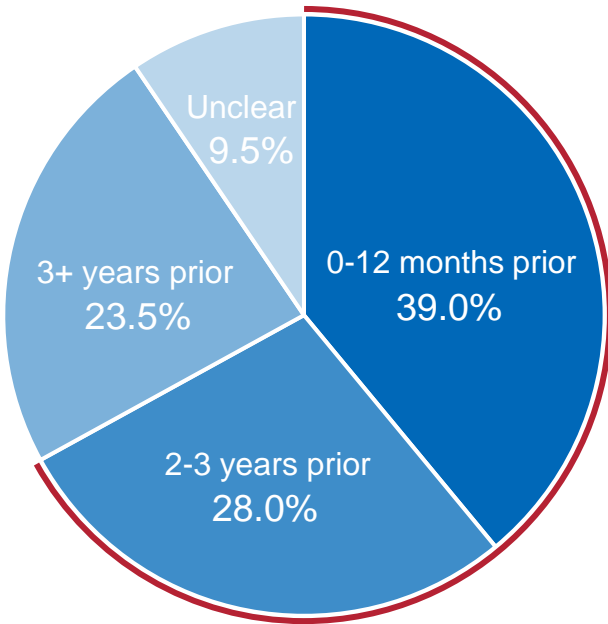


Source: Share of women participating in the workforce derived from the Labour Force Survey, defined as the ratio of the working population to the population of each age group. From the same survey, the share of senior citizens participating in the workforce is defined as the percentage of working population aged 65 and over to the total working population by age group for each year.

Companies are more rapidly bringing in talent from outside their organization, and the shortage of personnel from promoting DX will accelerate this trend.

Timing of initial external talent intake
(HR personnel, n = 200)

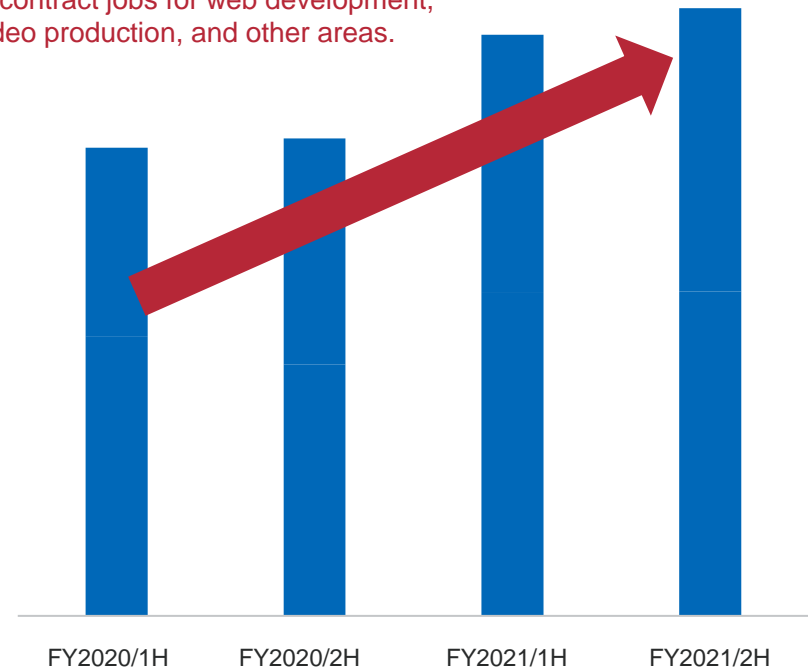
70% of companies have hired outside talent in the past three years, showing more active utilization of external human resources.



Growth in contract jobs like web and system development, video production, etc.:

Due to the shortage of DX personnel, we have seen an annualized growth of 30% in contract jobs for web development, video production, and other areas.

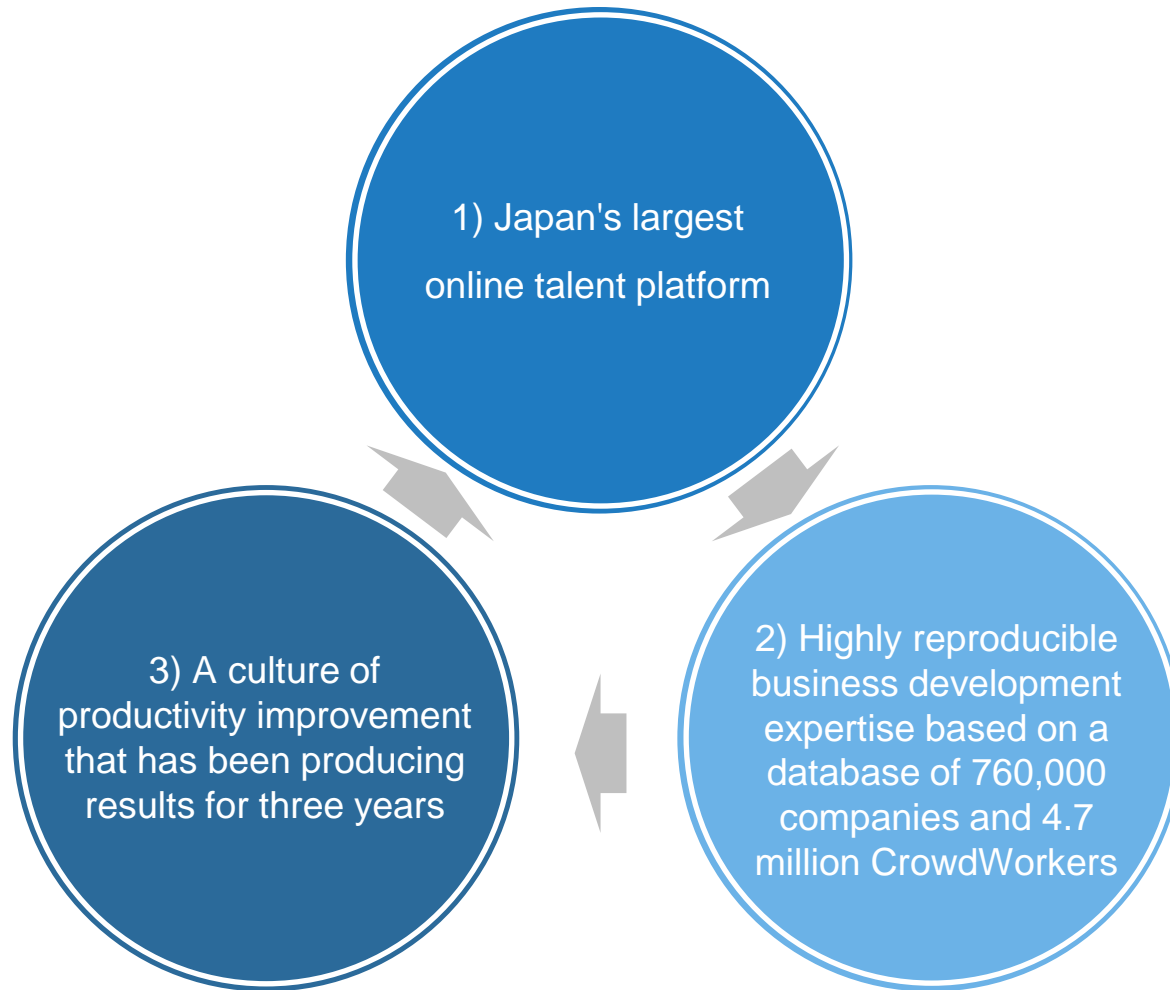
+28%



Source
"Trend Survey in Side Jobs and Side Businesses 2020," Recruit Works Institute

Our core competence

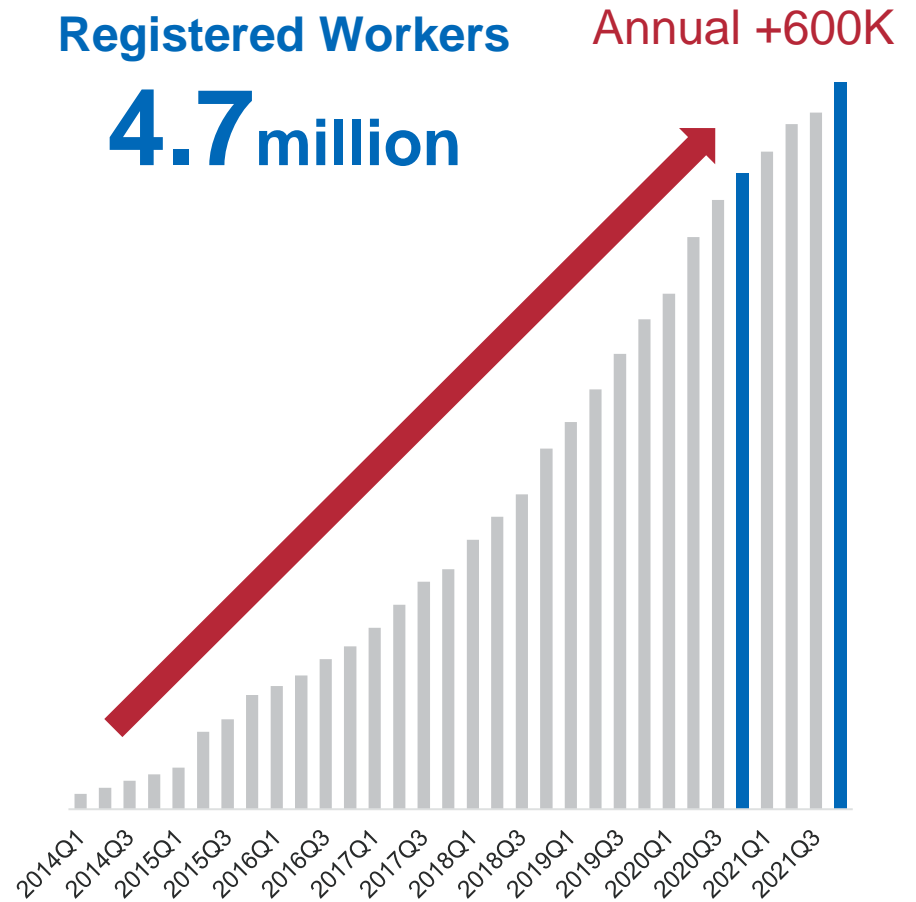
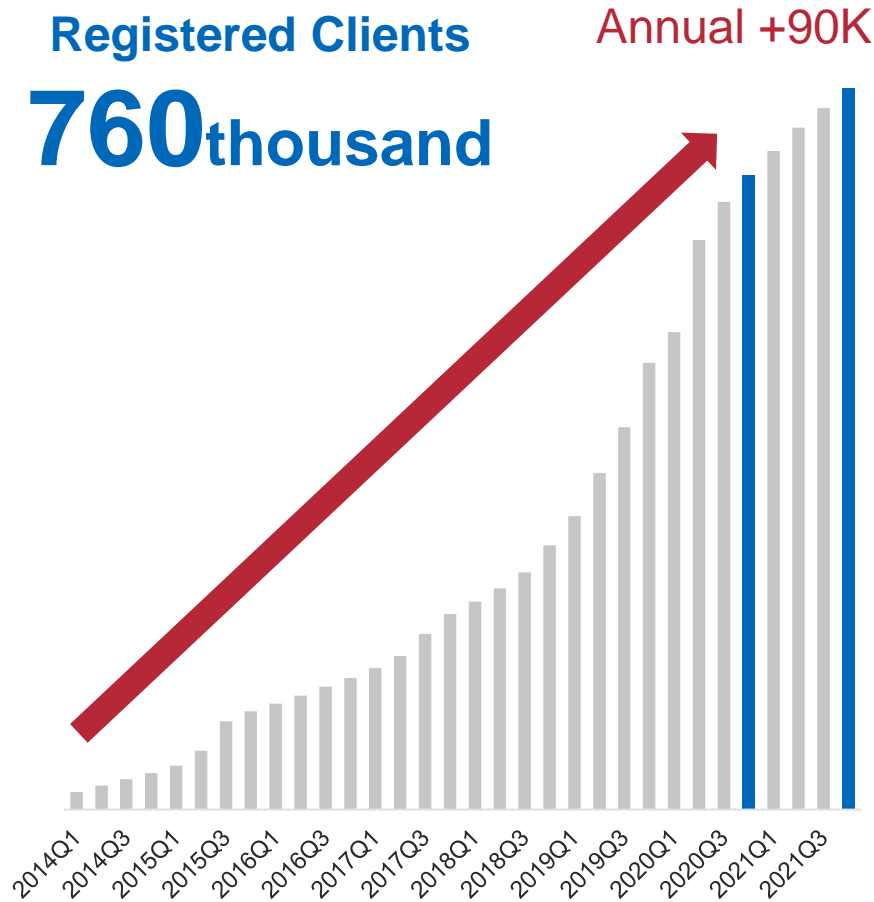
CrowdWorks enjoys three competitive advantages: 1) Japan's largest platform, 2) highly reproducible business development expertise, and 3) a culture of productivity improvement.



Competitiveness 1) Overwhelming Client/Worker Base

With 4.7 million online workers, we possess Japan's largest talent database.

And, with a client base of 760,000 companies, we can offer matching opportunities for all kinds of jobs.



*For "Japan's largest talent database," the number of registered members is compared based on publicly available information on the websites and disclosure documents of companies operating services that match freelancers, side-job workers and other human resources with companies.

Competitiveness 1) Market Acquisition By Expanding the Platform

The source of our growth is to utilize our platform assets to develop a variety of services and expand our market share in a total addressable market (TAM) of over 10 trillion yen.

Japan's Largest Platform



Developing markets by launching new services centered on our platform assets

Expanding markets

Web production outsourcing areas	Engineer/designer areas	Assistant/admin areas
IT outsourcing market	Engineer dispatch market	General clerical dispatch market
100 bil. yen	770 bil. yen	1.7 tril. yen

TAM: 2.6 tril. yen

Markets with room for future expansion

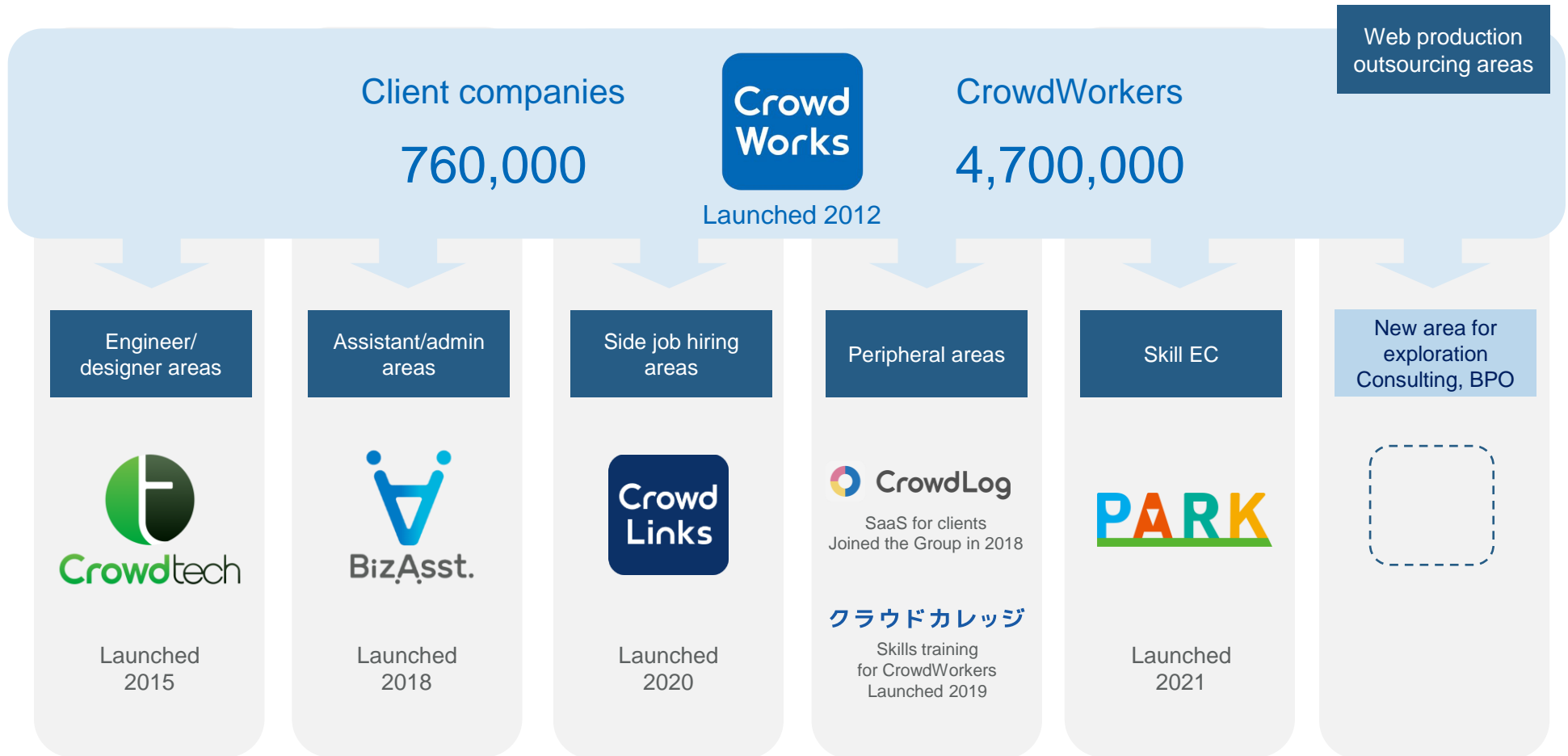
SI market	BPO market	Consulting market	Part-time job advertising market	Other peripheral markets
7 tril. yen	1 tril. yen	765.9 bil. yen	250.0 bil. yen	

TAM: Over 9 tril. yen

Source
 For the IT outsourcing market, the market scale of production and others is calculated from "Current Status and Outlook of the Internet Advertising & Web Solutions Market" by Deloitte Tohmatsu MIC Research Institute. Technician dispatch and general office worker dispatch markets are calculated by multiplying the number of workers in information processing and communications technology and office job workers by the dispatch fee from the Ministry of Health, Labour and Welfare's "Worker Dispatch Business Report". The SI, BPO, and consulting markets are taken from IDC's "Domestic Enterprise IT Market," "Domestic Consulting Services Market," and "Domestic Business Process Outsourcing (BPO) Services Market" market forecast releases. The part-time job advertisement market is calculated by multiplying the ratio of clerical and sales jobs by the market size from the "Job Information Provision Service Market Size Survey" release by the National Association of Job Information.

Competitiveness 2) New Business Development By Leveraging Our Platform Assets

In the nine years since our founding, we have expanded our business by developing services in domain after domain. We now possess highly reproducible business development capabilities. Thanks to accumulating platform assets and business development expertise, we can achieve continued market expansion.



Competitiveness 3) Productivity Improvement: A Core Driving Force and Culture Behind Business Performance

The driving force behind the performance we have achieved is our productivity improvements, thoroughly refined over the past two years. We have developed our Productivity Improvement Policy and our PIP (a productivity improvement knowledge sharing contest), establishing a corporate culture capable of achieving sustainable growth in sales and profits.



*PIP: "Productivity Improvement Pitch"

Rigorous improvement in all internal operations based on the productivity policy formulated for FY2020

At weekly PIP meetings, 90 productivity improvement measures are presented over the course of the year.

Sample PIP (Productivity Improvement Pitch) Presentations

Productivity Improvement Pitch (Engineering)

The story of how “Storybook” made front-end development dramatically easier.

Product development Group



2021/09/27

Productivity Improvement Pitch (Engineering)

The story of how I improved my productivity by changing the way we scan mail, make up notifications, and receive faxes.

General Affairs and Legal Group




2021/7/19

Productivity Improvement Pitch (Marketing)

The story of how an automated schedule adjustment tool reduced man-hours, increased decision rates, and improved CAC

BizAsst Group




2021/08/16

Productivity Improvement Pitch (Process change)

A story about creating an illustration module and changing the illustration creation process.

Design Group



2021/08/16

Productivity improvements through PIP

FY2021

90 cases

Example Productivity Improvements

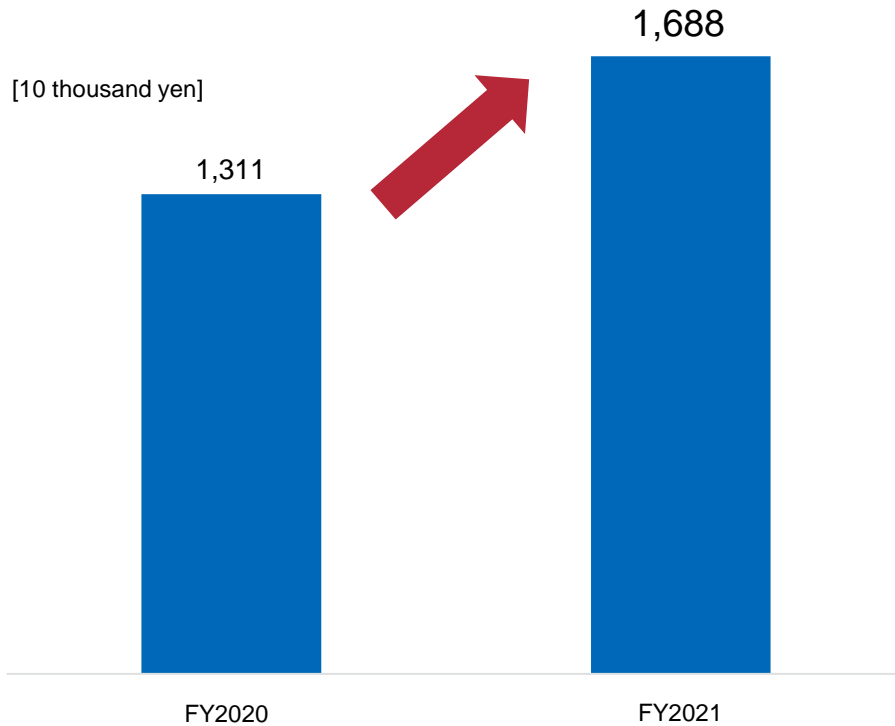
Implementing PIP has led to business growth and productivity improvement in FY2021.

Productivity Improvement Topics		Practical Examples	Impact
(1) Marketing	Improve the unit economics for LTV/CPA by changing investment allocation and marketing methods	[BizAsst] Automatic schedule adjustment tool and email policy reduces man-hours, improves close rate, and improves customer acquisition costs	Customer acquisition costs: 20% reduction
		[CrowdLog] Increasing LTV for new customers by focusing on high unit price projects for major companies	New customer LTV: 47% increase
(2) Process changes	Reduce costs and improve the ratio of gross profit to cost by reviewing business processes	[Crowdtech] Reviewing the method of acquiring new business to reduce the man-hours required for acquisition	Acquisition time: From 180 minutes to 20 minutes per project
		[BizAsst] Improving worker onboarding to increase monthly retention rate and LTV	Monthly retention rate: From 89.1% to 94.8%
(3) Engineering	Improve productivity by implementing technology to systematize and automate processes	[CrowdWorks] Reducing man-hours and improving order rate by migrating user support from phone to chat	Man-hours: 44% reduction Order rate: 1.8% improvement
		[CrowdWorks] Reducing maintenance man-hours by removing unnecessary functions	Maintenance man-hours: From 728 hours to 0 hours Maintenance expenses: From 5.4 million yen to 0 yen
(4) Task and operations improvement	Improve productivity by reviewing and streamlining daily tasks and operations	[CrowdWorks] Streamlining month-end sales aggregation by using a unified format	Time for aggregation: From 250 minutes to 50 minutes per month (80% reduction)
		[Administrative divisions] Improving accuracy and efficiency of forecast/performance management by automatically detecting errors	Number of errors: From 23 to 2 per month (87% reduction)

Productivity Improvement KPI (1): Improving Gross Profit per Employee

Gross profit per employee improved by 28.7% when excluding impact from sale of the Project Contracting Business. This was a result of the sale of the low-productivity Project Contracting Business, as well as internal improvements (e.g., improved take rate, stronger sales productivity and inside sales, and improved LTV).

Gross profit per employee without previous year Sale of Project Contracting Business



Gross profit per employee

Year-on-year

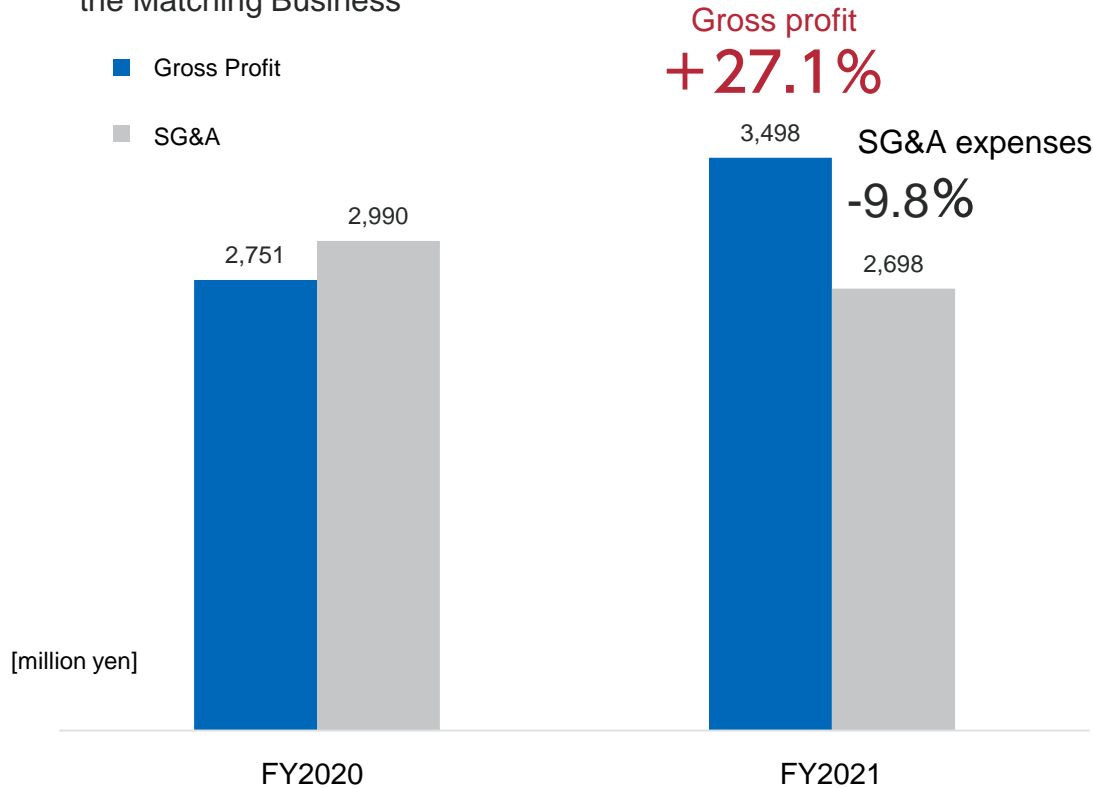
+28.7%

*Internal improvement without Sale of Project Contracting Business

* Employee = Core employees + contract employees + parttime workers (excludes officers)
 * Productivity compared per average number of employees per quarter

We achieved nearly 30% gross profit growth while reducing SG&A expenses by approximately 10% YoY. Our goal is to continue growing gross profit at a rate outpacing the increase in SG&A expenses.

Gross profit growth rate and SG&A expense change rate in the Matching Business



**Gross profit
+27.1%**

**SG&A expenses
-9.8%**

*Both are YoY comparisons

Historical Financial Results & FY2022 Guidance

FY2021 Full-year Performance Highlights

Entire Company: Achieved a record high profit of 600 million yen

Matching Business: Achieved growth of more than 25% for the full year, and operating profit of 800 million yen

	Entire Company	Matching Business	SaaS & New Business	Project Contracting Business
GMV	15,698 million yen (YoY +3.2%)	15,578 million yen (YoY +22.0%)	119 million yen	Sold in FY2020
Net sales	8,055 million yen (YoY -7.7%)	7,936 million yen (YoY +25.9%)	119 million yen	
Gross profit	3,600 million yen (YoY +8.4%)	3,498 million yen (YoY +27.1%)	102 million yen	
Operating profit	601 million yen (YoY +8.9 mil. yen)	800 million yen (YoY +10.4 mil. yen)	-200 million yen	

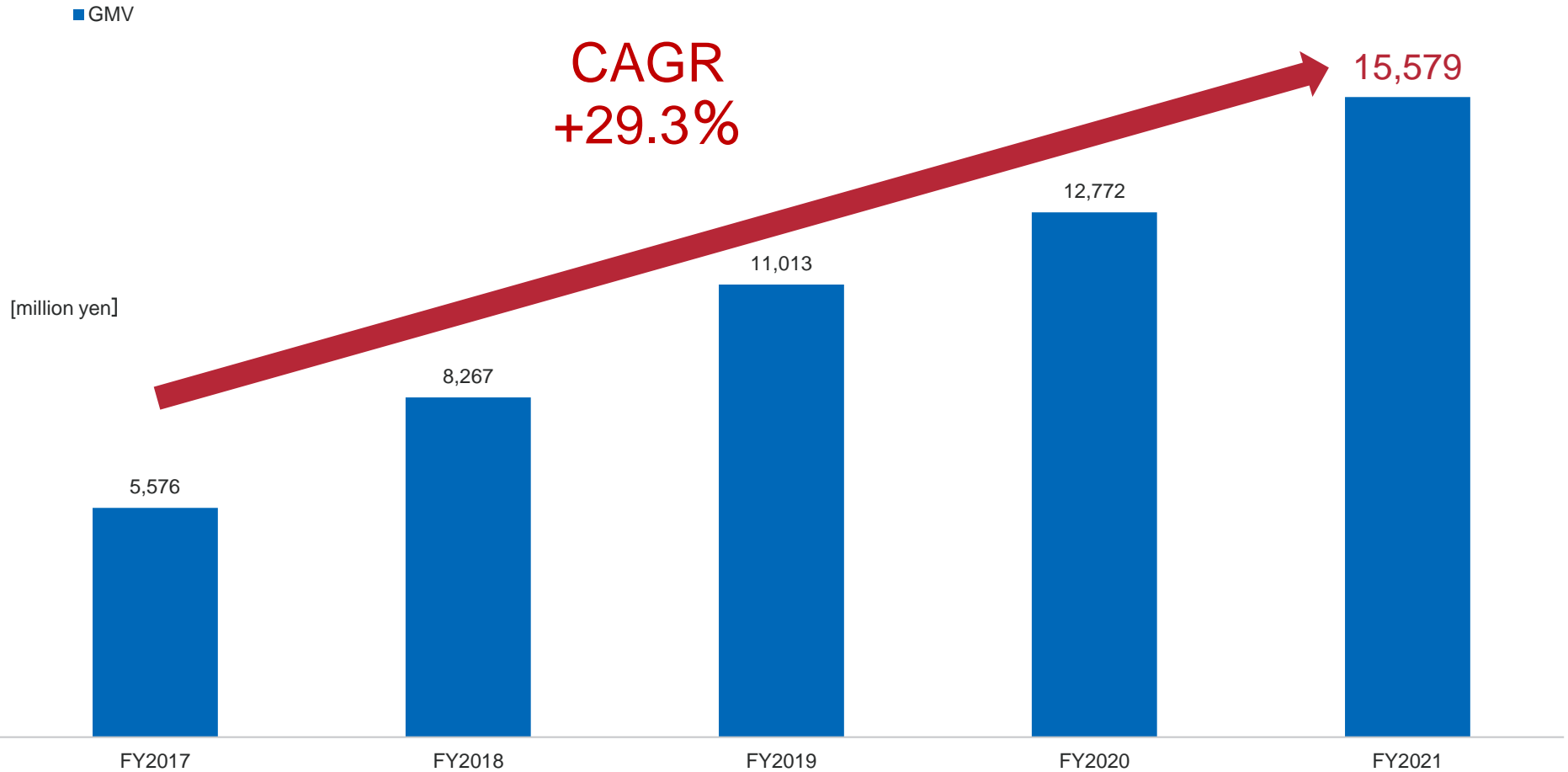
*1) Results by segment are disclosed after offsetting transactions between consolidated companies.

In the Matching Business, achieved sales growth of over 30% YoY, accelerating growth

	Entire Company	Matching Business	SaaS & New Business	Project Contracting Business
GMV	4,168 million yen (YoY +24.7%)	4,129 million yen (YoY +24.8%)	38 million yen	Sold in FY2020
Net sales	2,193 million yen (YoY +32.5%)	2,154 million yen (YoY +32.7%)	38 million yen	
Gross profit	962 million yen (YoY +34.7%)	931 million yen (YoY +31.0%)	31 million yen	
Operating profit	137 million yen (YoY +3.3 mil. yen)	193 million yen (YoY +3.3 mil. yen)	-55 million yen	

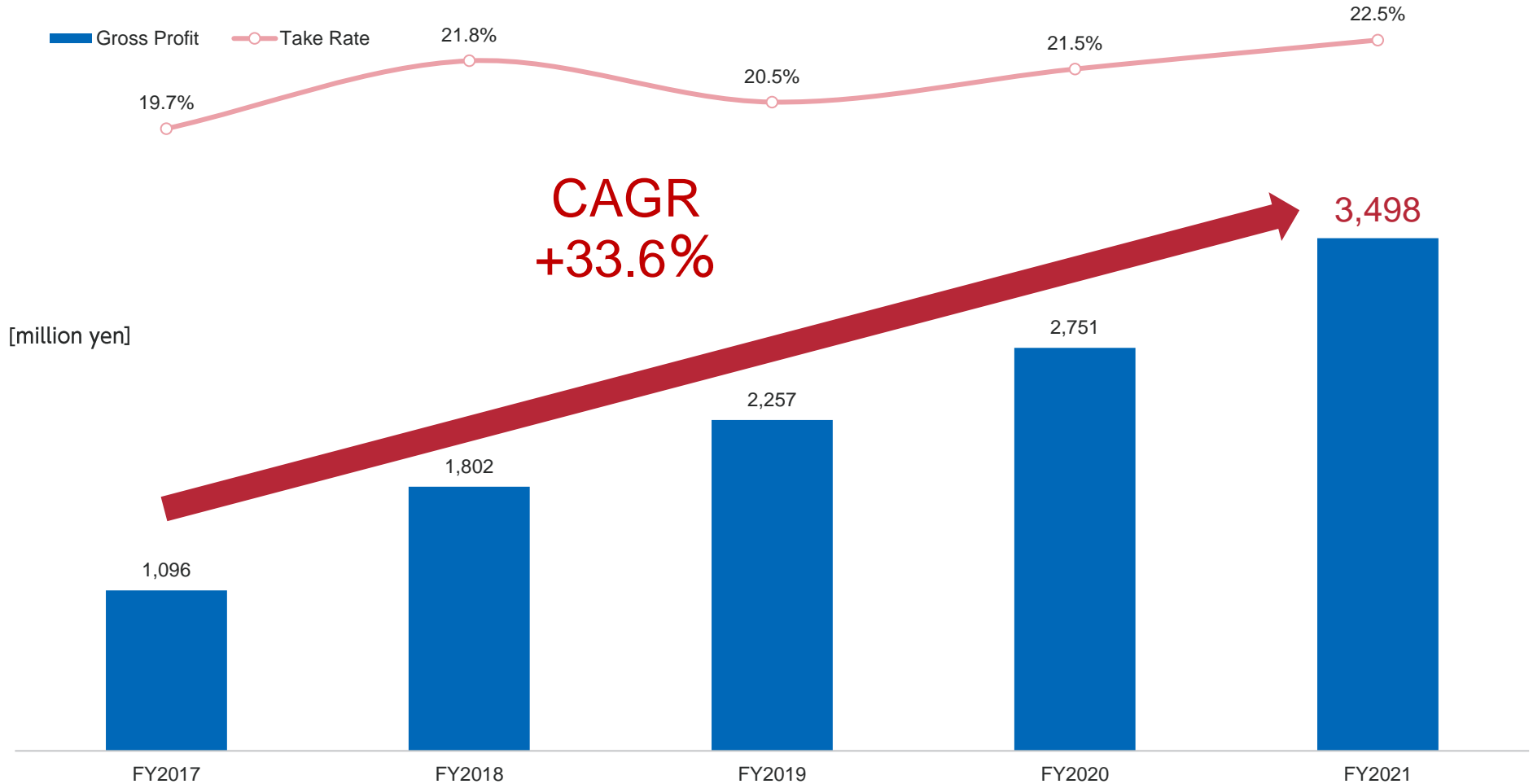
*1) Results by segment are disclosed after offsetting transactions between consolidated companies.

GMV of the matching business will continue to grow at a high CAGR of 29.3%.



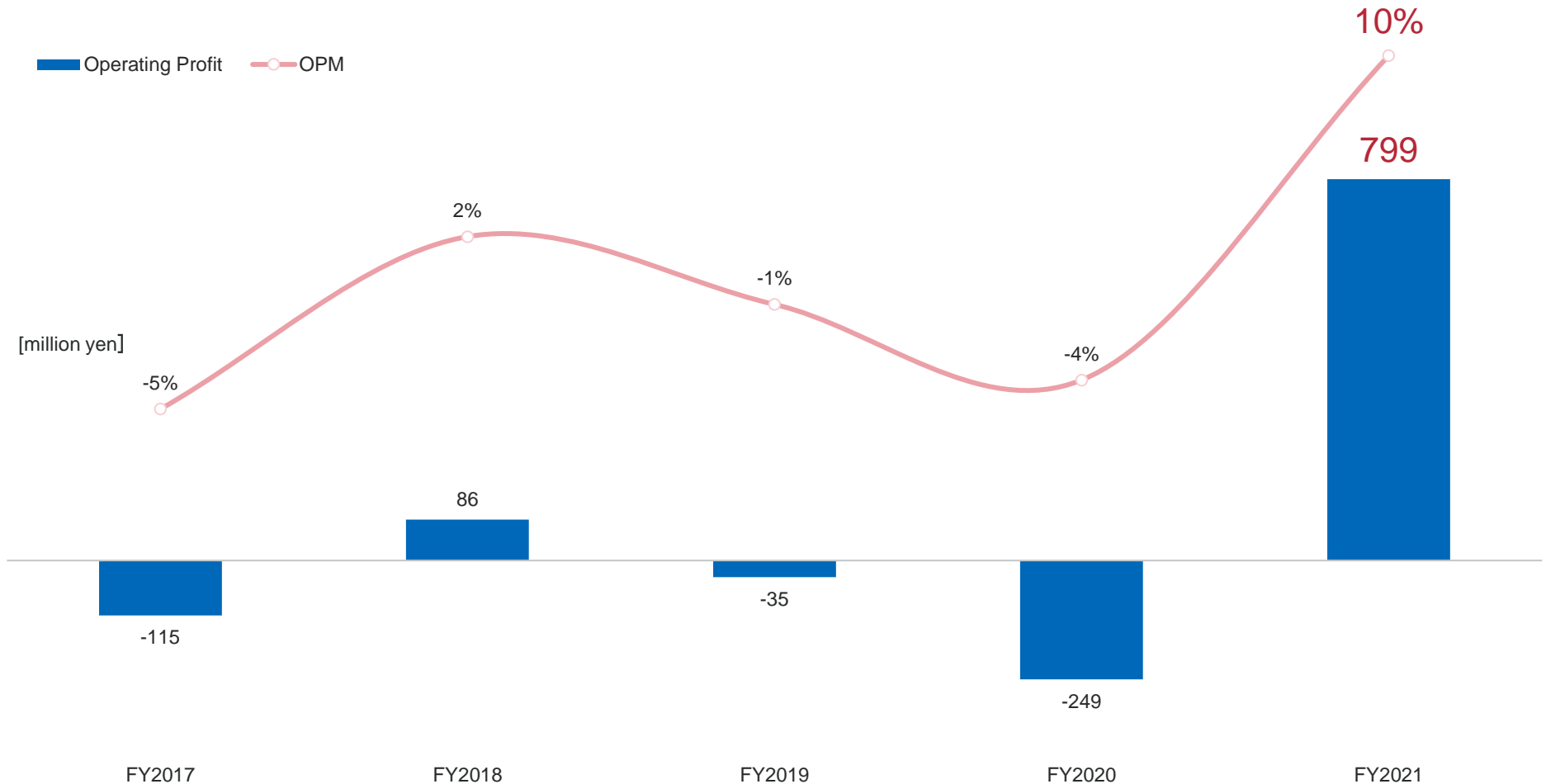
Matching Business Gross Profit and Take Rate

Gross profit is continuing high growth at a CAGR of +33.6%. Take rate also continued to improve to 22.5%.



Matching Business Operating Profit and Operating Profit Margin

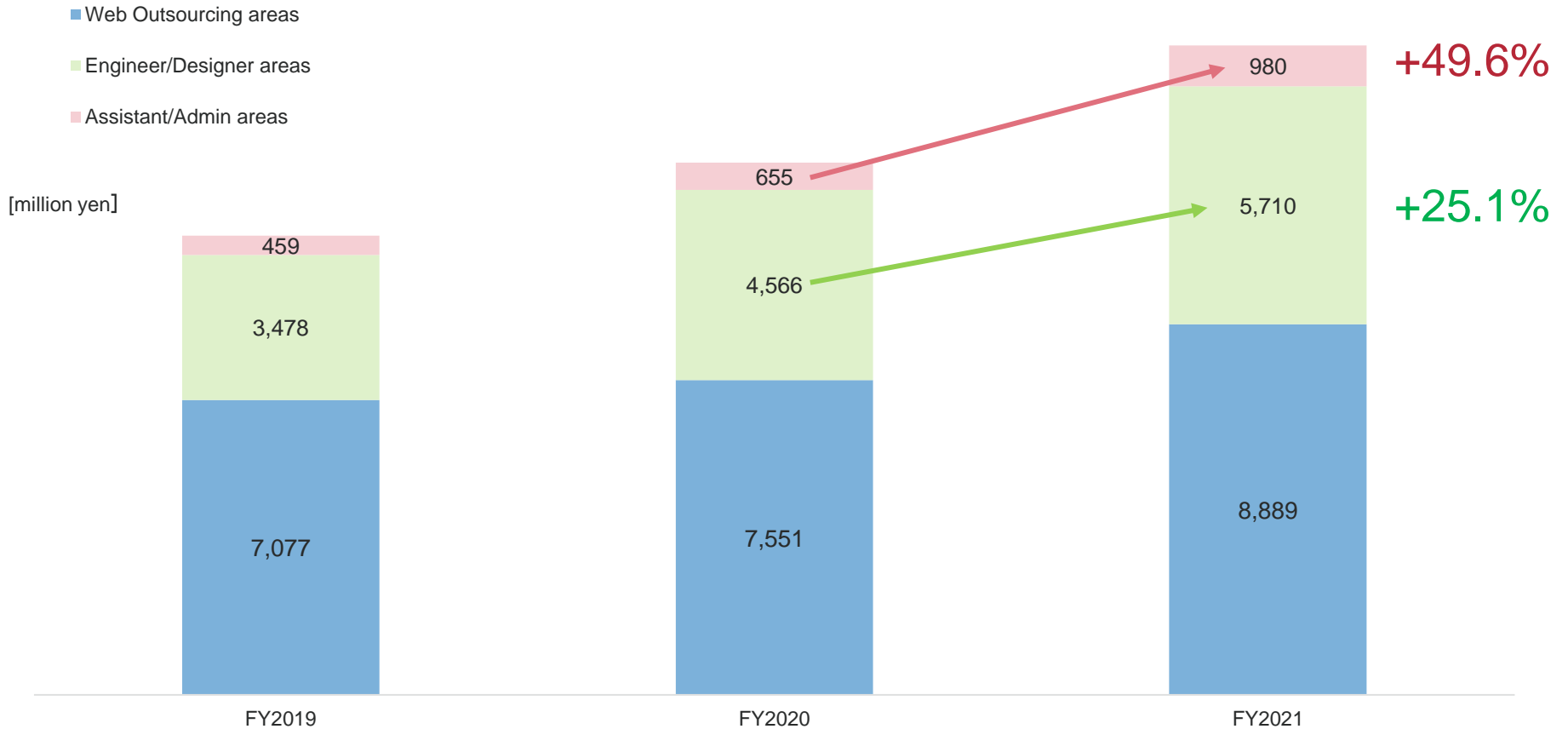
Operating income of the matching business was approximately 800 million yen in the FY2021, a significant turnaround, and the company has succeeded in creating a stable profit base.



Matching Business GMV by category

Growth driven by engineer/designer areas and administrative/assistant areas

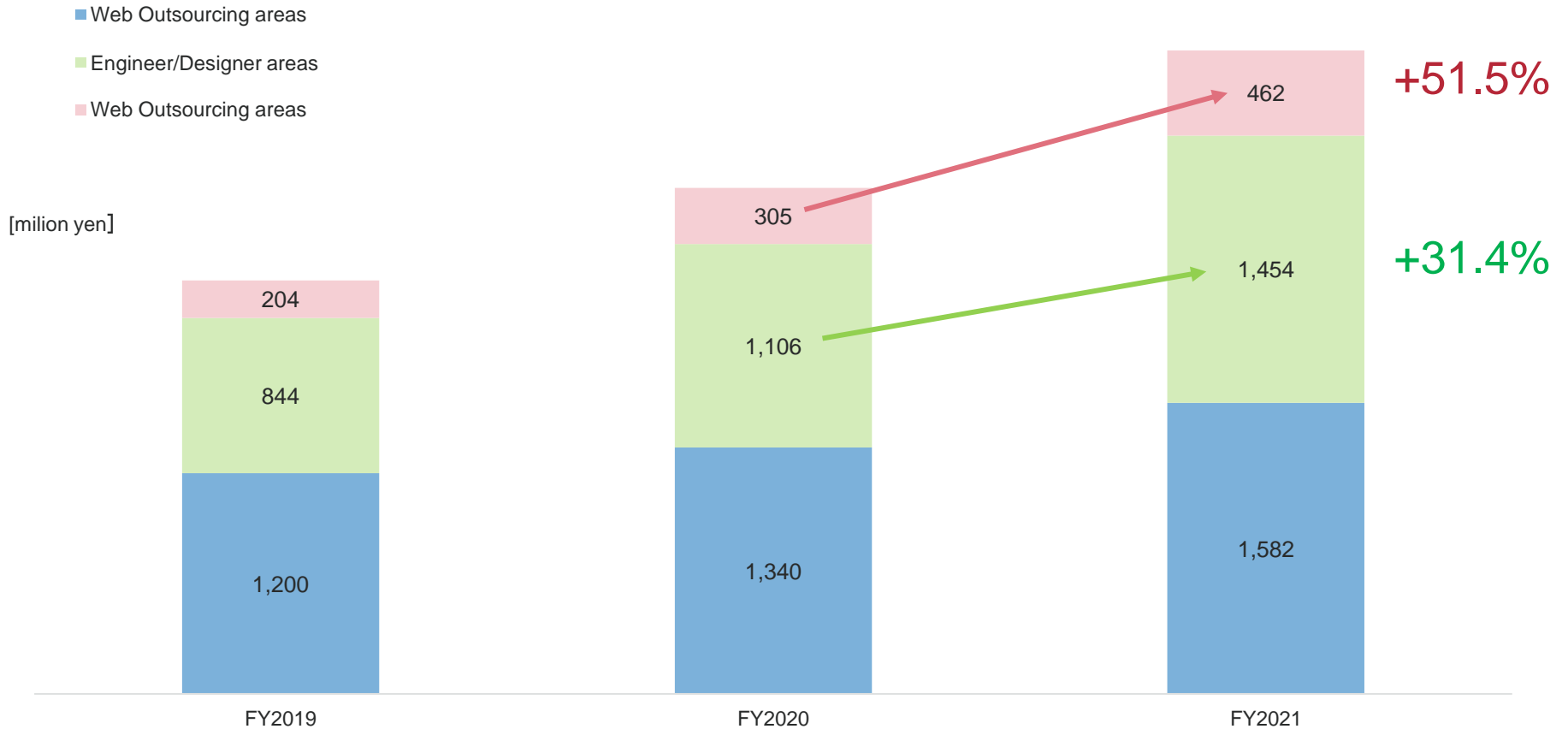
- (1) Web Outsourcing areas : 2021 full-year growth rate +17.7%
- (2) Engineer/Designer areas : 2021 full-year growth rate +25.1%
- (3) Assistant/Admin areas : 2021 full-year growth rate +49.6%



Matching Business Gross profit by category

Gross profit also reached high growth levels, with engineer/designer areas and admin/assistant areas each gaining over 30%

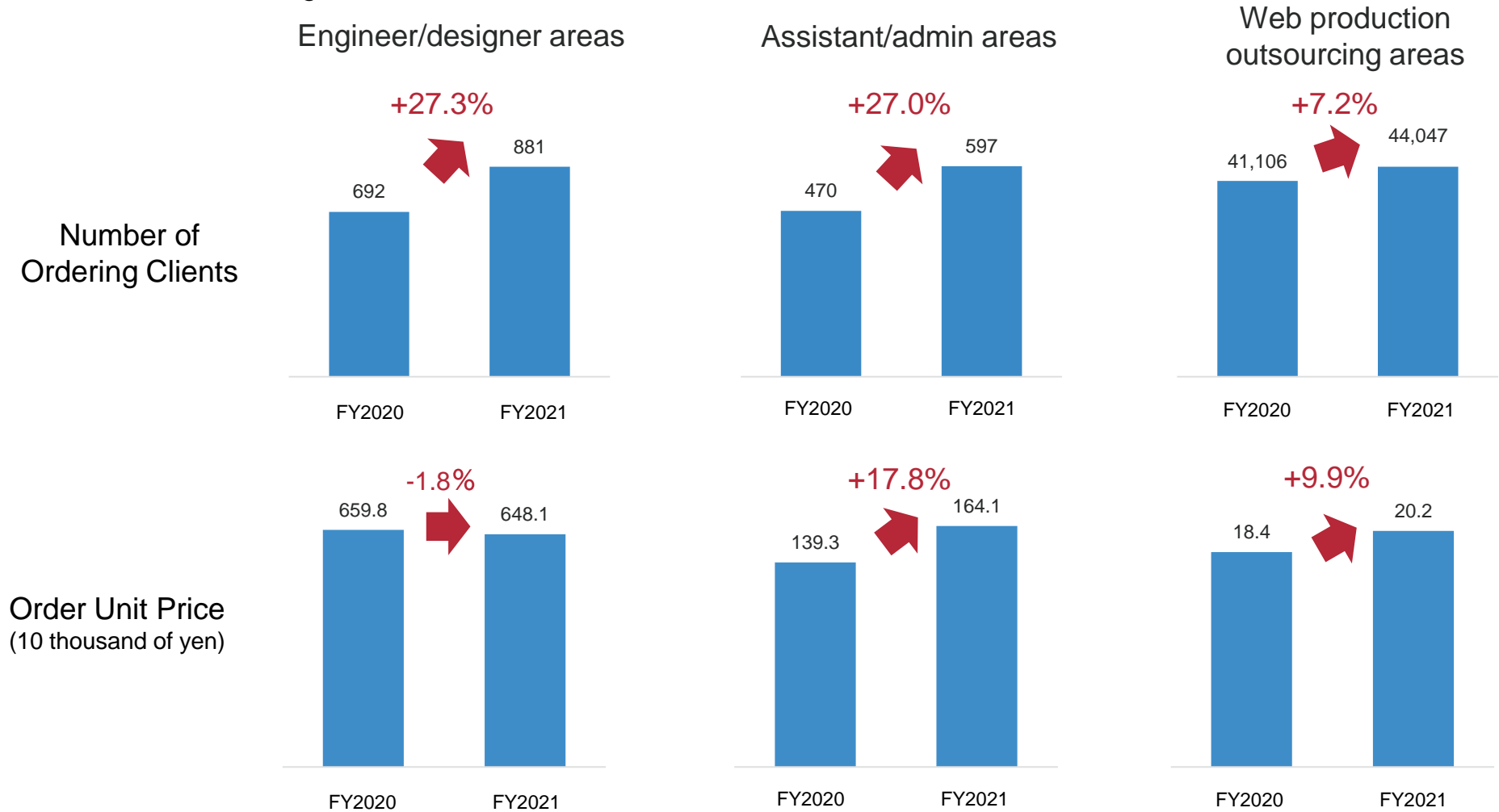
- (1) Web Outsourcing areas : 2021 full-year growth rate +18.1%
- (2) Engineer/Designer areas : 2021 full-year growth rate +31.4%
- (3) Assistant/Admin areas : 2021 full-year growth rate +51.5%



Number of Ordering Clients and Order Unit Price By category

Increasing the number of ordering clients were main driver of FY2021 growth.

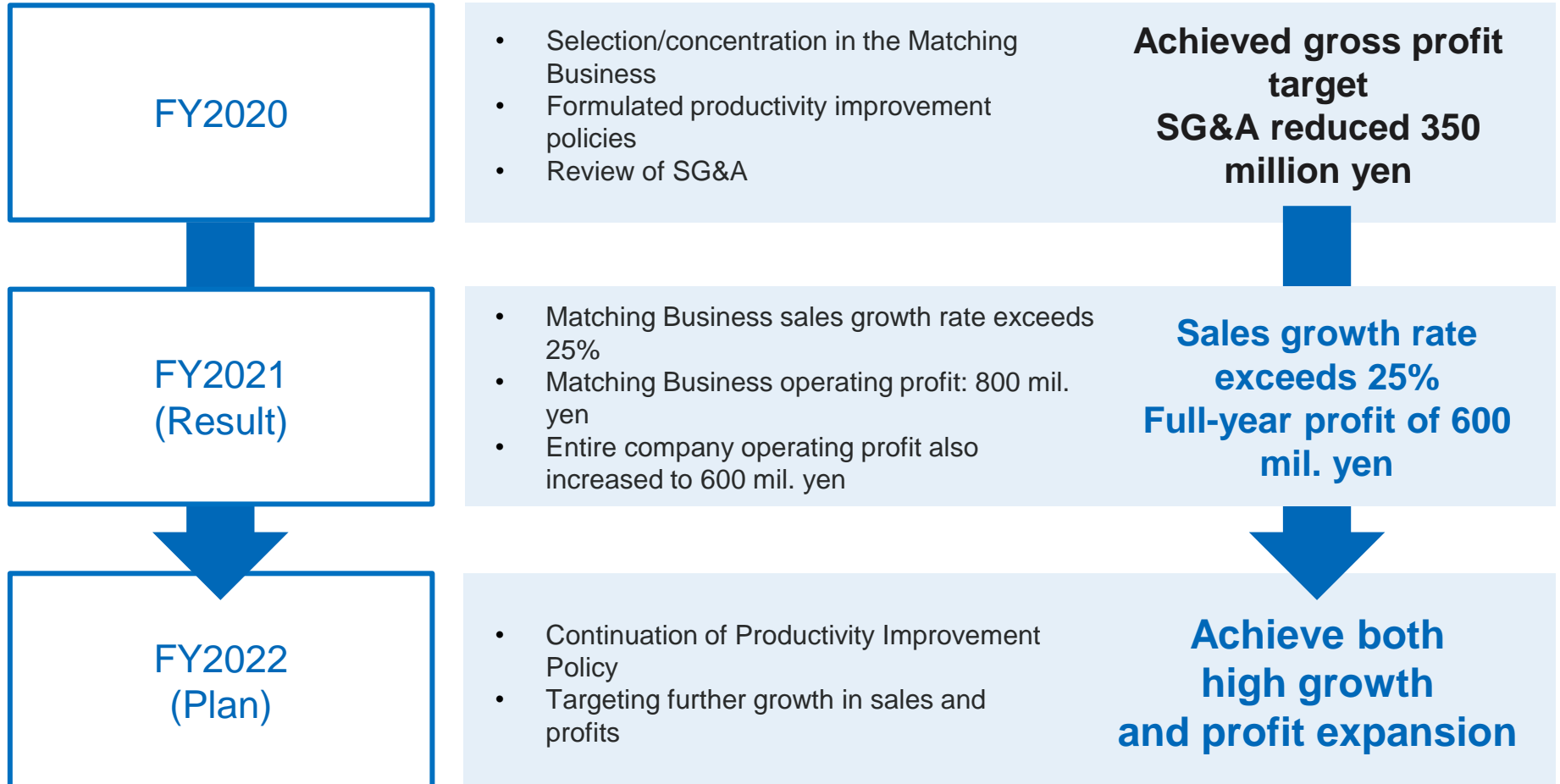
In FY2022, the **key focus is to increase clients order unit price** and the number of ordering clients through reinvestment in existing areas.



FY2022 is the final year of the three-year productivity improvement plan

In the three years to achieve both growth and profitability through improved productivity, FY2021 provided significant sales growth and profitability.

In FY2022, we will seek even further growth in sales and profits.



We expect a minimal growth rate of 10-15% in sales and gross profit, and a non-GAAP operating profit of 800 million yen.

	Forecast	YoY
GMV	17,268~18,053 million yen	+10.0~15.0%
Net sales	8,861~9,264 million yen	+10.0~15.0%
Gross profit	3,998~4,179 million yen	+10.0~15.0%
Non-GAAP Operating profit	800 million yen	+29.3%

- We disclose operating profit for the current fiscal year as non-GAAP operating profit. Non-GAAP operating profit is calculated as operating profit less stock-based compensation expenses.
- Business results by segment include offsetting transactions between consolidated companies.
- In compliance with financial statement regulations, actual figures are rounded down to the nearest 10 million yen.

Growth Strategy and Midium-Term Target

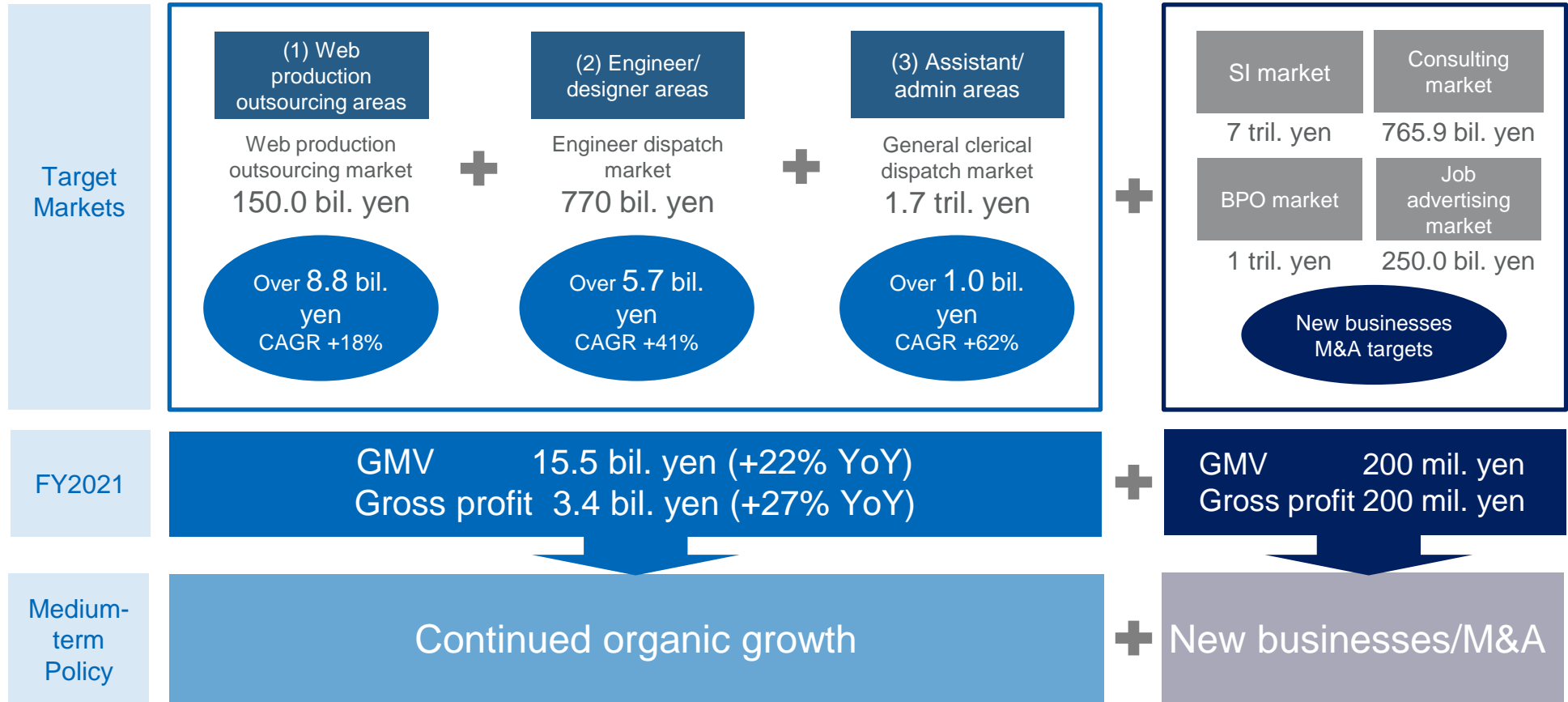
Key Areas of Current Revenue Growth and Future Strategy

Our main categories are (1) web production, (2) engineers/designers, and (3) assistant/admin areas.

GMV surpassed 15.5 billion yen and gross profit 3.4 billion yen in FY2021.

We will continue to capture the various needs arising from the platform and expand our domain through organic growth in existing businesses, as well as through new businesses and M&A.

We will also achieve continuous market expansion and strong sales/profit growth.

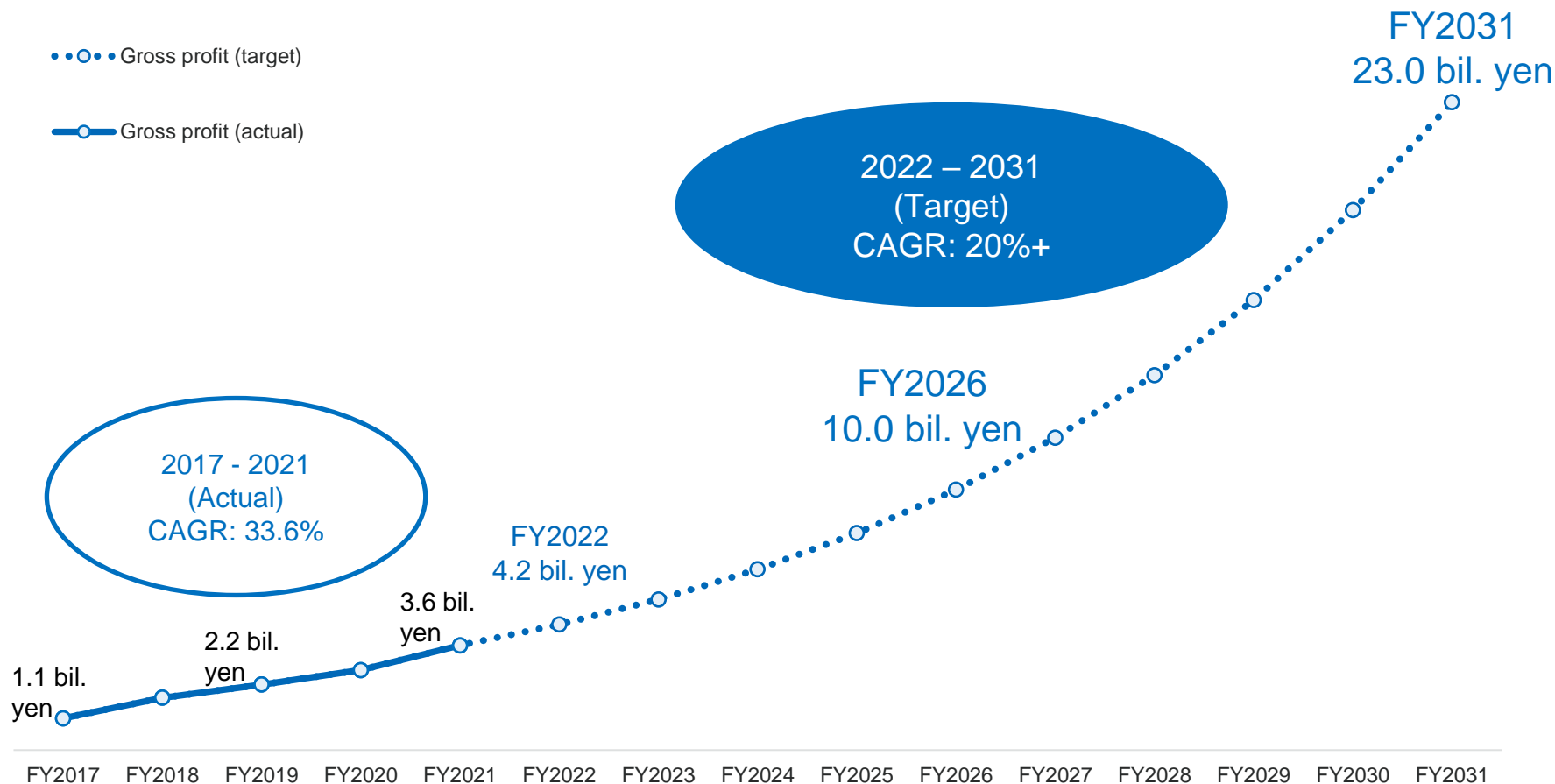


*Target market CAGR is calculated from the past three years.

Source
 For the IT outsourcing market, the market scale of production and others is calculated from "Current Status and Outlook of the Internet Advertising & Web Solutions Market" by Deloitte Tohmatsu MIC Research Institute. Technician dispatch and general office worker dispatch markets are calculated by multiplying the number of workers in information processing and communications technology and office job workers by the dispatch fee from the Ministry of Health, Labour and Welfare's "Worker Dispatch Business Report. The SI, BPO, and consulting markets are taken from IDC's "Domestic Enterprise IT Market," "Domestic Consulting Services Market," and "Domestic Business Process Outsourcing (BPO) Services Market" market forecast releases. The part-time job advertisement market is calculated by multiplying the ratio of clerical and sales jobs by the market size from the "Job Information Provision Service Market Size Survey" release by the National Association of Job Information.

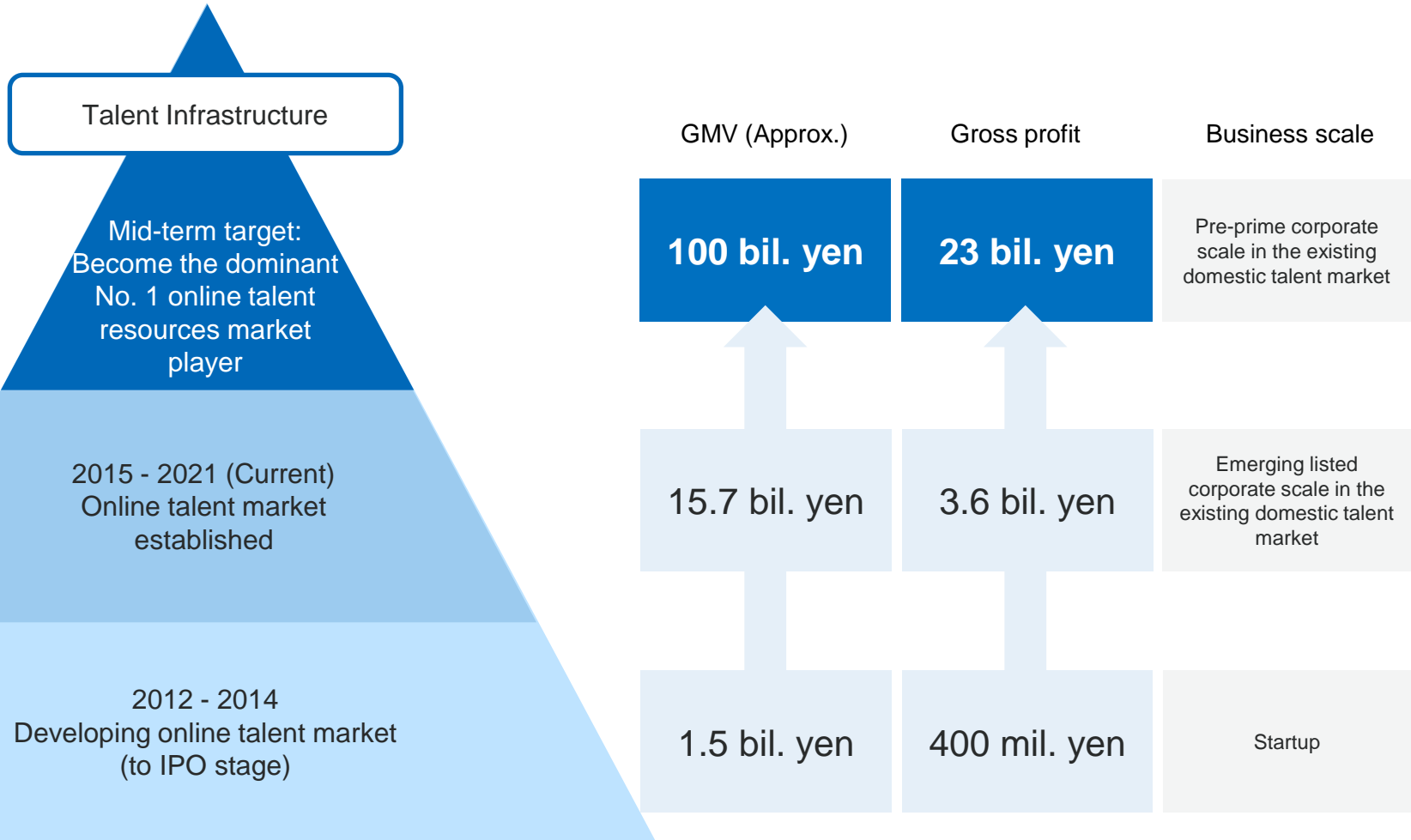
Medium-Term Target: Maintain Gross Profit Annual Growth Rate of 20% or More for Ten Consecutive Years

We have established a medium-term target to **maintain an annual growth rate (CAGR) of 20% or more in our gross profit for ten consecutive years**. As we seek this target, we will steadily expand our business scale through organic growth in existing domains, as well as through development of new domains.



Medium-Term Target: To Be the Top Online Talent Resources Market Player

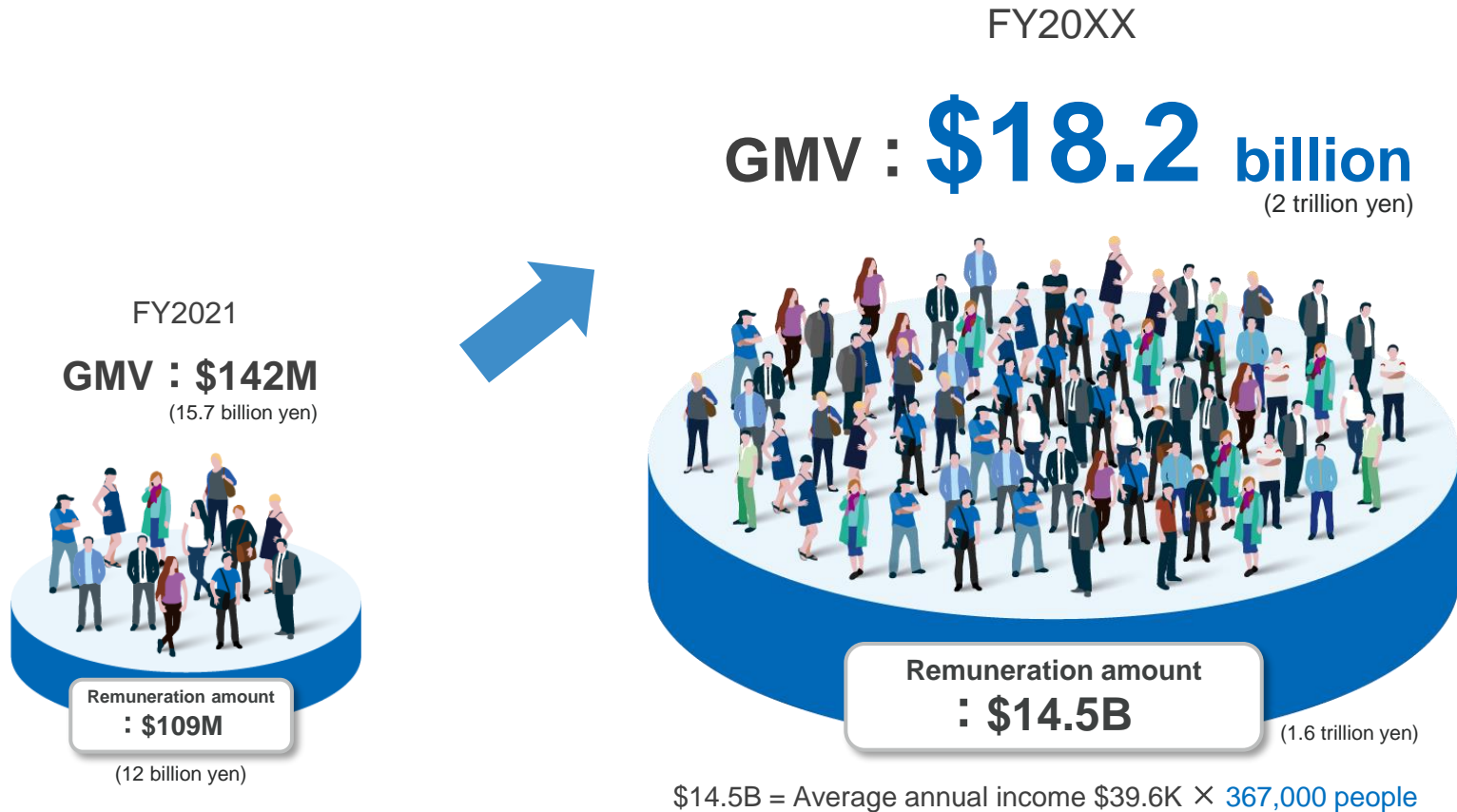
In the nine years since our founding, we have established an online human resources market and achieved profitability. In the next ten years, we will become the dominant, No. 1 player in this market.



VISION : Our goal is to reward your talent

Over the long-term, CrowdWorks aims to reach “\$18.2 billion in work distribution GMV.”

We will build Japan's largest online employment infrastructure with more than 360,000 people in terms of average annualized income.



Source

*Average annual income \$39.6K National Tax Agency, "Results of the Survey on the Actual Status of Private Salary for 2020"

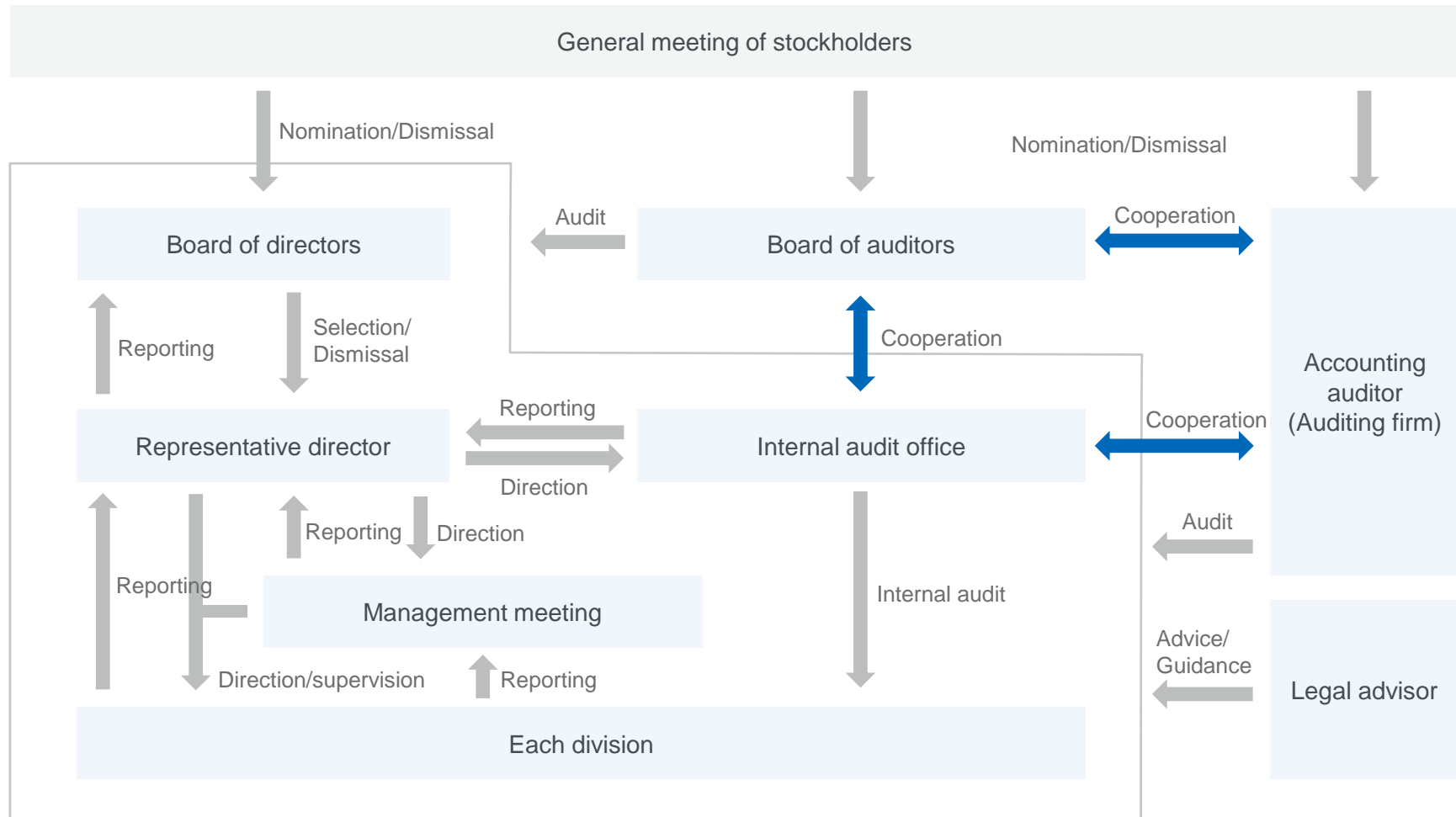
*367,000 people Employee number ranking *Reference: Yahoo Finance as of February 10, 2021 1. Toyota 359,000 people, 2. Nippon Telegraph and Telephone (NTT) 328,000 people, 3. Hitachi 313,000 people

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



Governance

We place great importance on corporate governance in order to consistently grow profits and our corporate value, and to maximize shareholder returns.



We have selected Mr. Niinami as a candidate to become a newly-appointed Outside Director, with the aim to bolster our management oversight function and enhance our corporate governance, and to increase corporate value over the medium- to long-term.



New Outside Director's Abridged Work History

Mr. Takeshi Niinami

Chief Executive Officer, Suntory Holdings Limited

Apr. 1981	Joined Mitsubishi Corporation
Jun. 1991	MBA, Harvard Business School
Jun. 1995	CEO, Sodex Corporation (now LEOC Co., Ltd.)
May 2002	President & CEO, Representative Director, Lawson, Inc.
May 2014	Chairman of the Board, Lawson, Inc.
Oct. 2014	Chief Executive Officer, Suntory Holdings Limited (to present)

Business Models

Type	Revenue Model	Details	Booking Method	Share of company-wide gross profit
1) System-based matching	Commission	<ul style="list-style-type: none"> Model where a portion of business consignment fees (contract value) is paid in the form of system usage fees (commission) System usage fees: 5% to 20% of business consignment fees (varies with consignment fees) 	GMV (Business consignment fees)	45.5%
	Advertising fees	<ul style="list-style-type: none"> Model charging usage fees for ad postings and other optional services Optional service usage fee: 8,000 yen - 30,000 yen (varies depending on the type of option) 	Net sales, Gross profit (Commission + Advertising fees)	
2) Support-based matching	Business consignment fees	<ul style="list-style-type: none"> Model where clients pay business consignment fees (contract value) A portion of contract value is paid as worker compensation (= cost) Cost rate: 50% to 80% (varies depending on specialization/characteristics of the project) 	GMV, Net sales (Business consignment fees) Gross profit (Business consignment fees - Cogs)	51.6%
3) SaaS	Service usage fees	<ul style="list-style-type: none"> Model where service usage fees are paid on a monthly basis Monthly usage fees: Varies with client usage scale 	GMV, Net sales, Gross profit (Service usage fees)	3.3%
			Company-wide Total	100%

Risk Information & Risk Responses

Risks and Risk Responses for our Business Plan and Growth Potential

Category	Major Risks	Potential of Occurrence	Period of Occurrence	Potential Impact	Risk Responses
Demand Side - Matching Business	<p>Falling production outsourcing demand Fluctuation in talent market demand/supply</p> <p>Our company matches companies' production outsourcing projects with workers. In the event that demand for outsourcing and hiring of workers shrinks due to economic and business conditions, our financial position and business performance may be affected.</p>	Low	Short- to medium-term	Significant	<ul style="list-style-type: none"> Promote switching to online production outsourcing, and present the value of using online production for better cost effectiveness Raise awareness of online talent, improve service recognition, and promote efficient use of people resources
Supply Side - Matching Business	<p>Decline in profitability due to intensified competition for highly-skilled talent</p> <p>Our company provides companies with freelance and side-job worker matching services. In the event that competition for human resources becomes fierce and the cost of sales rises, there is a possibility that our financial position and business performance will be affected.</p>	Moderate	Short- to medium-term	Moderate	<ul style="list-style-type: none"> Expand demand for services that do not rely on matching with highly-skilled personnel and develop a flexible organizational structure Strengthen measures to promote ongoing use and worker support
Competitive Environment - Matching Business	<p>Decreased efficiency of advertising and marketing due to changes in search algorithms</p> <p>Our company uses web advertising to acquire customers. If the unit price of advertising rises due to changes in search engine specifications or the rise of competing services, our financial condition and business performance may be affected.</p>	Low	Short- to medium-term	Moderate	<ul style="list-style-type: none"> Monitor advertising impact, switch to impactful advertising methods, accelerate investment decisions founded in internal standards for investment efficiency
Recruitment and Training - Matching Business - SaaS Business	<p>Delayed talent recruitment/rising recruitment costs, rising turnover rates driving delays in sales structure expansion and delayed service development</p> <p>In order to expand our business, we are actively hiring core human resources, including engineers and sales personnel. On the other hand, if there is a delay in hiring due to a shortage of human resources or if we incur higher-than-expected hiring costs, our financial condition and business performance may be affected.</p>	Moderate	Medium- to long-term	Moderate	<ul style="list-style-type: none"> Cost reductions through employee placement Reduce turnover rate by permeating culture and bringing clarity to recruitment standards Improve employee engagement by enhancing benefits and training programs
Regulatory - Matching Business	<p>Cost increases due to tighter regulations on labor laws and freelancing</p> <p>We have established an appropriate business operation and management system in accordance with domestic laws and regulations. However, in the unlikely event that these regulations are strengthened, our financial position and business performance may be affected.</p>	Low	Medium- to long-term	Significant	<ul style="list-style-type: none"> Establish a government contact point, monitor institutional changes, and make policy recommendations to relevant ministries and agencies

*For other risks, please refer to "Business and Other Risks" in the Annual Securities Report.

Appendix



CrowdWorks, Inc.

President and CEO : Koichiro Yoshida
 Capital : 2,691,260,000JPY
 Founded : Nov 11, 2011
 Services : Operates internet services, primarily CrowdWorks, Japan's largest crowdsourcing service

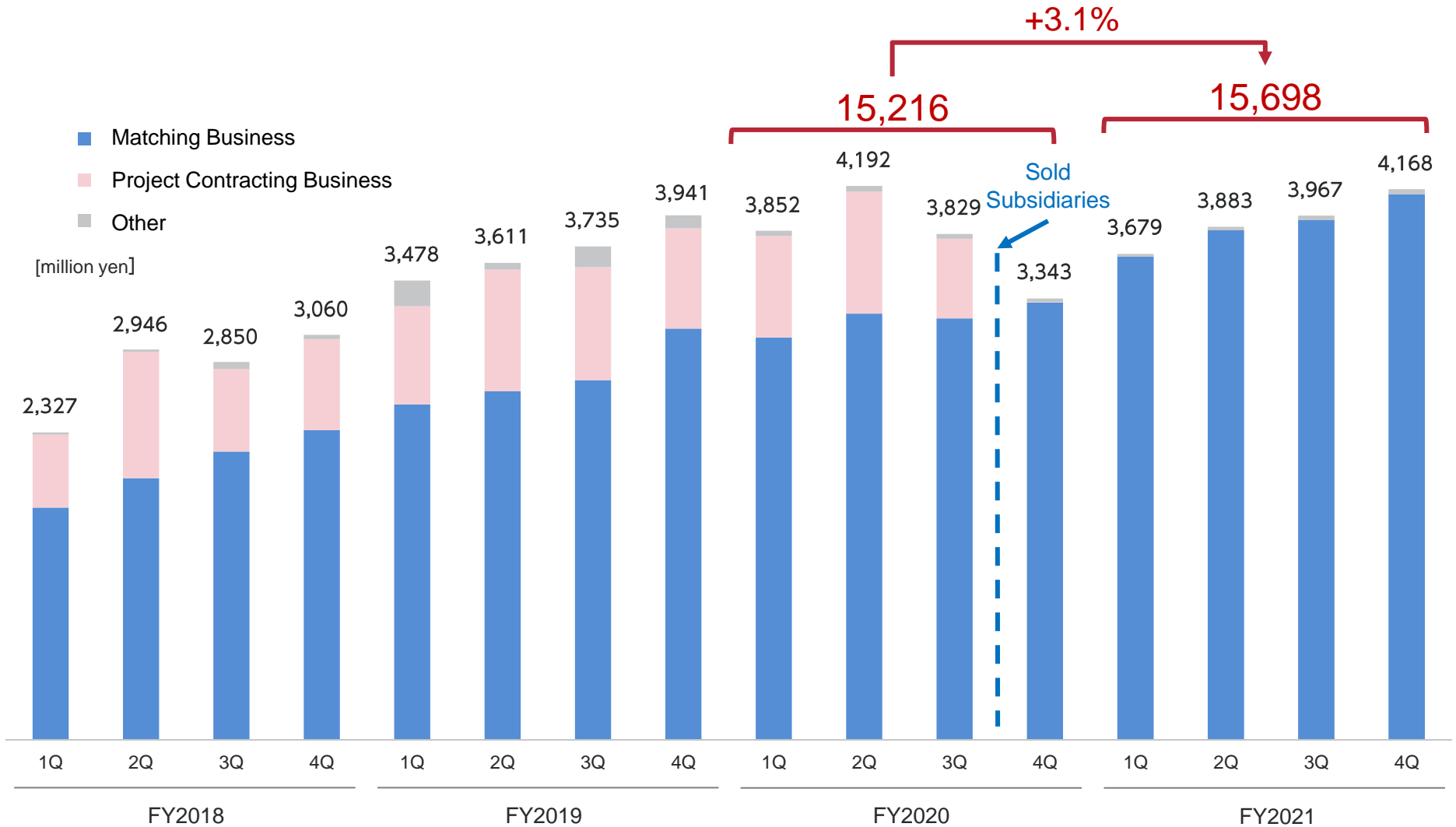


- 4,700,000 of CrowdWorkers (users)
- 760 thousand of clients
- 12 ministries and agencies
- 80 local government

* The numbers of workers and clients of CrowdWorks, Inc. services as of Sept.30, 2021



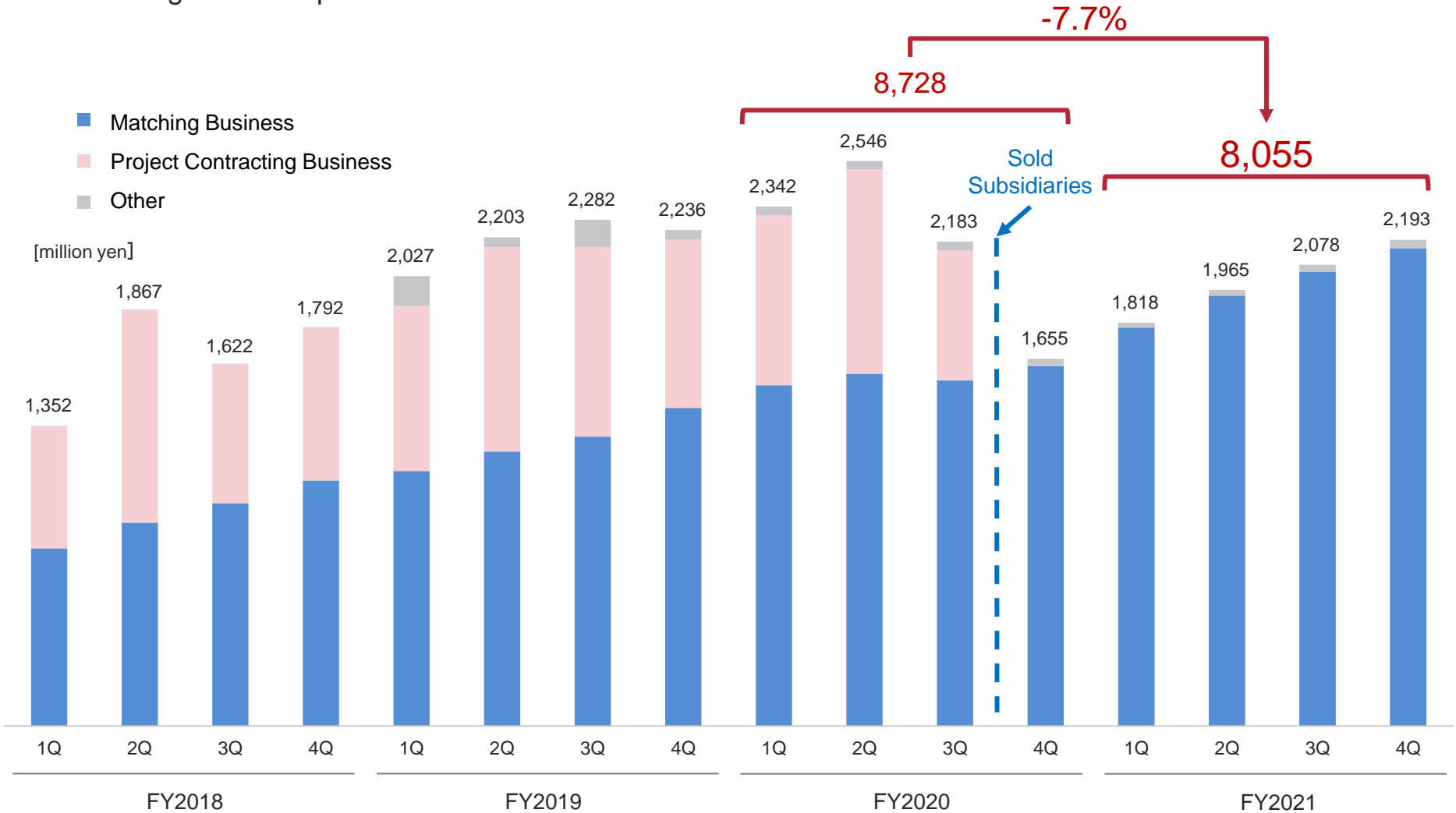
Achieved positive growth of 3.1% YoY thanks to steady growth in the Matching Business.



*Other: "SaaS business" + "Other new businesses" from FY2021

Entire Company Net Sales

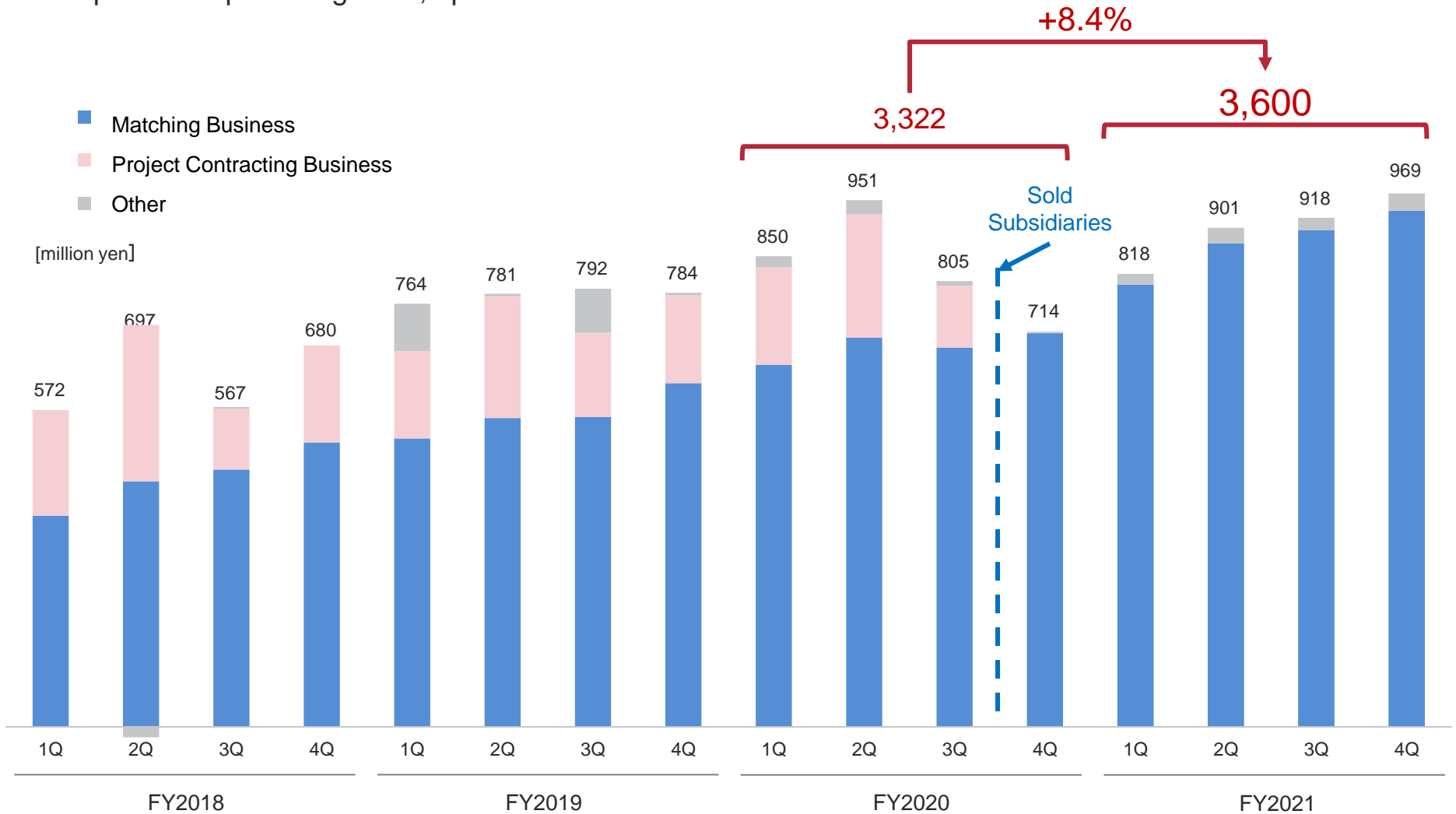
Impact from sale of the Project Contracting Business resulted in company-wide net sales down 7.7% YoY.
The Matching Business performed well.



*Other: "SaaS business" + "Other new businesses" from FY2021

Entire Company Gross Profit

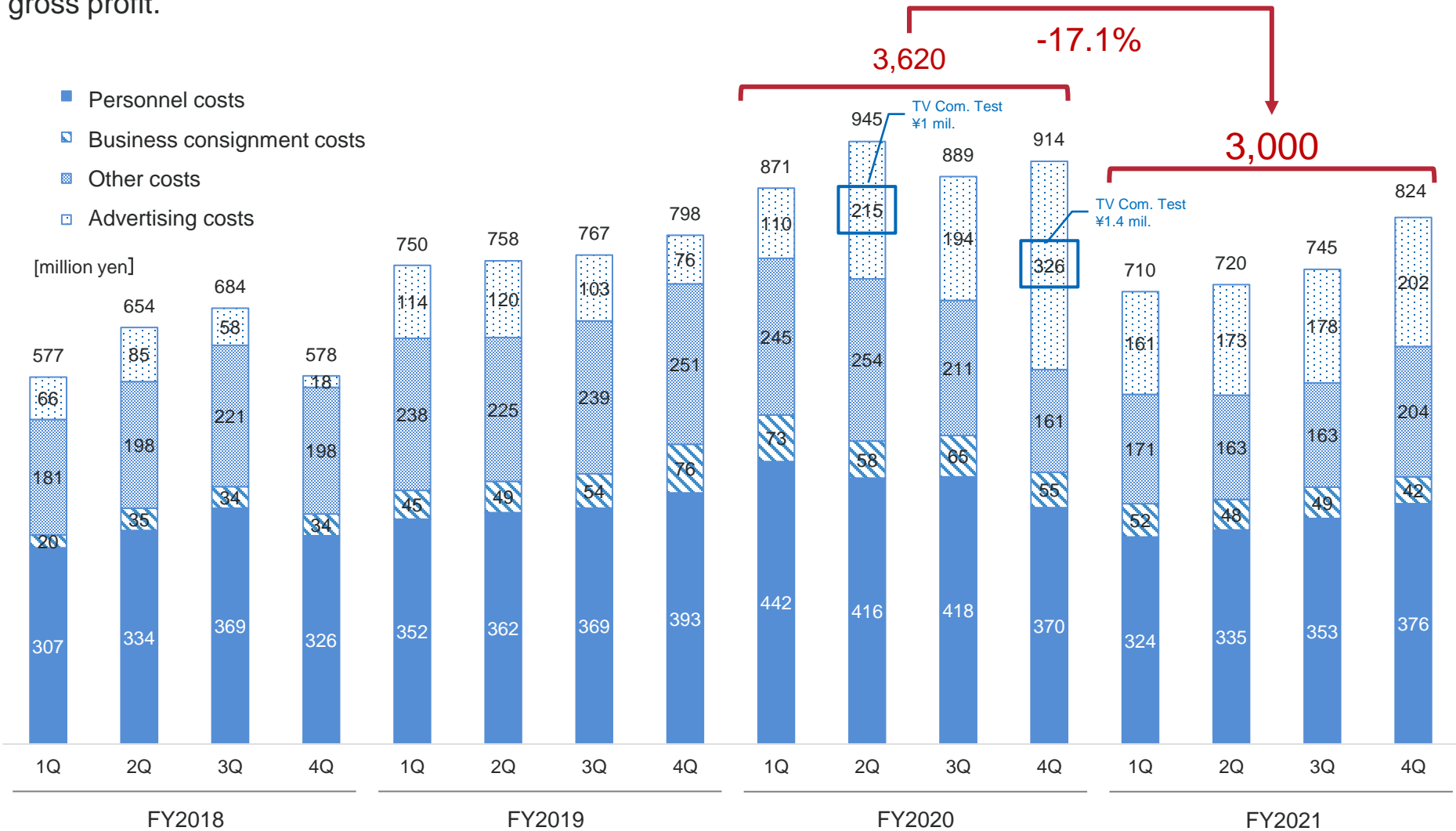
Despite impact from the sale of the Project Contracting Business, the Matching Business is seeing steady growth. Gross profit saw positive growth, up 8.4% YoY.



*Other: "SaaS business" + "Other new businesses" from FY2021

Entire Company SG&A expenses

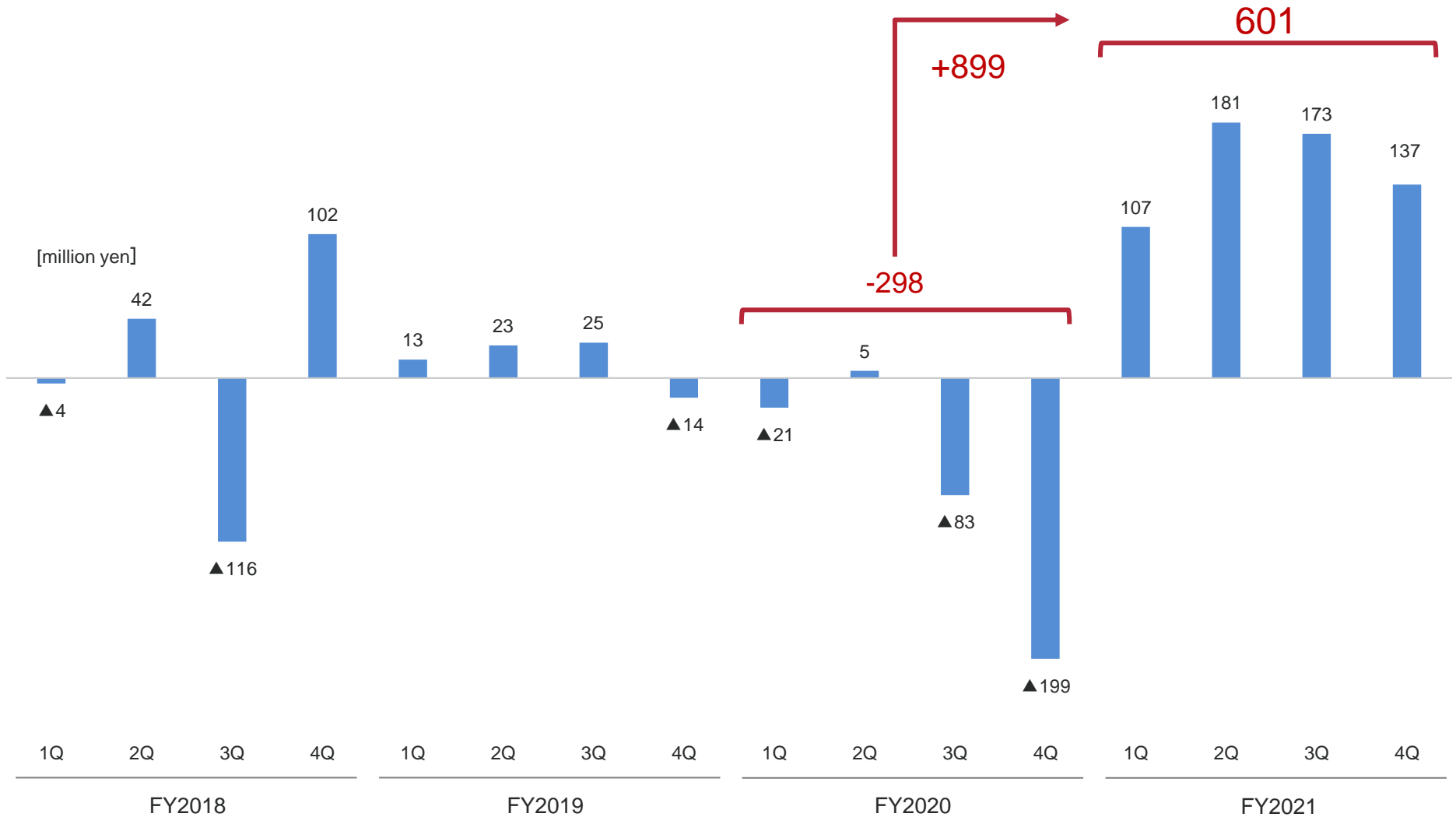
We increased advertising expenses in 4Q but maintained productivity, resulted in successful increase of gross profit.



*Other: "SaaS business" + "Other new businesses" from FY2021

Entire Company Operating Profit

Operating profit reached a record high of 601 million yen (+899 million yen YoY) due to improved productivity.





[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.

Updates to this document will be disclosed around the time of the announcement of these financial results in the future.

[Inquiries concerning this material]

CrowdWorks, Inc.

IR group

<https://crowdworks.co.jp/en/>

E-mail: ir@crowdworks.co.jp

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.