

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2023 [Japan Standards] (Consolidated)



May 15, 2023

Company name: CrowdWorks, Inc. Stock listing: Tokyo Stock Exchange
 Security code: 3900 URL: <https://crowdworks.co.jp>
 Representative: Koichiro Yoshida, President and CEO
 Inquiries: Takatsugu Tsukii, Director TEL: 03 (6450)2926
 Scheduled date of ordinary general meeting of shareholders: May 15, 2023 Scheduled payment date of dividend: -
 Supplementary materials for the financial results: Yes
 Investor conference for the quarterly financial results: Yes

(Million yen, rounded down)

1. Consolidated Financial Results for the Second Quarter (Cumulative) of the Fiscal Year Ending September 30, 2023 (From Oct. 1, 2022 to March. 31, 2023)

(1) Consolidated Financial Performance (% figures show year-on-year increase or decrease)

	Net sales		Gross profit		Operating profit		EBITDA (Non-GAAP)*	
	Million yen	%	Million yen	%	Million yen		Million yen	%
Q2 FY ending Sep. 30, 2023	6,153	20.7	2,911	27.4	533	(14.5)	638	(5.9)
Q2 FY ended Sep. 30, 2022	5,097	-	2,286	-	624	-	678	-

Note: Comprehensive income Q2 FY ending September 30, 2023: 372 million yen (decrease of 7.5%)
 Q2 FY ended September 30, 2022: 401 million yen (-%)

	Ordinary profit		Profit attributable to owners of parent		Net income per share	Diluted Net income per share
	Million yen	%	Million yen	%	yen	Net income per share
Q2 FY ending Sep. 30, 2023	575	(4.2)	379	(4.6)	24.82	24.31
Q2 FY ended Sep. 30, 2022	600	-	398	-	26.10	25.69

*We consider non-GAAP EBITDA to be useful information in understanding our constant operating results, as it represents financial accounting figures (GAAP) less or adjusted for non-recurring items and certain other adjustments based on certain rules. Specifically, GAAP excludes or adjusts for stock-based compensation expense, depreciation and amortization, and amortization of goodwill, as well as other one-time gains and losses that we consider to be deductible.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio
	Million yen		Million yen		%
As of March 31, 2022	8,441		5,191		59.5
As of Sep. 30, 2022	7,638		4,666		59.9

Reference: Shareholders' equity As of March 31, 2023: 5,021 million yen
 As of Sept.30, 2022: 4,576 million yen

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 2022	-	0.00	-	0.00	0.00
FY ended Sep. 30 2023	-	0.00			
FY ending Sep. 30, 2023 (Forecast)			-	0.00	0.00

Note: Revision of dividend forecast from the most recently announced forecast: None

3. Consolidated Financial Forecasts for the Fiscal Year Ending September 30, 2023 (From October 1, 2022 to September 30, 2023)

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

	Net sales		Gross profit		Operating profit		EBITDA (Non-GAAP)		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year	13,000	22.9	5,900	22.6	1,000	7.2	1,200	14.5	-	-	-	-

Note: Revision of dividend forecast from the most recently announced forecast: None

* Notes

- (1) Changes in significant subsidiaries during the current consolidated period : None
 (Changes in specific subsidiaries affecting the scope of consolidation)
 No. of new companies: - (Company name:) No. of excluded companies: - (Company name:)
- (2) Application of accounting procedures specific to preparing quarterly consolidated financial statements Yes
- (3) Changes in accounting principles, changes in accounting estimates and restatements
- (i) Changes in accounting policies associated with revision of accounting standards : Yes
- (ii) Changes in accounting policies other than the above (i) : None
- (iii) Changes in accounting estimates : None
- (iv) Restatements : None

(4) Number of outstanding shares (common stock)

(i) Number of shares outstanding at term-end (including treasury shares)	March. 31, 2023	15,440,560 shares	Sep. 30, 2022	15,271,460 shares
(ii) Number of treasury shares at term-end	March. 31, 2023	86 shares	Sep. 30, 2022	86 shares
(iii) Average number of shares outstanding during term	March. 31, 2023	15,306,668 shares	March. 31, 2023	15,258,472 shares

※ Quarterly financial statements are not included in the scope of quarterly review by certified public accountants or auditing firms.

※ Explanation of the appropriate use of earnings forecasts and other special notes

The forward-looking statements in this document are based on information currently available to us and certain assumptions that we consider reasonable, and are not intended to be a promise by us that they will be achieved. Actual results may differ materially due to various factors.

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1. Qualitative Information Regarding the Quarterly Accounts

(1) Overview of Operating Results

Forward-looking statements in the text are based on judgments made as of the date of submission of this document.

During the first half of the current fiscal year, the Japanese economy showed signs of recovery due to such factors as the easing of restrictions on actions against new coronavirus infections. However, the outlook for the domestic and overseas economies remains uncertain due to rising prices caused by the unstable global situation and monetary policies of various countries.

As for the business environment surrounding our group, companies continue to face difficulties in hiring due to the structural shortage of labor in Japan. Under these circumstances, the government has implemented measures to promote the use of side job workers and dual job workers in companies in order to facilitate labor mobility, and a new law was passed on April 28, 2023 to recognize and protect freelancers as "independent willing entities" just like a corporation. The government has been implementing new measures in response to the change in values regarding the way companies and individuals work since the Corona Disaster, and it is expected to see an even wider spread of work styles unrestricted by employment status as companies increase their use of outside freelancers and the number of crowd workers who take on new side jobs or dual jobs increases. This trend has been a tailwind for the Group, with the number of registered users reaching 5,588,000 (up 640,000 year-on-year) and the number of registered clients reaching 905,000 (up 110,000 year-on-year) as of March 31, 2023.

In this business environment, the Group has set a new growth strategy, "YOSHIDA 300," which aims to achieve net sales of 30 billion yen, EBITDA (non-GAAP) of 2.5 billion yen, and operating income margin of +10% per year or more, in addition to its medium- to long-term goal of a gross profit CAGR of 20% or more for 10 years. To achieve this, we are working to increase sales growth and profits in our existing businesses by increasing the number of companies and unit price in our mainstay matching business, and to grow our SaaS business; to make disciplined investments in M&A in businesses that have a high affinity with our business; to develop human resources by providing training for the next generation of management personnel; and to increase corporate value through human capital management

As a result of the above, our consolidated business results for the first half of the current fiscal year were as follows: net sales of 6,153,259 thousand yen (year-on-year increase of 20.7%), gross profit of 2,911,976 thousand yen (year-on-year increase of 27.4%), operating profit of 533,930 thousand yen (year-on-year decrease of 14.5%), EBITDA (Non-GAAP) of 638,606 thousand yen (year-on-year decrease of 5.9%) Ordinary profit was 575,200 thousand yen (year-on-year decrease of 4.2%), and Net profit attributable to owners of the parent amounted to 379,955 thousand yen (year-on-year decrease of 4.6%).

Financial results by segment are as follows:

(i) Matching Business

In the Matching Business during the first half of the consolidated fiscal year, in addition to a structural labor shortage, competition for IT personnel such as engineers and designers is intensifying, and the need for freelance workers who can work three to four days a week and the need for online administrative assistants associated with the digitization (DX) of business operations are expanding. Accordingly, GMV (gross margin of distribution transactions), net sales, and gross profit were all higher than in the same period of the previous year due to measures to acquire new clients by strengthening the sales structure and to improve unit prices aimed at existing clients.

GMV (gross merchandise value), which indicates the total transaction amount, was 10,989,957 thousand yen (year-on-year increase of 17.9%), net sales were 5,936,641 thousand yen (year-on-year increase of 18.7%), gross profit was 2,697,719 thousand yen (year-on-year increase of 23.2%), and segment profit was 650,444 thousand yen (year-on-year decrease of 8.2%).

(ii) SaaS Business

In the SaaS business for business during the first half of the consolidated fiscal year, the current momentum of human capital management has increased the need for man-hour management and visualization of productivity in organizations and projects, which has led to the introduction of the man-hour management tool "CrowdLog" mainly by large and growing companies.

As a result, net sales and gross profit amounted to 183,437 thousand yen (year-on-year increase of 94.2%), and segment loss amounted to 147,334 thousand yen (segment loss of 87,014 thousand yen in the same period of the previous fiscal year).

(2) Overview of Financial Position

(Assets)

Total assets at the end of the second quarter of the current fiscal year were 8,441,449 thousand yen, an increase of 802,952 thousand yen from the end of the previous period.

Current assets increased 622,651 thousand yen from the end of the previous period, mainly due to increases of 302,059 thousand yen in cash and deposits, 130,365 thousand yen in accounts receivable-trade and 147,246 thousand yen in accounts receivable-other. Noncurrent assets increased 180,301 thousand yen from the end of the previous period, mainly due to an increase of 123,343 thousand yen in goodwill.

(Liabilities)

Total liabilities at the end of the second quarter of the current fiscal year amounted to 3,250,384 thousand yen, an increase of 278,128 thousand yen from the end of the previous period.

Current liabilities increased 256,617 thousand yen from the end of the previous period, mainly due to increases of 32,799 thousand yen in accounts payable-other, 107,025 thousand yen in income taxes payable, and 70,955 thousand yen in deposits received. Noncurrent liabilities increased 21,510 thousand yen from the end of the previous period, mainly due to a 6,167 thousand yen increase in long-term loans payable.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year totaled 5,191,065 thousand yen, an increase of 524,824 thousand yen from the end of the previous period.

The increase in net assets was mainly due to net income attributable to owners of the parent of 379,955 thousand yen and an increase in stock acquisition rights of 79,357 thousand yen.

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

There is no change to the consolidated financial forecast for the fiscal year ending September 30, 2023, which was announced on November 14, 2022.

2. Quarterly Consolidated Financial Statements and Main Noted Items

(1) Quarterly Consolidated Balance Sheet

	(Thousand yen)	
	Fiscal Year Ended September 30, 2022 (As of Sep. 30, 2022)	Q2 Fiscal Year Ending September 30, 2023 (As of March. 31, 2023)
Assets		
Current assets		
Cash and deposits	5,117,461	5,419,520
Accounts receivable - trade	854,276	984,642
Accounts receivable - other	853,530	1,000,776
Operational investment securities	35,904	22,254
Other	44,629	99,085
Allowance for doubtful accounts	(17,039)	(14,866)
Total current assets	6,888,762	7,511,413
Non-current assets		
Property, plant and equipment	63,697	78,349
Intangible assets		
Goodwill	91,120	214,463
Other	19,996	15,380
Total intangible assets	111,116	229,843
Investments and other assets		
Other	575,414	622,448
Allowance for doubtful accounts	(493)	(604)
Total investments and other assets	574,920	621,843
Total non-current assets	749,734	930,036
Total assets	7,638,497	8,441,449
Liabilities		
Current liabilities		
Short-term borrowings	103,036	104,560
Accounts payable - other	937,767	970,567
Income taxes payable	138,302	245,328
Contract liabilities	294,306	321,050
Deposits received	1,184,805	1,255,760
Other	263,047	280,616
Total current liabilities	2,921,266	3,177,883
Non-current liabilities		
Long-term borrowings	20,240	26,407
Other	30,750	46,094
Total non-current liabilities	50,990	72,501
Total liabilities	2,972,256	3,250,384
Net assets		
Shareholders' equity		
Capital stock	2,697,177	2,733,849
Capital surplus	2,655,177	2,691,849
Retained earnings	(798,301)	(418,345)
Treasury shares	(120)	(120)
Total shareholders' equity	4,553,932	5,007,232
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,217	14,384
Total accumulated other comprehensive income	22,217	14,384
Subscription rights to shares	90,091	169,448
Total net assets	4,666,240	5,191,065
Total liabilities and net assets	7,638,497	8,441,449

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

The Second Quarter (Cumulative) of Consolidated Fiscal Year

	(Thousand yen)	
	Q2 (Cumulative) Fiscal Year Ended September 30, 2022 (Oct. 1, 2021 to March 31, 2022)	Q2 (Cumulative) Fiscal Year Ending September 30, 2023 (Oct. 1, 2022 to March 31, 2023)
Net sales	5,097,726	6,153,259
Cost of sales	2,811,477	3,241,282
Gross profit	2,286,249	2,911,976
Selling, general and administrative expenses	1,661,721	2,378,046
Operating profit	624,528	533,930
Non-operating income		
Gain from lapsed deposits received	33,522	56,938
Other	11,076	2,136
Total non-operating income	44,599	59,075
Non-operating expenses		
Share of loss of entities accounted for using equity method	67,702	7,555
Foreign exchange loss	-	9,475
Other	814	774
Total non-operating expenses	68,516	17,805
Ordinary profit	600,611	575,200
Profit before income taxes	600,611	575,200
Income taxes	202,369	195,244
Net profit	398,242	379,955
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	398,242	379,955

Quarterly Consolidated Statement of Comprehensive Income

The Second Quarter (Cumulative) of Consolidated Fiscal Year

	(Thousand yen)	
	Q2 (Cumulative) Fiscal Year Ended September 30, 2022 (Oct. 1, 2021 to March 31, 2022)	Q2 (Cumulative) Fiscal Year Ending September 30, 2023 (Oct. 1, 2022 to March 31, 2023)
Net profit	398,242	379,955
Other comprehensive income		
Valuation difference on available-for-sale securities	3,883	(7,832)
Total other comprehensive income	3,883	(7,832)
Comprehensive income	402,125	372,123
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	402,125	372,123
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	Q2 (Cumulative) Fiscal Year Ended September 30, 2022 (Oct. 1, 2021 to March 31, 2022)	Q2 (Cumulative) Fiscal Year Ending September 30, 2023 (Oct. 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	600,611	575,200
Depreciation	17,867	10,430
Amortization of goodwill	9,365	13,622
Share-based compensation expenses	26,800	80,623
Share of loss (profit) of entities accounted for using equity method	67,702	7,555
Decrease (increase) in accounts receivable - trade	(120,985)	(104,286)
Decrease (increase) in accounts receivable - other	(123,095)	(147,246)
Increase (decrease) in allowance for doubtful accounts	(8,519)	(2,062)
Increase (decrease) in accounts payable - other	123,123	(4,958)
Increase (decrease) in deposits received	116,983	70,957
Increase (decrease) in contract liabilities	36,641	22,271
Other	(26,622)	6,385
Subtotal	719,871	528,493
Interest and dividends received	16	19
Interest payments	(447)	(611)
Income taxes paid	(83,986)	(89,490)
Cash flows from operating activities	635,453	438,410
Cash flows from investing activities		
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(81,229)	(85,022)
Payments for investments in capital	-	(60,062)
Other	2,911	(4,579)
Cash flows from investing activities	(78,318)	(149,663)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,518)	(25,556)
Proceeds from issuance of shares	6	72,078
Proceeds from issuance of shares acquisition rights	6,117	-
Cash flows from financing activities	4,605	46,522
Net increase (decrease) in cash and cash equivalents	561,740	335,269
Cash and cash equivalents at beginning of period	4,219,115	5,117,461
Cash and cash equivalents at end of period	4,780,855	5,452,730

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

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

Not applicable.

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

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after tax effect accounting is applied to the pre-tax profit for the consolidated fiscal year, including the second quarter of the current consolidated fiscal year, and by multiplying this effective tax rate and the pre-tax profit.

(Change in accounting policy)

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Guidance on Accounting Standard for Measurement of Fair Value") The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Guidance on Accounting Standard for Measurement of Fair Value") The new accounting policy prescribed by the "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the current consolidated first quarter, and the new accounting policy prescribed by the "Guidance on Accounting Standard for Measurement of Fair Value" is applied prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. The application of this accounting standard application guidance has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[segment information]

Previous consolidated cumulative second quarter (October 1, 2021 to March 31, 2022)

1. Information of net sales and profit or loss by reportable segment and decomposition of earnings

(Thousand yen)

	Reportable segments			Other (Note)	Adjusted amount	Amounts shown on quarterly consolidated statement of income
	Matching Business	SaaS Business	Total			
Net sales						
Goods or services to be transferred at one point of time	849,423	-	849,423	37	-	849,460
Goods or services to be transferred over a period of time	4,150,982	94,454	4,245,436	-	-	4,245,436
Revenue from contracts with customers	5,000,405	94,454	5,094,859	37	-	5,094,896
Other revenue	-	-	-	2,829	-	2,829
(1) Sales to external customers	5,000,405	94,454	5,094,859	2,867	-	5,097,726
(2) Internal sales or exchange between segments	-	-	-	-	-	-
Total	5,000,405	94,454	5,094,859	2,867	-	5,097,726
Segment profit (loss)	708,682	(87,014)	621,668	2,859	-	624,528

Note: The category of "Other" indicates business segments which are not included in reportable segments, and includes any newly developed business, etc.

2. Information on impairment loss on fixed assets and goodwill by reportable segment

(Significant changes in the amount of goodwill)

In the matching business segment, the Company acquired all shares of CODEAL, Inc. and made it a wholly owned subsidiary. The increase in goodwill due to this event was 101,244 thousand yen in the second quarter of the previous fiscal year.

Current consolidated cumulative second quarter (October 1, 2022 to March 31, 2023)

1. Information on net sales and profit or loss by reportable segment and decomposition of earnings

(Thousand yen)

	Reportable segments			Other (Note)	Adjusted amount	Amounts shown on quarterly consolidated statement of income
	Matching Business	SaaS Business	Total			
Net sales						
Goods or services to be transferred at one point of time	1,039,916	450	1,040,366	-	-	1,040,366
Goods or services to be transferred over a period of time	4,896,725	182,987	5,079,712	-	-	5,079,712
Revenue from contracts with customers	5,936,641	183,437	6,120,078	-	-	6,120,078
Other revenue	-	-	-	33,181	-	33,181
(1) Sales to external customers	5,936,641	183,437	6,120,078	33,181	-	6,153,259
(2) Internal sales or exchange between segments	-	-	-	-	-	-
Total	5,936,641	183,437	6,120,078	33,181	-	6,153,259
Segment profit (loss)	650,444	(147,334)	503,109	30,820	-	533,930

Note: The category of “Other” indicates business segments which are not included in reportable segments, and includes any newly developed business, etc.

2. Information on impairment loss on fixed assets and goodwill by reportable segment

(Significant changes in the amount of goodwill)

In the Matching Business segment, the Company acquired all shares of PeacefulMorning Corporation. The increase in goodwill due to this event was 136,965 thousand yen in the second quarter of the current consolidated cumulative period.

(Material subsequent events)

(Becoming a consolidated subsidiary through acquisition of shares and subscription to a third-party allotment of new shares)

At a meeting of the Board of Directors held on March 28, 2023, the Company resolved to acquire shares of Shumatsu Worker Co. Ltd. by acquiring shares from existing shareholders and subscribing to a third-party allotment of new shares, and to make the company a consolidated subsidiary. Ltd. and entered into a share transfer agreement and a share subscription agreement on the same date. Based on the agreement, the Company acquired the shares on April 5, 2023. In addition, the Company acquired the shares on April 5, 2023, and subscribed to a third-party allotment of new shares.

1. Purpose of Share Acquisition

With the mission of "Talent infrastructure; becoming an infrastructure for individuals," Shuumatsu Worker has been working to expand its human resource matching platform that connects companies and individuals online in order to provide society with new work options.

Since its establishment in 2016, Shuumatsu Worker has been creating a new lifestyle in Japan by operating a platform that matches talented individuals with companies to stabilize and popularize new ways of working with the mission of "freeing working style and expanding life possibilities. By welcoming Shuumatsu Worker as a group company, we will be able to provide a wider range of human resources to our clients in the side hustle area, which is our focus, and also provide more work opportunities to workers, thereby realizing our vision of "becoming a company that delivers rewards to the most people in Japan. We believe that this will contribute to the realization of our vision "to be the company that delivers rewards to the most people in Japan" and to the expansion of profit-earning opportunities.

2. Name of company from which shares were acquired

The shares were acquired from the company's founder, Yukiya Matsumura, En Japan Corporation, KVP Seed Innovation No. 1 Investment Limited Partnership, Kiraboshi Capital Yume Habataki No. 1 Investment Limited Partnership, EEI No. 4 Innovation & Impact Investment Limited Partnership, and other shareholders (two corporations, one fund, and three individuals), The Company acquired shares from two corporations, one fund, and three individuals.

3. Name, nature of business, and size of company to be acquired

(1) Company name: Shumatsu Worker Co.

(2) Business description: Operation of a matching service between companies and IT personnel who want to work on the side

(3) Capital: 100,000 thousand yen

4. Time of share acquisition

April 5, 2023

5. Number of shares to be acquired and status of shares held after acquisition

(1) Number of shares to be acquired 11,857 shares

(2) Obtained price 1,159,911 thousand yen

(3) Shareholding ratio after acquisition: 62.67

6. Method of financing and payment

The funds for this share acquisition were provided by the cash on hands.

(Borrowing large amounts of money)

The Company has executed the following borrowings to fund its operations.

Lender	The Bank of Mitsubishi UFJ, Ltd.
Loan amount	200,000 thousand yen
Date of borrowing	April 5, 2023
Borrowing period	1 year
Interest Rate	Base interest rate + spread
Collateral	Unsecured/non-guaranteed
Financial covenants	None

Lender	Mizuho Bank, Ltd.
Loan amount	200,000 thousand yen
Date of borrowing	April 28, 2023
Borrowing period	1 year
Interest Rate	Base interest rate + spread
Collateral	Unsecured/non-guaranteed
Financial covenants	None

Lender	Rakuten Bank, Ltd.
Loan amount	200,000 thousand yen
Date of borrowing	April 28, 2023
Borrowing period	1 year
Interest Rate	Base interest rate + spread
Collateral	Unsecured/non-guaranteed
Financial covenants	None

3. Other

Material Events Related to Going Concern Assumptions, etc.

Not applicable.