

Financial Results
for the 1st Quarter of Fiscal Year Ending March 31, 2021

LANCERS, INC.

(TSE Mothers：4484)

August 13, 2020

Agenda

Lancers

1 **Company profile / Market trends**

2 Results for the 1st quarter of fiscal year ending March 2021

3 Impact from COVID-19 pandemic

4 Forecast and strategies for the year ending March 2021

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Vision / Company profile

Lancers

Our Mission

Empowerment of Individuals



Our Vision

We will create a world where anyone can live their own workstyle, with the power of technology

Company Profile	Company name	LANCERS, INC.
	Business contents	Platform business
	Founder and CEO	Yosuke Akiyoshi
	Establishment	April, 2008
	Staff	Approx. 200 employees*

*) Employees include full-time employees (excluding those who are seconded to outside the Group, but including those seconded to the company within the Group) and temporary workers(part-time workers)

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Our Business

Lancers

Providing matching services for freelancers since 2008. Contactless operations from ordering to managing projects and payments.

Clients (Employers)



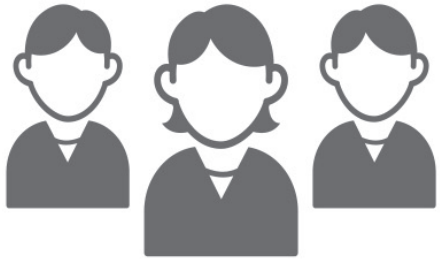
Benefits

- Being able to secure the necessary resources whenever needed
- Order can be placed for relatively low fees and shorter time



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Freelancers (Contractors)



Benefits

Being able to

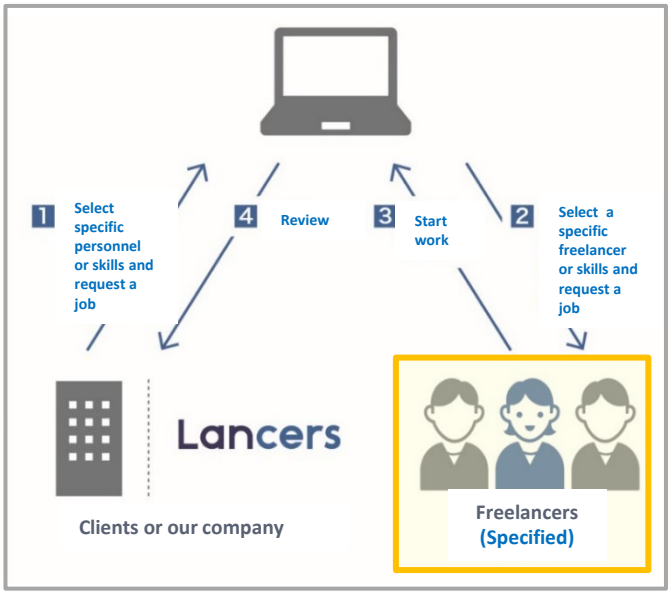
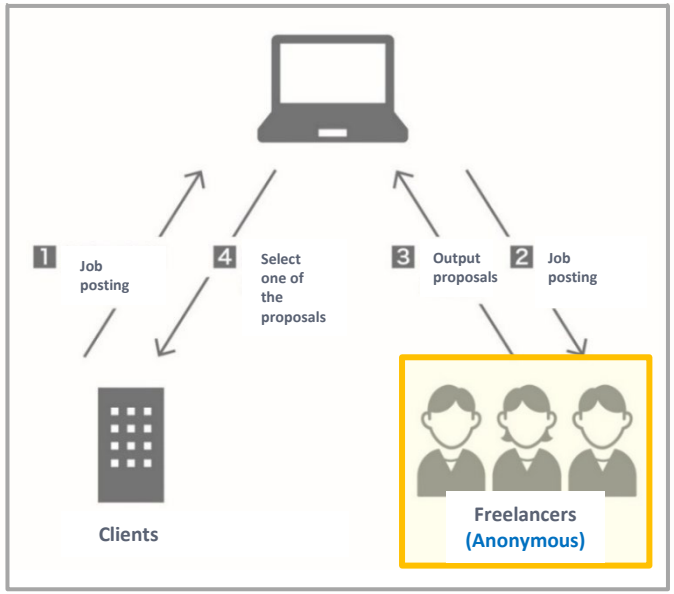
- choose projects that fit their skills
- work whenever & wherever they want
- Increase income

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Business Models / Features

Lancers

Online staffing*(OS), which offers jobs to specific individuals is our main business model, OS accounts for 90% of total GMV**.

	Online Staffing (OS)		Crowd Sourcing(CS)
Business Model			
Typical case	Development, designs, office work		Tasks, data entry
Unit price	High unit price	Approx. x4	Low unit price
GMV %	90%		10%

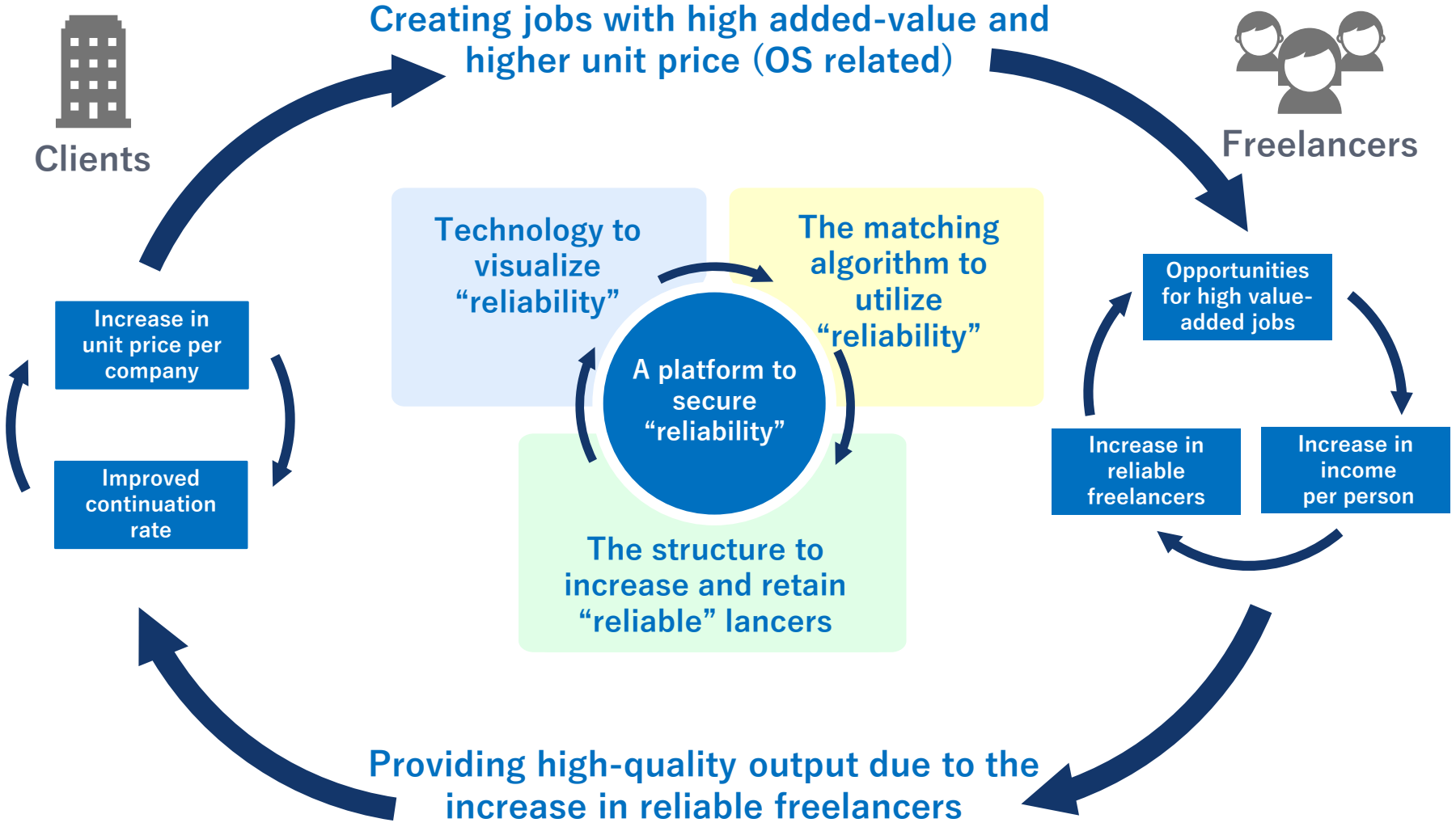
*)Online staffing (OS) is an abbreviation for online staffing platform, and will be referred to as online staffing or OS.
**)Gross Merchandise Value.

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Lancers' Strengths

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A "reliable platform" where jobs with high added-value are offered.



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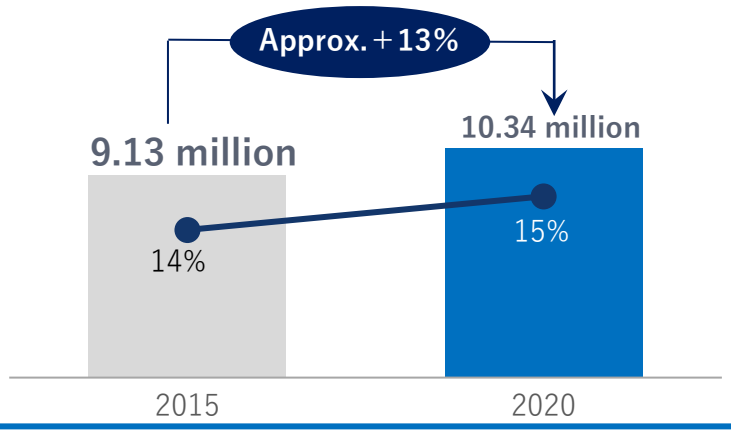
Expansion of Markets

Lancers

Expansion of “remote work x external human resources” Areas and Occupations

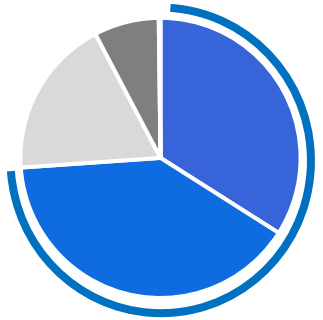
Trend **Expansion of freelance market**

Increase in freelance population and ratio to the working population*



Recent change **New ways of work**

Approx. 70% of workers wish to continue to work remotely even after the stat of emergency is lifted.**



Wish to continue 70%

- Wish to continue
- Somewhat wish to continue
- Wish to work in the office
- Unknown

Prediction **Changes in the use of “remote x external human resources” by companies**

The range of use of “remote x external human resources” was limited to 1-2 job types for a company, however the use of multiple job types will expand.



System development



Video creation



Consulting



Accounting



Human resource

*) Quoted from the “Freelance Survey 2020 Edition” conducted by our group in February 2020.
**)Quoted from “Study of Working from Home Due to COVID-19, 2020” by Security Protection Network Co., Ltd.

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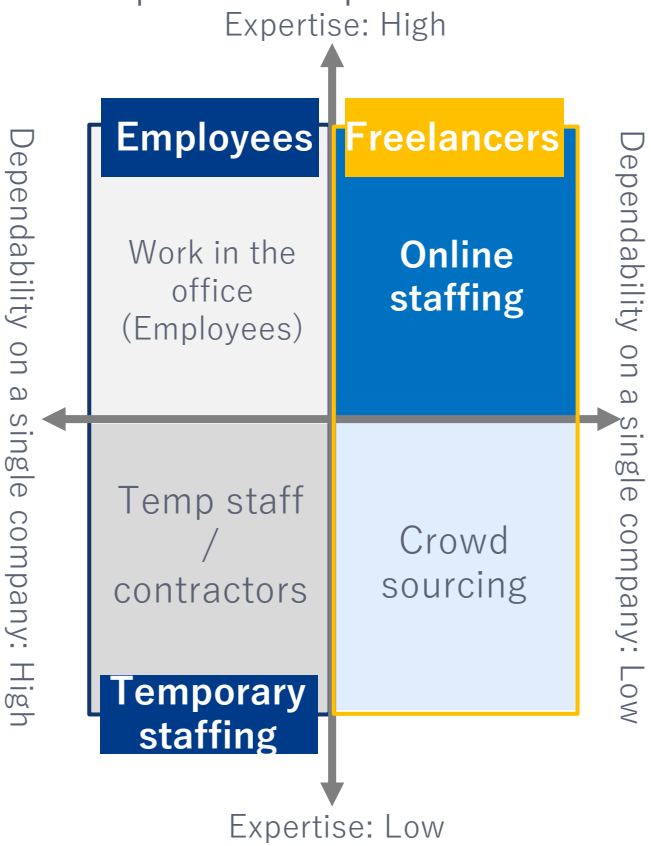
Differences from Other Human Resource Services

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Highly convenient in terms of human resource expertise, completion online, and quick resource acquisition.

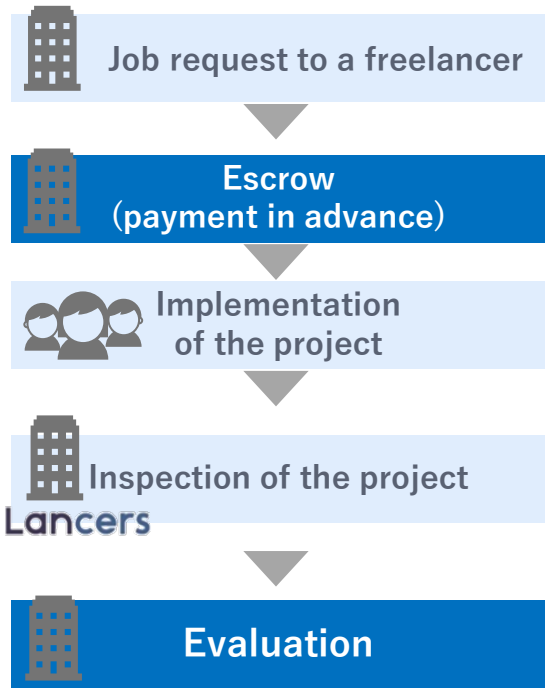
Expertise in HR

Providing highly specialized personnel



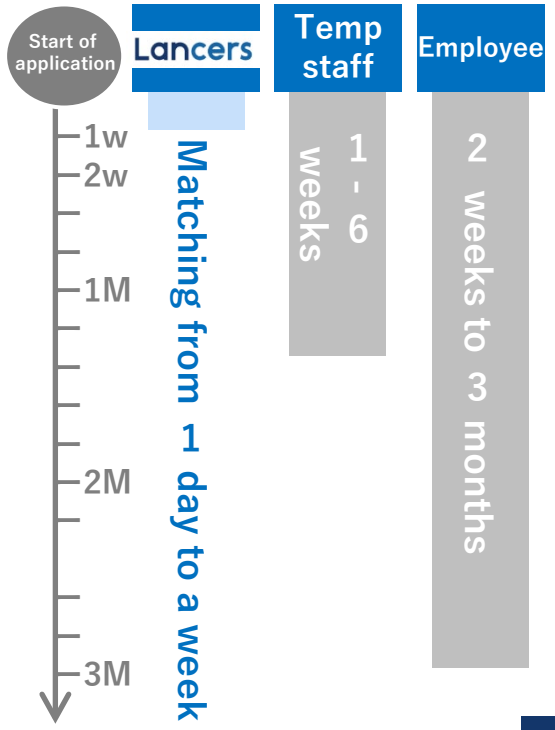
Completion online

Providing a workflow that is completed online



Overwhelming speed

Providing resources immediately when needed



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Summary for Q1 of FY2020 Ending March 2021

Lancers

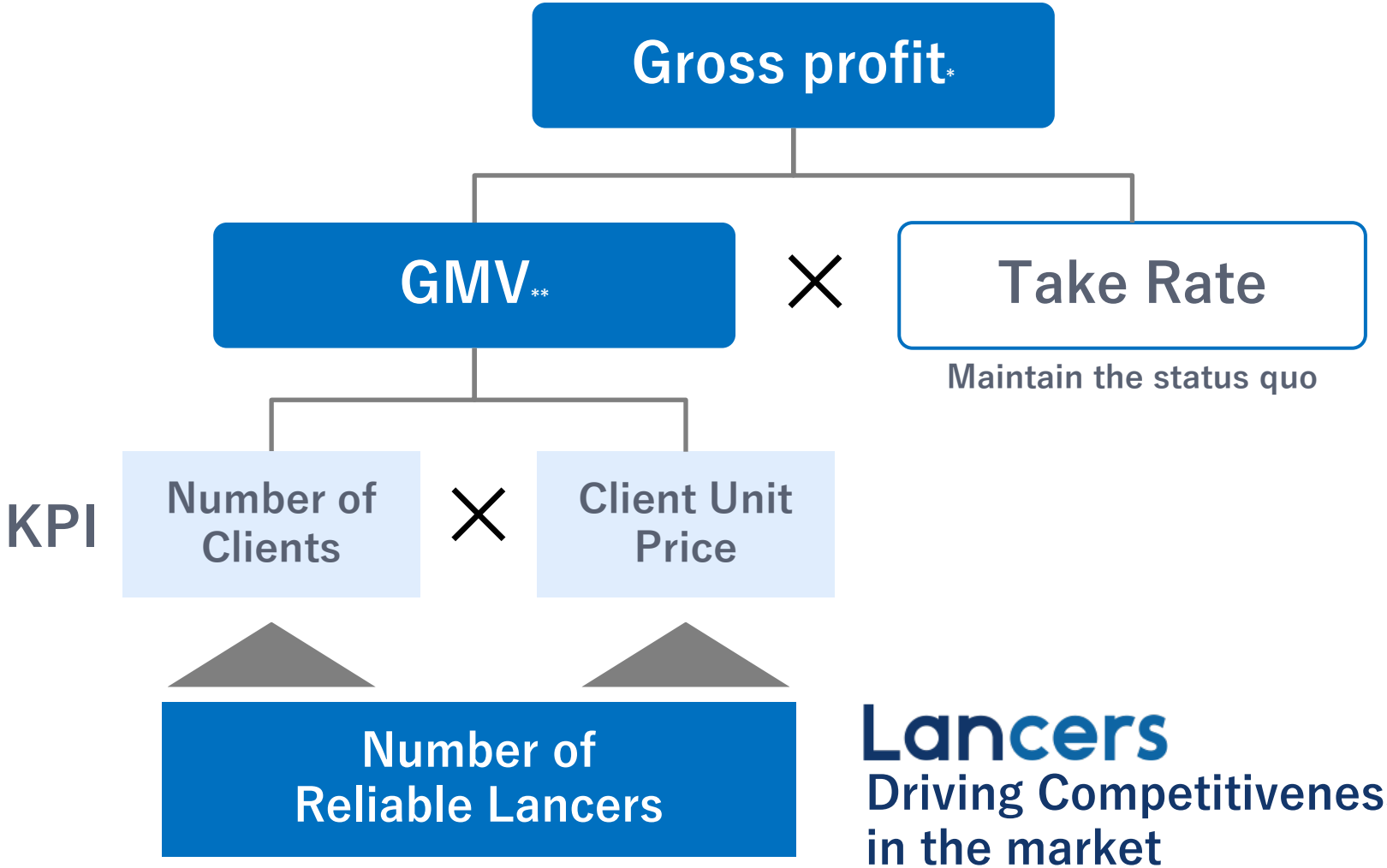
- GMV increased by 16.0% year-on-year, Net sales grew by 29.6%, Gross profit grew by 13.4%, which are **steadily growing** even in COVID-19 pandemic.
- Given the disclosed effects of COVID-19 pandemic, the 1Q earnings forecast progressed as planned, **reaching 104.5% for net sales and 107.1% for gross profit.**
- In light of the COVID-19 pandemic, SG&A expenses have been reduced by 16 million JPY from the forecast, **resulting in a reduction in operating loss of 43 million JPY.**
- As a result, **we have made profits in June.** Furthermore, in the 1st quarter, net income was reached profitable because of tax adjustment.

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What creates our value and KPI

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Emphasizing expansion of GMV and Gross profit representing our added value



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Driving Competitiveness in the market

*)Since the sales recording standard differs for each service, “gross profit” is used as a management index.
**)Gross Merchandise Value

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Financial Results in Q1 of FY2020 （Quarter）

Lancers

① Marked steady growth through COVID-19 pandemic, resulting beyond forecast.
② SG&A expenses reduced by 16 million JPY as a result of improving productivity and reduced costs.
③ Marked profitable due to tax adjustment.

(Unit: Million JPY)

	Q1 FY2020	Q1 FY2019* (year on year)		1Q FY2020(Forecast) ※Disclosed on May 14	
	Actual	Actual	% Change	Forecast	%Result
Gross Merchandise Value	2,063	1,778	+16.0%	2,016	102.3%
Net sales	867	669	+29.6%	830	104.5%
Gross profit	428	377	+13.4%	400	107.1%
Selling, general and administrative expenses (SG&A)	444	647	△31.4%	460	96.6%
Operating loss	△16	△270	—	△60	—
Ordinary loss	△11	△267	—	△60	—
Net income/loss	1	△269	—	△70	—

*) It is based on in-house management data and the figures are not audited.

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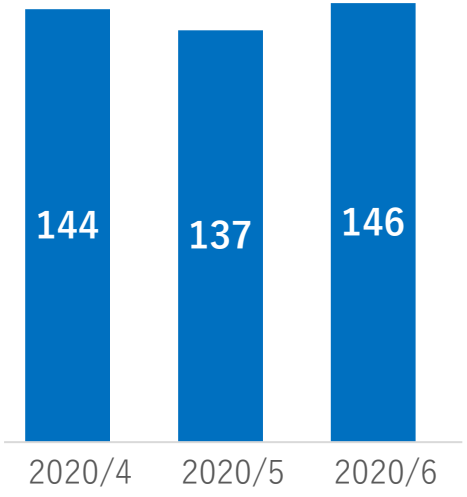
Monthly Trends for the 1st Quarter of FY2020

Lancers

The top line grew steadily in June, achieving profitability as a result of improving productivity and reducing costs.

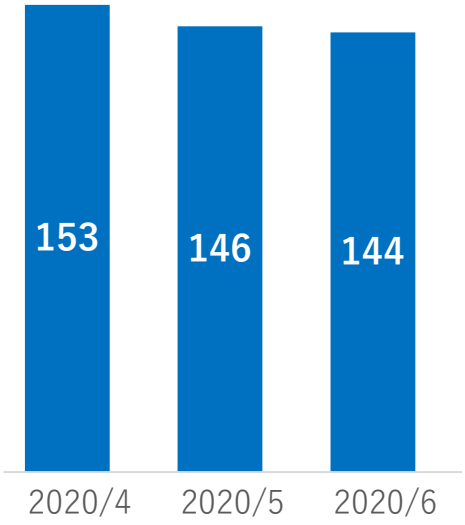
Gross profit*

(Unit: Million JPY)



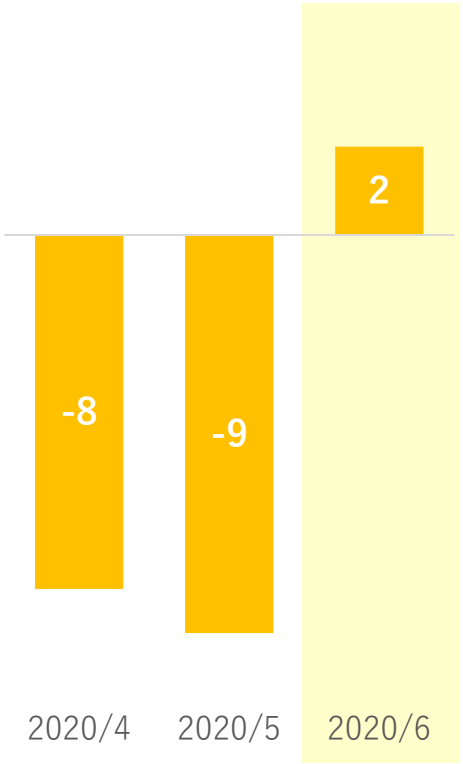
SG&A expenses*

(Unit: Million JPY)



Operating income*

(Unit: Million JPY)

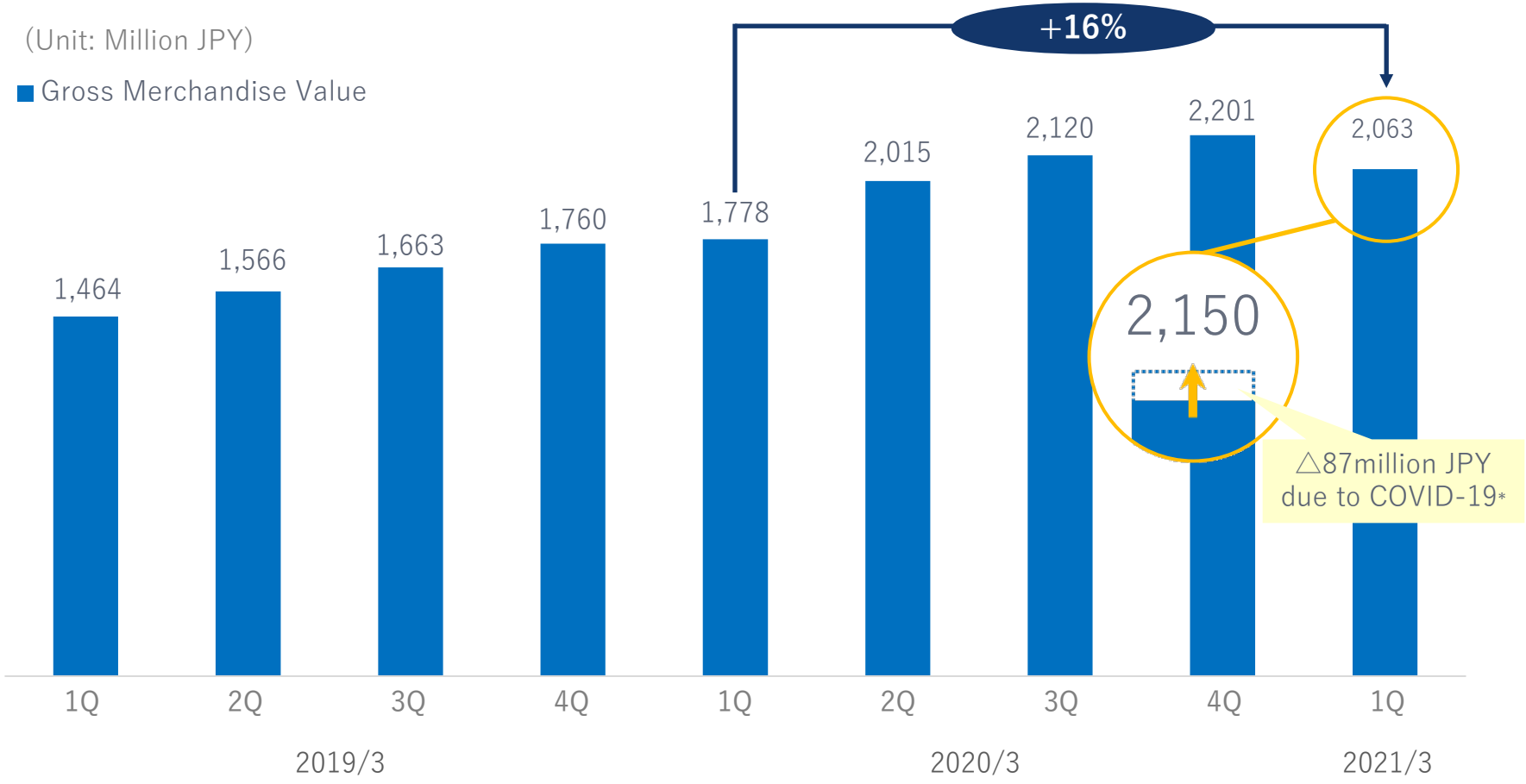


*)It is based on in-house management data and the figures are not audited.

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Trend of Gross Merchandise Value (Consolidated)

GMV increased by 16% year-on-year despite COVID-19 pandemic.



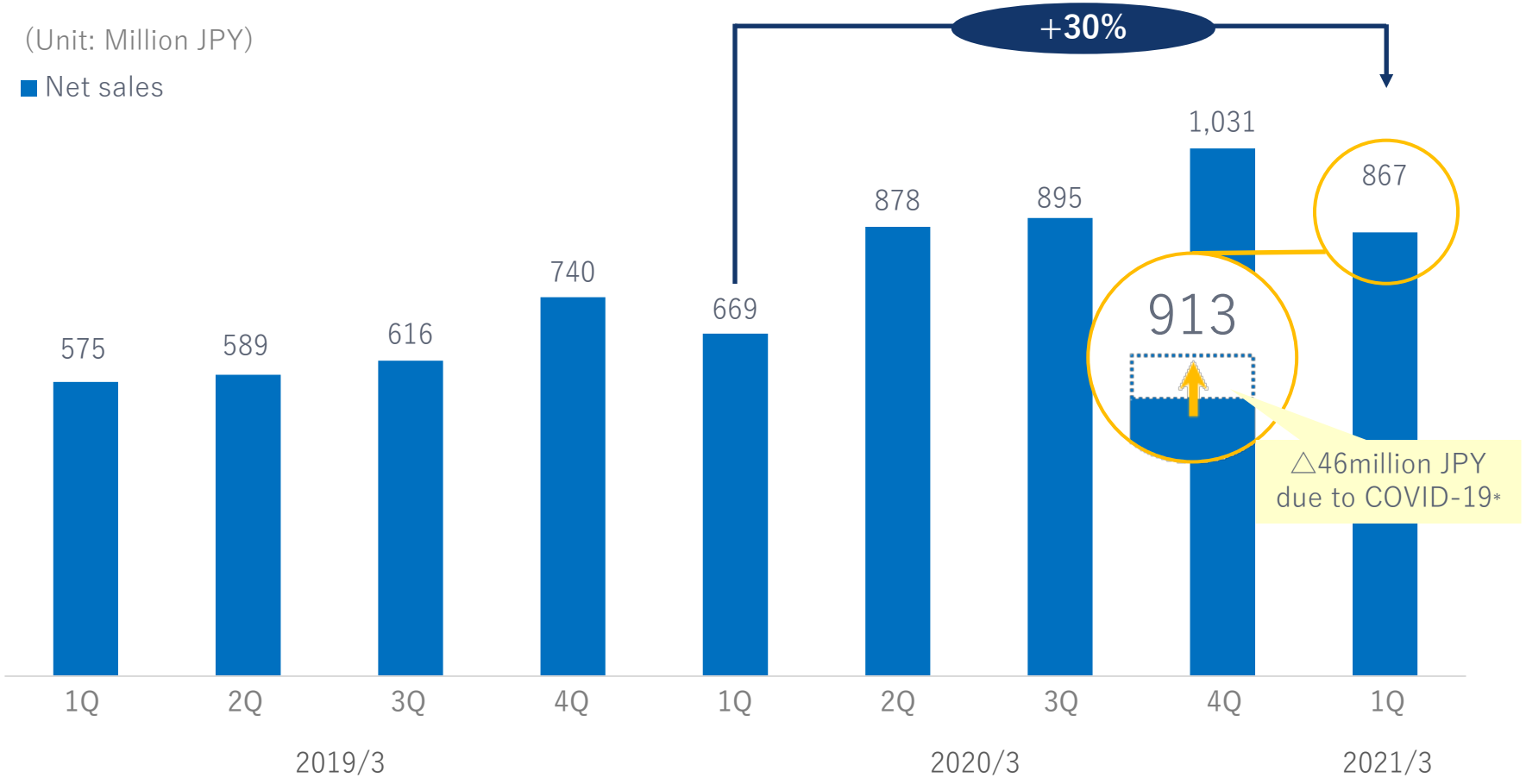
*) It refers to the impact that COVID-19 pandemic imposed on the initial plan in our forecast for the year ending March 2021 before the pandemic.

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Trend of Net sales (Consolidated)

Lancers

Net sales increased by 30% year-on-year.



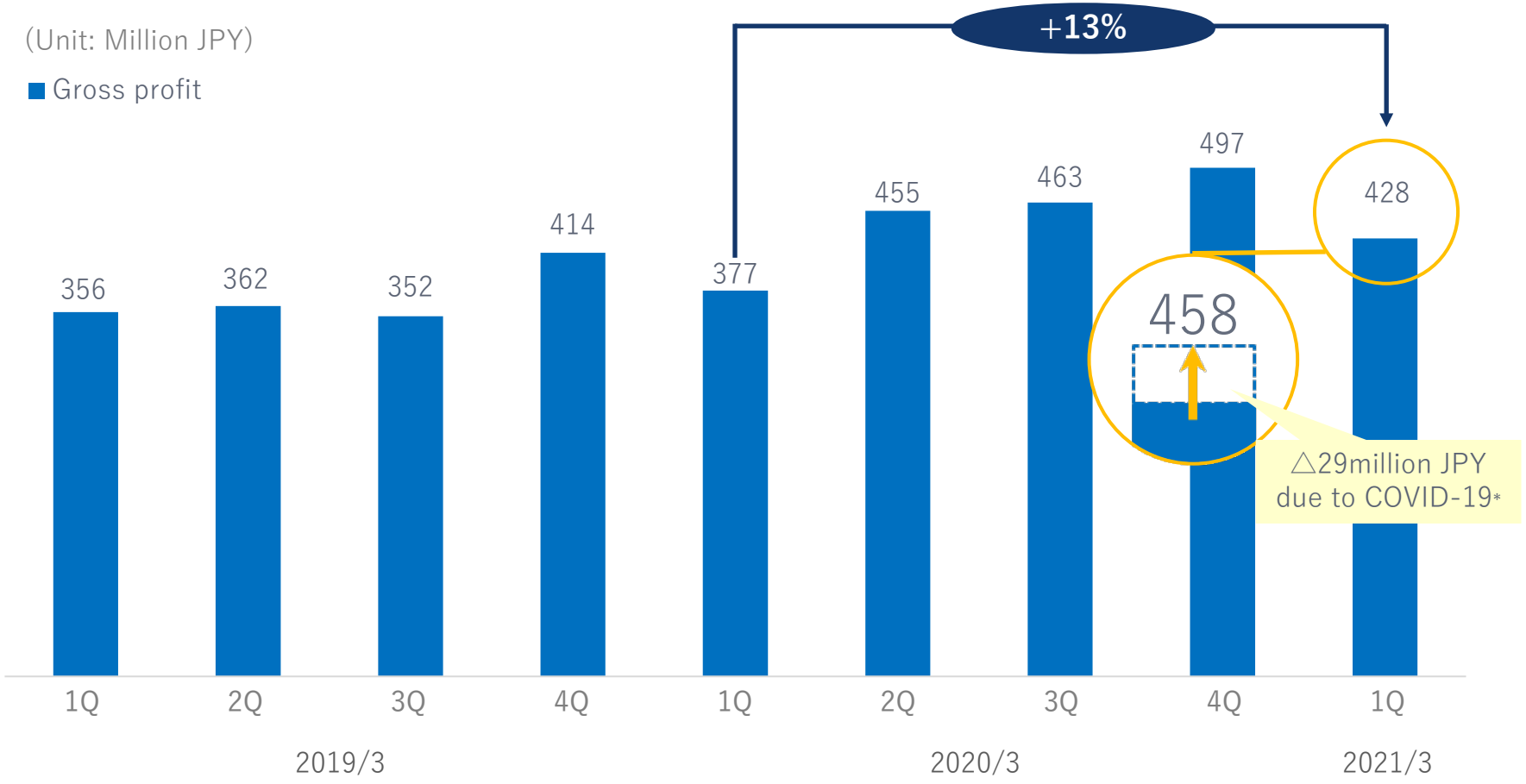
*) It refers to the impact that COVID-19 pandemic imposed on the initial plan in our forecast for the year ending March 2021 before the pandemic.

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Trend of Gross profit (Consolidated)

Lancers

Gross profit increased by 13% year-on-year.



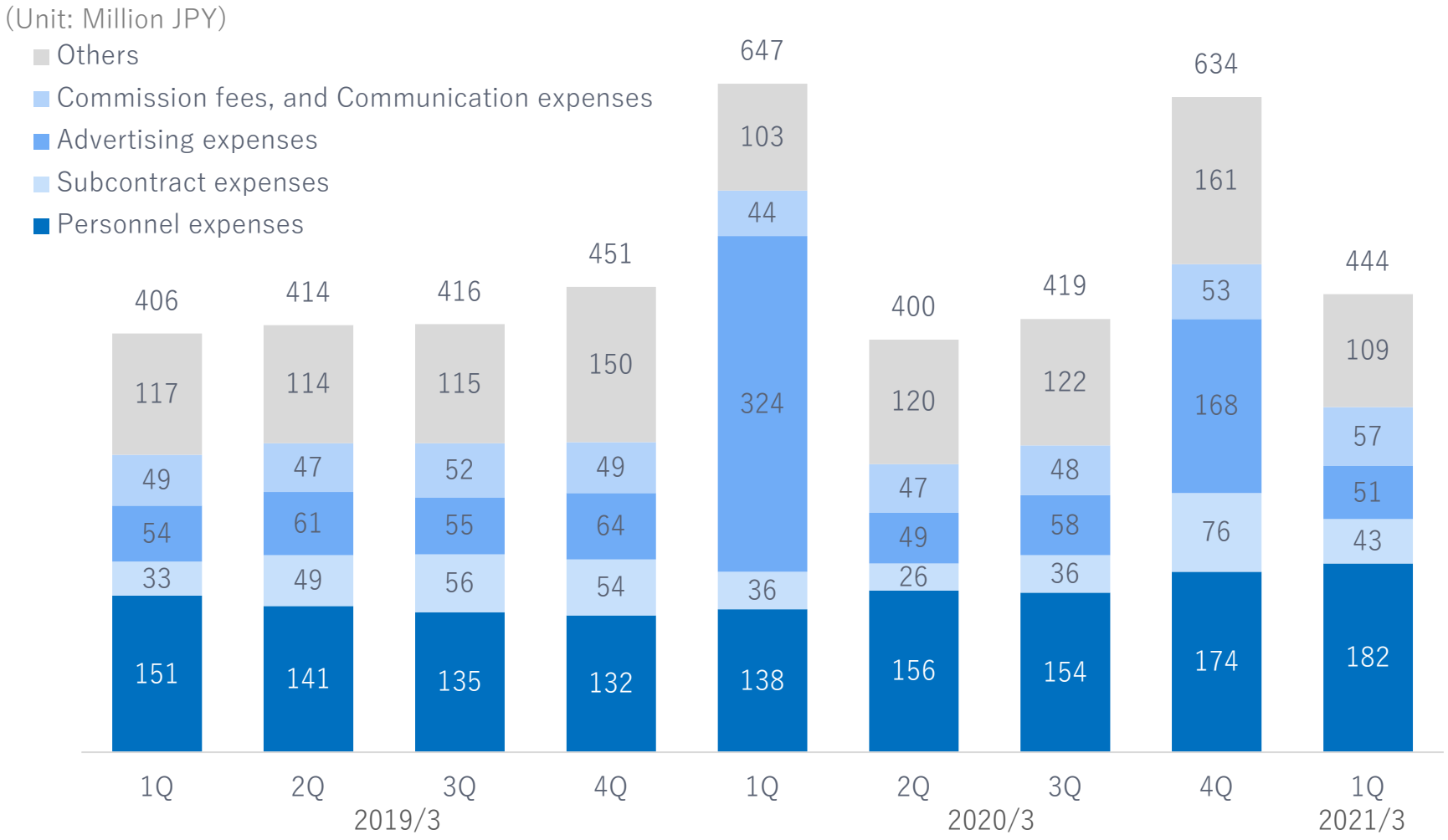
*) It refers to the impact that COVID-19 pandemic imposed on the initial plan in our forecast for the year ending March 2021 before the pandemic.

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Trend of SG&A Expenses (Consolidated)

Lancers

SG&A expenses in previous years remained constant despite the increase in GMV.



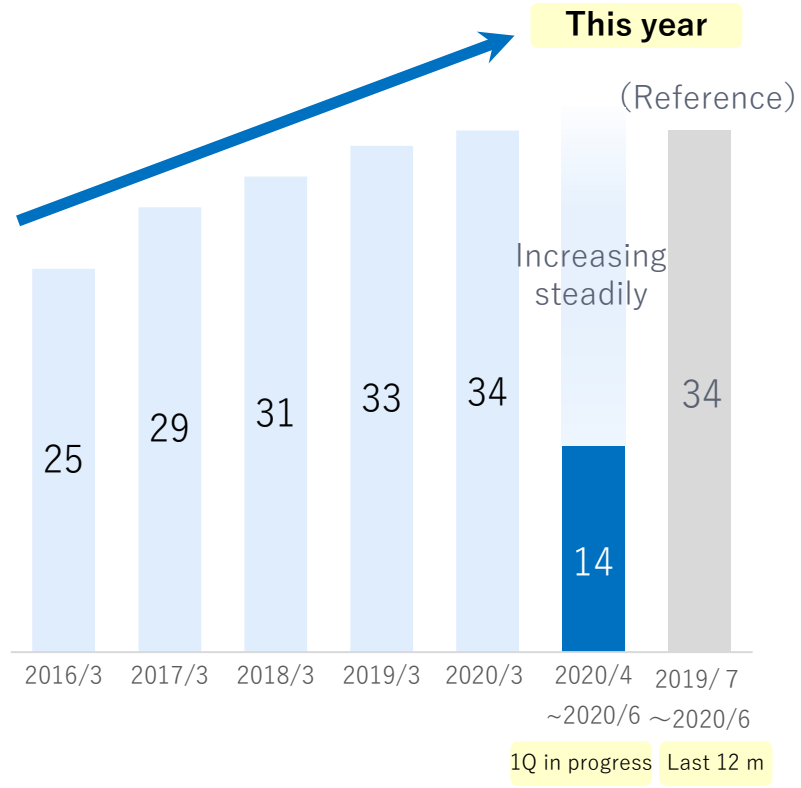
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Increase in the Number and Unit Price of Clients

The unit price has been growing steadily over the last 12 months and has been increasing in 1Q.

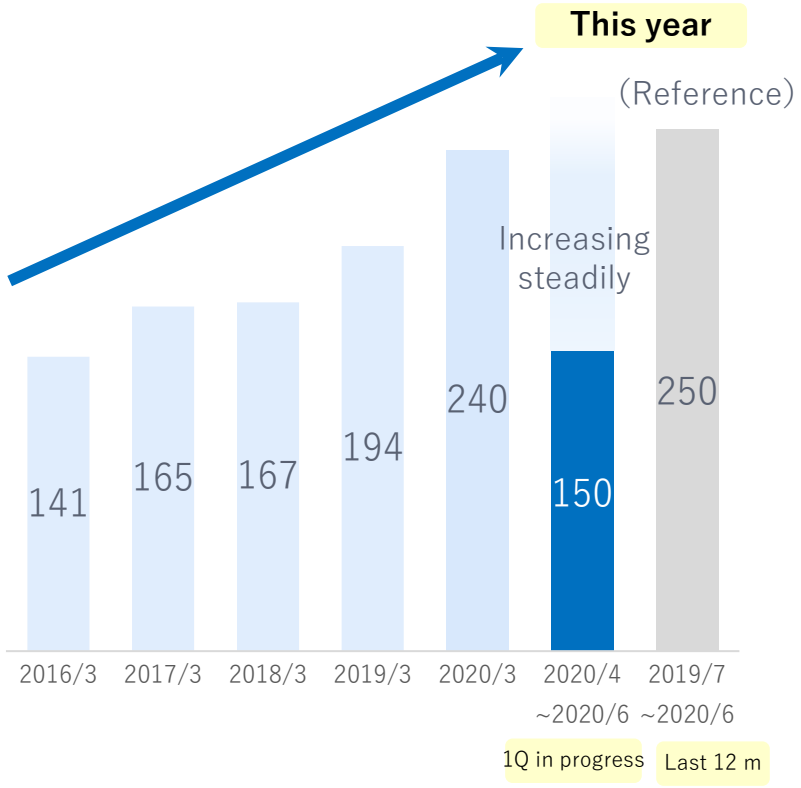
The number of clients*

(Unit: Thousand clients)



Client unit price*

(Unit: Thousand JPY)



*) It does not include businesses in other areas such as “Lancers AREA PARTNER” and “Shareful”.

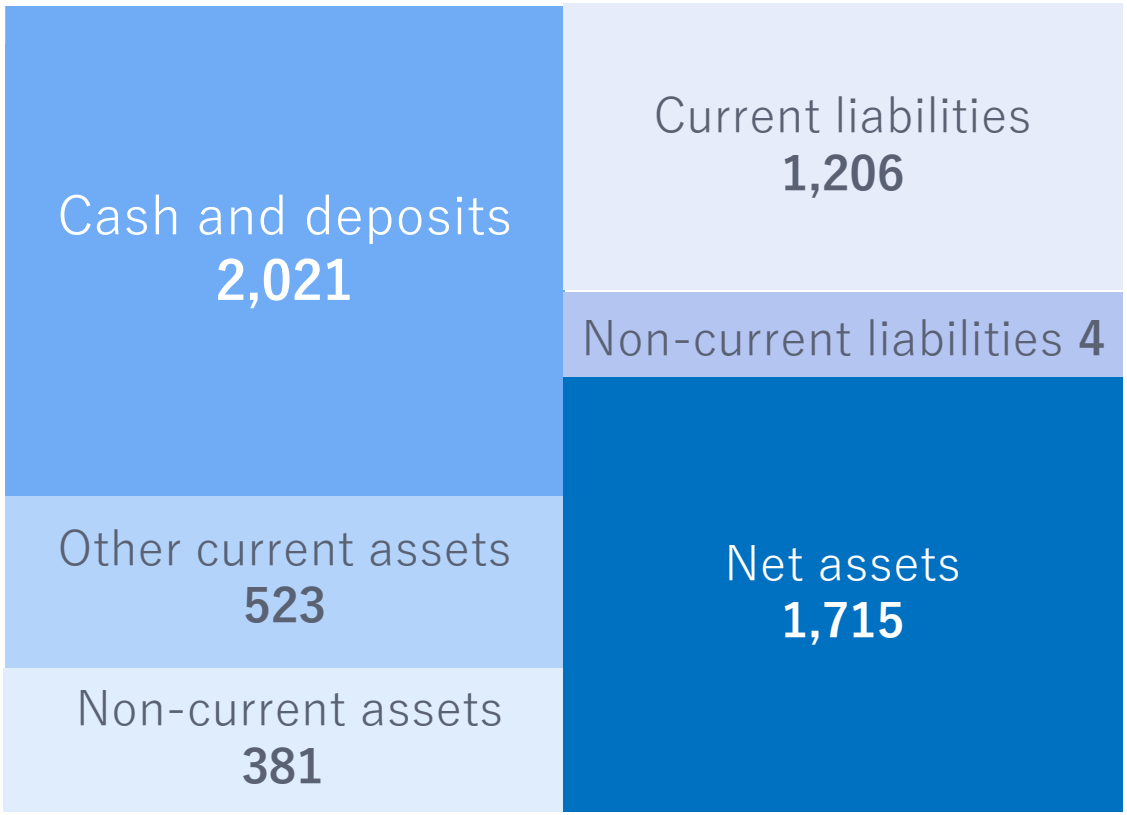
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Balance Sheet

Lancers

1.94 billion JPY, which is the sum of net cash* and overdraft**, is higher than the average SG&A expenses for 1 year***, therefore the financial base is solid.

(Unit: Million JPY)



- Customer deposits 632
- Equity Ratio 58.6%
- Goodwill 258

Total assets 2,926

Total liabilities/net assets 2,926

*)Net Cash: 1,389 million JPY = Cash and deposits 2,021 million JPY – debt 0 million JPY – customer deposits 632 million JPY
**)It indicates the uncommitted overdraft. As of the end of July 2020, 560 million JPY has not been spent for overdraft.
***)Average of SG&A expenses indicates full-year SG&A expenses excluding past investments and general administrative expenses.

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Activities through COVID-19 Pandemic

Lancers

Supporting freelancers

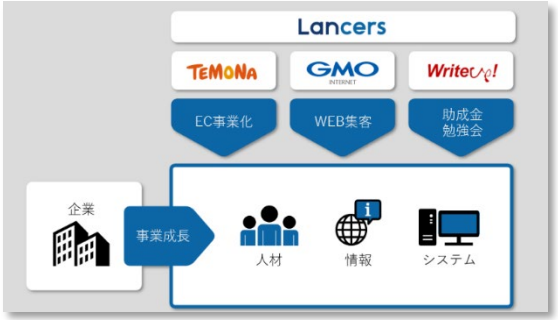
Introducing a function to issue **certificates of cancellation** that indicate necessary information when applying for leave allowance

[Important]
Information regarding application of subsidies for freelancers due to COVID-19 pandemic
(For freelancers / clients)

NEW

Supporting smaller businesses

Launching **a business continuity support program** with partners



Supporting clients

Lancers Enterprise Services has been certified as a tool for IT Development Grant 2020



Supporting other industries

Accepting employees from ASOVIEW Inc. for **sharing network**



Activities in our company

Achieving a remote work rate of 97.5%* by planning and executing **5 principles of smart management and "remote work**



NEW

Further activities in our company

Managing employees' conditions through **company-wide events online** and regular surveys



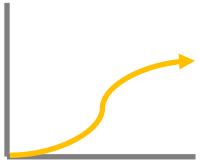
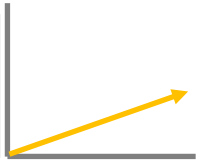
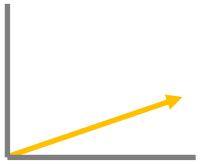
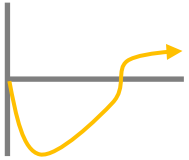
*)It includes members working from home and co-creating with our company as freelancers.

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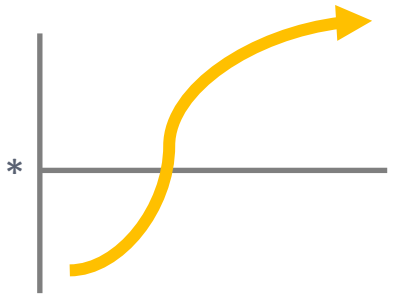
Impact on Performance from COVID-19 Pandemic

Lancers

Despite the downside of the reduction of economic activities of clients, positive results were shown for short-med term.

Upside	Short term	Increase in the number of users from introduction of remote work		The number of user registrations is growing
	Medium term	Market development from penetration of smart management		Promoting awareness through webinars and alliance with other companies
		Creation of new needs		Offering clients' new needs
Down side	Short term	Inefficient sales activities due to contactless marketing activities		No impact by switching to online sales
		Decrease in orders from existing clients in specific industries		Decrease in DTP designs due to reduction of corporate activities

Impact on overall performance



*) It indicates when the impact on business performance is 0.

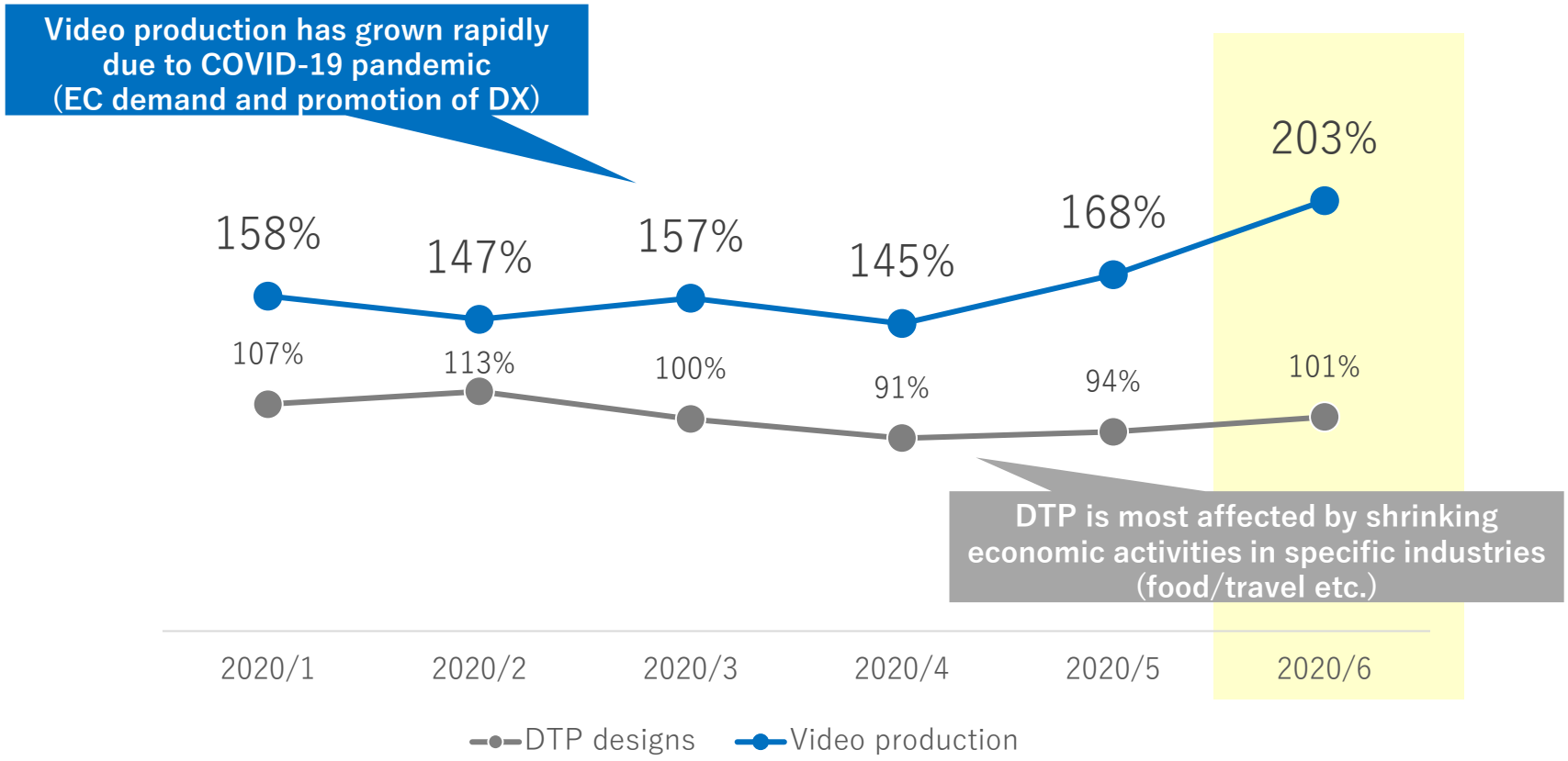
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Short-Term Impact (Downside/Upside)

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During COVID-19 pandemic, growing areas (video production and system development) and shrinking areas (DTP designs) coexist. However, it is recovering after June.

Year-on-year changes in GMV of video production and DTP designs



*)It is based on in-house management data and the figures are not audited.

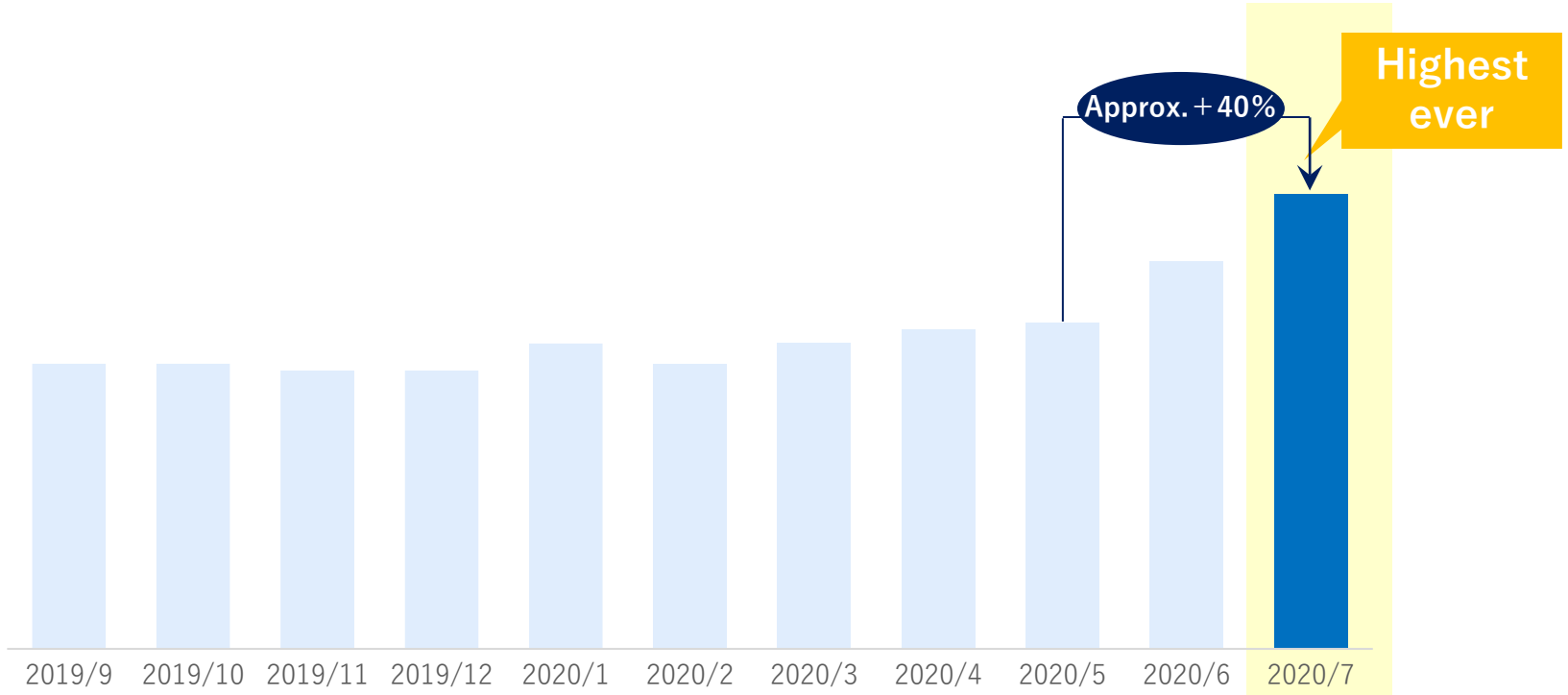
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Short-Term Impact (Upside)

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40% increase in the number of newly registered clients in the last 2 months, which is the highest figure ever. New needs due to the pandemic has a positive impact on future distributions.

Changes in the number of newly registered clients



*) It is based on in-house management data and the figures are not audited.

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Forecast for FY2020

Lancers

- Disclose full-year forecast in a range considering the uncertainty of COVID-19 pandemic.
  - Up：Things will **turn back to normal in 2Q** and **clients' demand will continue to grow such** as increase in the number of registrations.
  - Low：**Reduction in orders will continue until 3Q**. However, further economic deterioration due to another state of emergency is not expected.
- GMV is expected to grow**+11.5%-20.2%** year-on-year, net sales **+13.7%-23.8%**, and gross profit **+5.9%-17.0%**
- According to the plan (upper limit), **growth will accelerate in the 4Q by 30% or more year-on-year**, aiming for growth above the initial plan*
- Regarding costs, sales, marketing and development will be invested within the range or profitability, and upper and lower limits to be **profitable for the full year.**

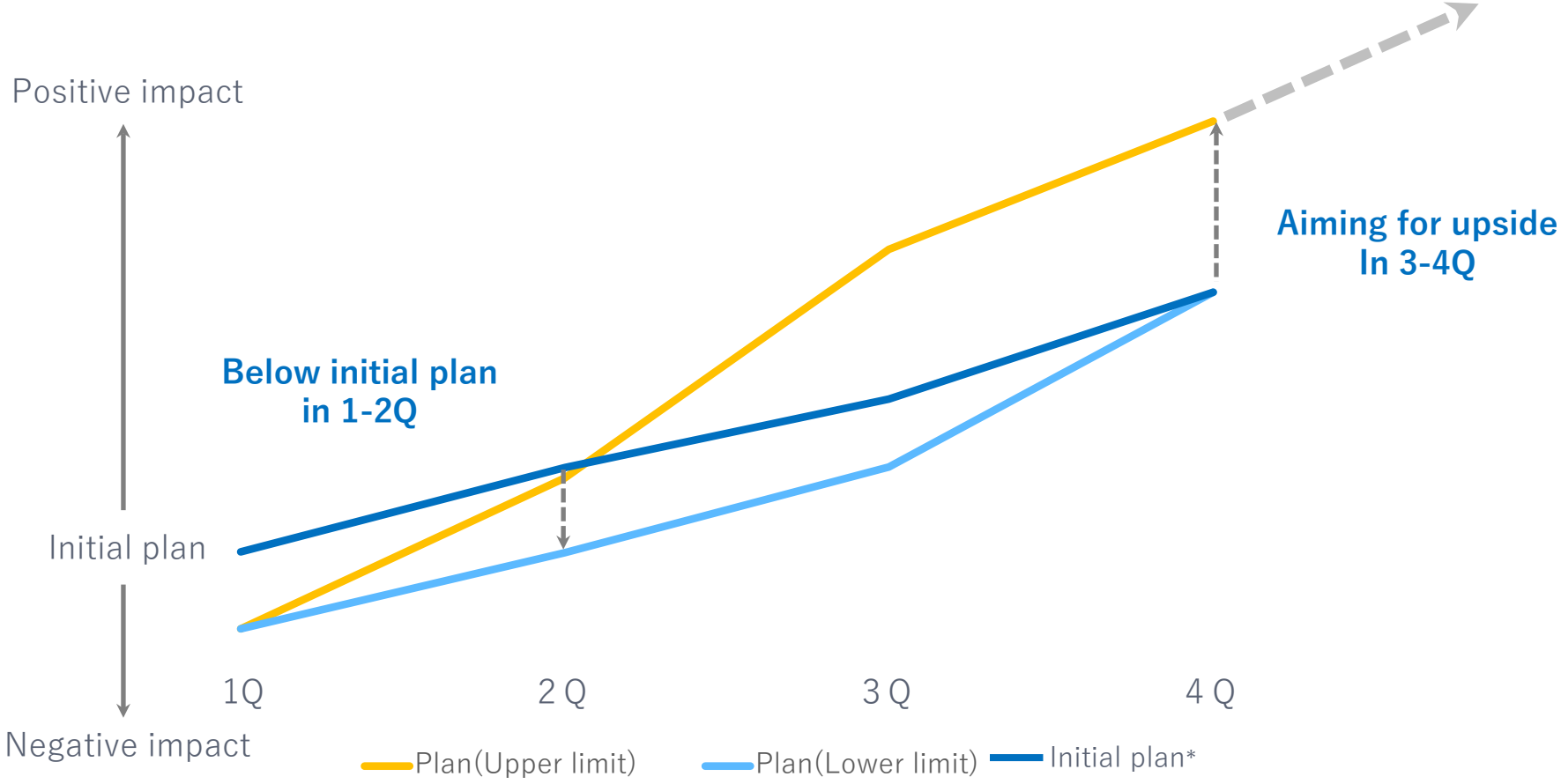
*) It shows our forecast for the fiscal year ending March 2021 before the spread of COVID-19.

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Full-Year Forecast Quarterly Trends (Prediction)

Lancers

**Below the initial plan* due to COVID-19 pandemic.
However, accelerated growth by 30% or more is expected in 4Q, aiming for further growth beyond the initial plan (upper limit).**



*) It shows our forecast for the fiscal year ending March 2021 before the spread of COVID-19.

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Forecast for FY2020

Lancers

① Set a plan in a range because of the uncertainty of COVID-19 pandemic

② Invest in sales & marketing and development within the range that can be profitable for the full year.

(Unit: Million JPY)

	FY2020			FY2019 (year on year)	
	Prediction	Initial plan*	% change	Performance	% change (vs prediction)
Gross Merchandise Value	9,050～9,750	9,485	△4.6～+2.8%	8,114	11.5～20.2%
Net sales	3,950～4,300	4,194	△5.8～+2.5%	3,474	13.7～23.8%
Gross profit	1,900～2,100	2,017	△5.8～+4.1%	1,794	5.9～17.0%
Selling, general and administrative expenses (SG&A)	1,890～2,050	2,010	△6.0～+2.0%	2,102	△10.1～△2.4%
Operating profit/loss	10～50	7	—	△307	–
Ordinary profit/loss	10～50	9	—	△328	–
Net income/loss	0～40	△27	—	△353	–

*) It shows our forecast for the fiscal year ending March 2021 before the spread of COVID-19.
**)The total amount of distribution is a pro forma amount.

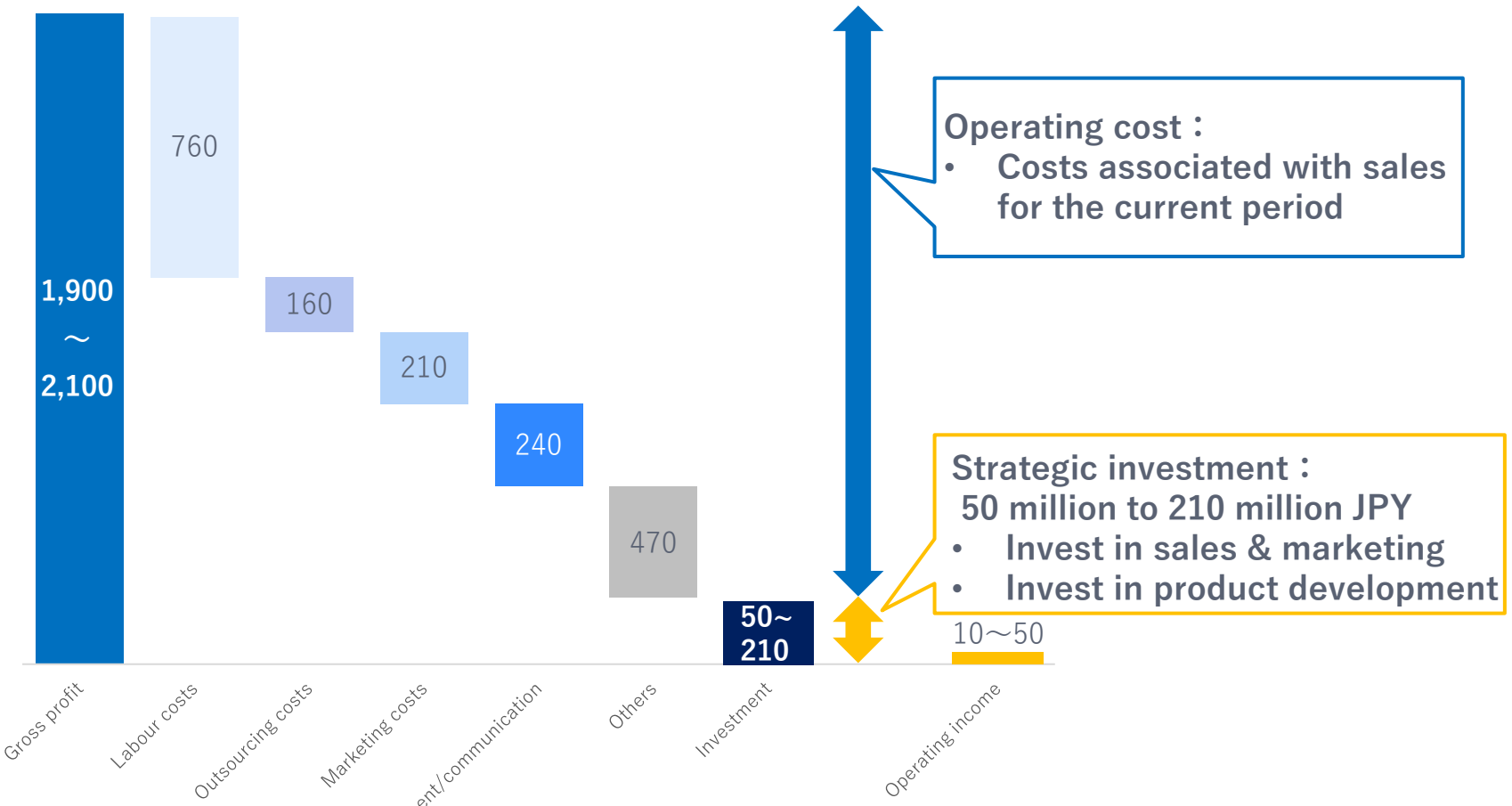
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Investment and Operating costs

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Operating costs associated with sales for the current term is 1.8 billion JPY, which is a profitable structure of several hundred million JPY excluding investment to accelerate further growth for the next term.

Details of SG&A expenses (million JPY)



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Strategy for FY2020

Lancers

Strengthen sales to large companies and improve client unit price

	Previous policies		This year's policies
Increase the number of clients	• **Expansion of Lancers' brand recognition**	Renew	• Create awareness leading to **"smart management" and alliance with other companies** as a service concept
×			
Improve clients' unit price	• Strengthen **targeted marketing and sales**	Continue	• Continue to strengthen sales - Focus on **acquiring large companies** by Enterprise service - **Strengthen account sales** to existing companies
+			
Create further profit	• —	New	• **Develop new services** to meet the needs of clients as the market constantly changes

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Lancers

Offering services quickly to meet companies' new needs through COVID-19 pandemic.

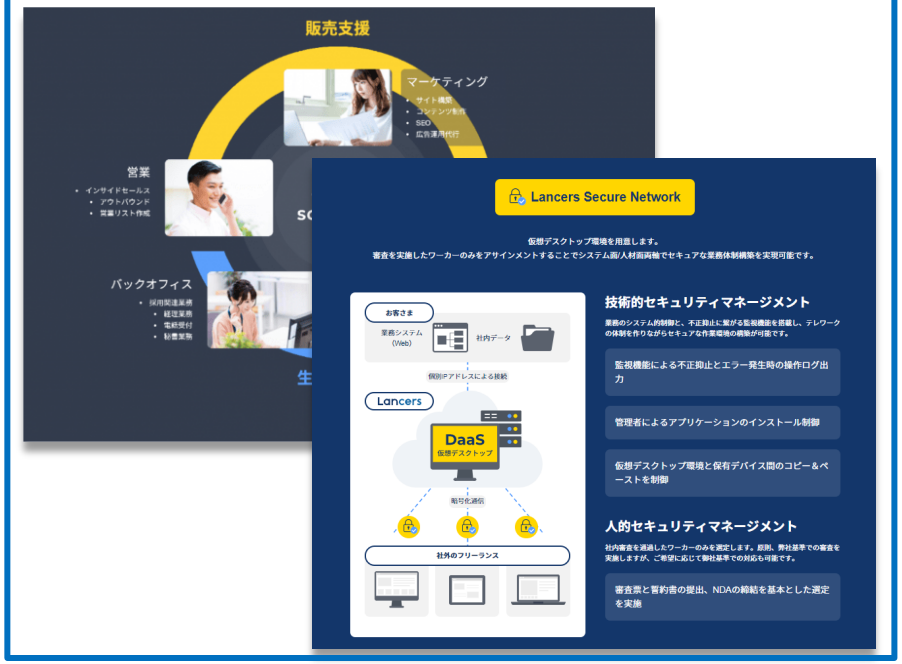
Lancers Assistant Telephone Substitution Plan

- Launched in May 2020
- Resolves problems of telephone transfer in an office environment
- Introduced to approx. 50 companies in 3 months



Online BPO

- Launched in June 2020
- Full online decentralized BPO services
- Strengthens security and provides a safe working environment



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Concluded a capital and business alliance with REASE Inc.. Improving creditworthiness of freelancers and infrastructure development.

rease × Lancers

Past partnership

Collaboration in providing credit and rent guarantee services for freelancers in December 2019.

Background

The importance of supporting individuals is expected to grow through the pandemic.

Promoting alliances including investment in various companies to execute our missions.

Details

Business activities to utilize REASE Inc.'s credit algorithm, know-how in the real estate industry, network and our freelance talent platform.

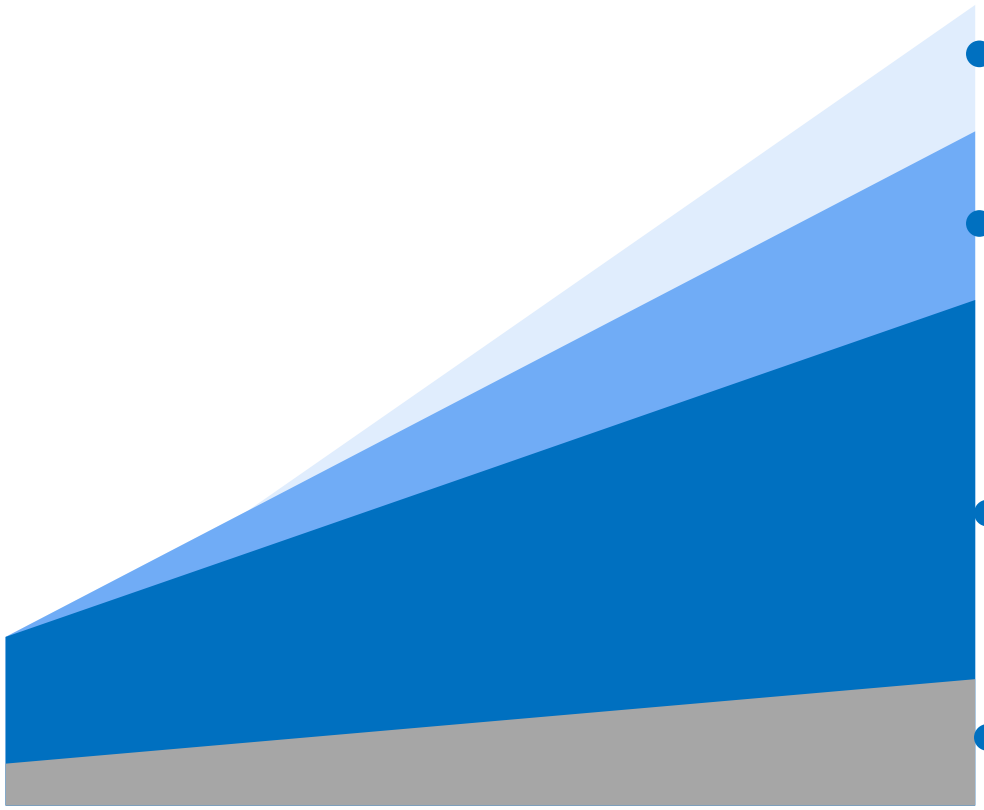
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Mid to Long-Term Strategy

Lancers

With OS services as our major strength, we aim to innovate new ways for work in Japan by promoting new businesses and M&A.

Our vision of a long-term business growth



2019/3

202x/3

Strengthening the monetization base

Entering into peripheral businesses centered on the scoring

Expanding market domain

Connecting to other job areas by expanding our business to large companies and making our databases open

Development in OS including “Lancers Enterprise”

Shifting the price of our services from low to high and maximizing client LTV

Growth in CS

Continuous improvement and stable growth in crowdsourcing services

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Empowerment of Individuals

Lancers empowers individuals by maximizing the possibilities of the internet to help provide ease, freedom, personality and smiles people.
We contribute to make a better society through providing values and growth opportunities, and by revolutionizing the work-style and lifestyle of individuals.

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APPENDIX

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Lancers’ services/additional info

Management team

Lancers’ strengths

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We offer more than 270 kinds of services

Lancers

Handling various work from system development to back office

Expanding — System Development /Web Designs

System Development



Web development/ Programming
¥3,500- ¥7,000/h*



iPhone/iPad app
¥300,000- ¥2,000,000*

Web Designs



Creating homepage
¥50,000-400,000 /1-10 pages*



Making CMS/ Introducing WordPress
¥50,000- ¥200,000/- 10pages*

Writing



Article writing for blogs
¥ 0.5- ¥5/letter*



DM/mail magazines
¥20,000- ¥40,000*

Creative

Other Designs



Creating logos
¥20,000- ¥85,000/ design*



Creating business cards
¥10,000- ¥50,000*

Image/Videos/Narrations



Video production
¥50,000- ¥500,000/per project*



Image editing/assets
¥100- ¥5,000/ piece*

Tasks



Data entry/create lists
¥1,000- ¥10,000 /100 tasks*



Monitoring questionnaires
¥10- ¥3,000 /questionnaire*

Expanding — Back Office

Consulting



Business consulting
¥150,000- ¥300,000*



Web/IT consulting
¥100,000- ¥200,000*

Administration



Creating PowerPoint
¥30,000- ¥100,000（10 slides）*



Excel designs
¥20,000- ¥30,000*

Translation



English translation
¥5.0- ¥8.0 （per word）*



Chinese translation
¥2.0- ¥6.0 （per word）*

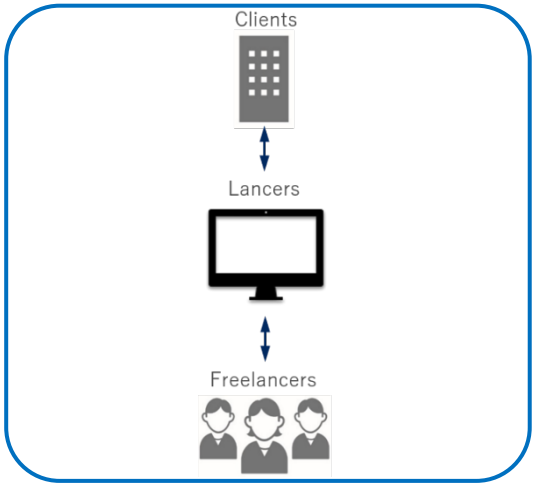
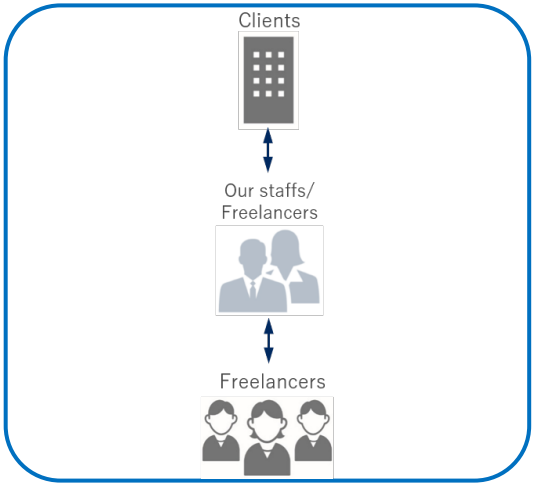
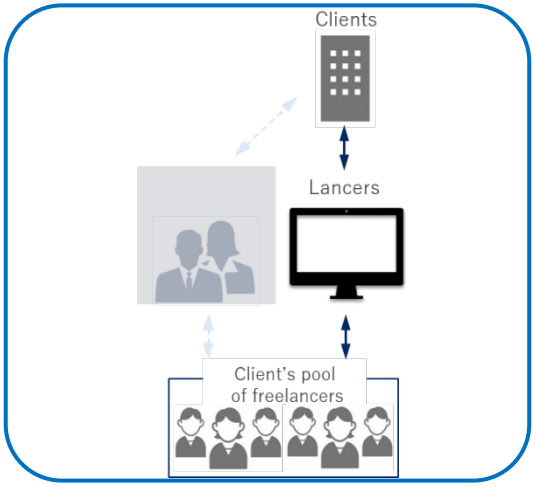
*)The requested price is the price offered for a basic project and refer to the website below for requested prices in detail.
https://www.lancers.jp/help/beginner/lancer/examples

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Accounting Method for Each Service

Lancers

We offer multiple services with different sales accounting standards

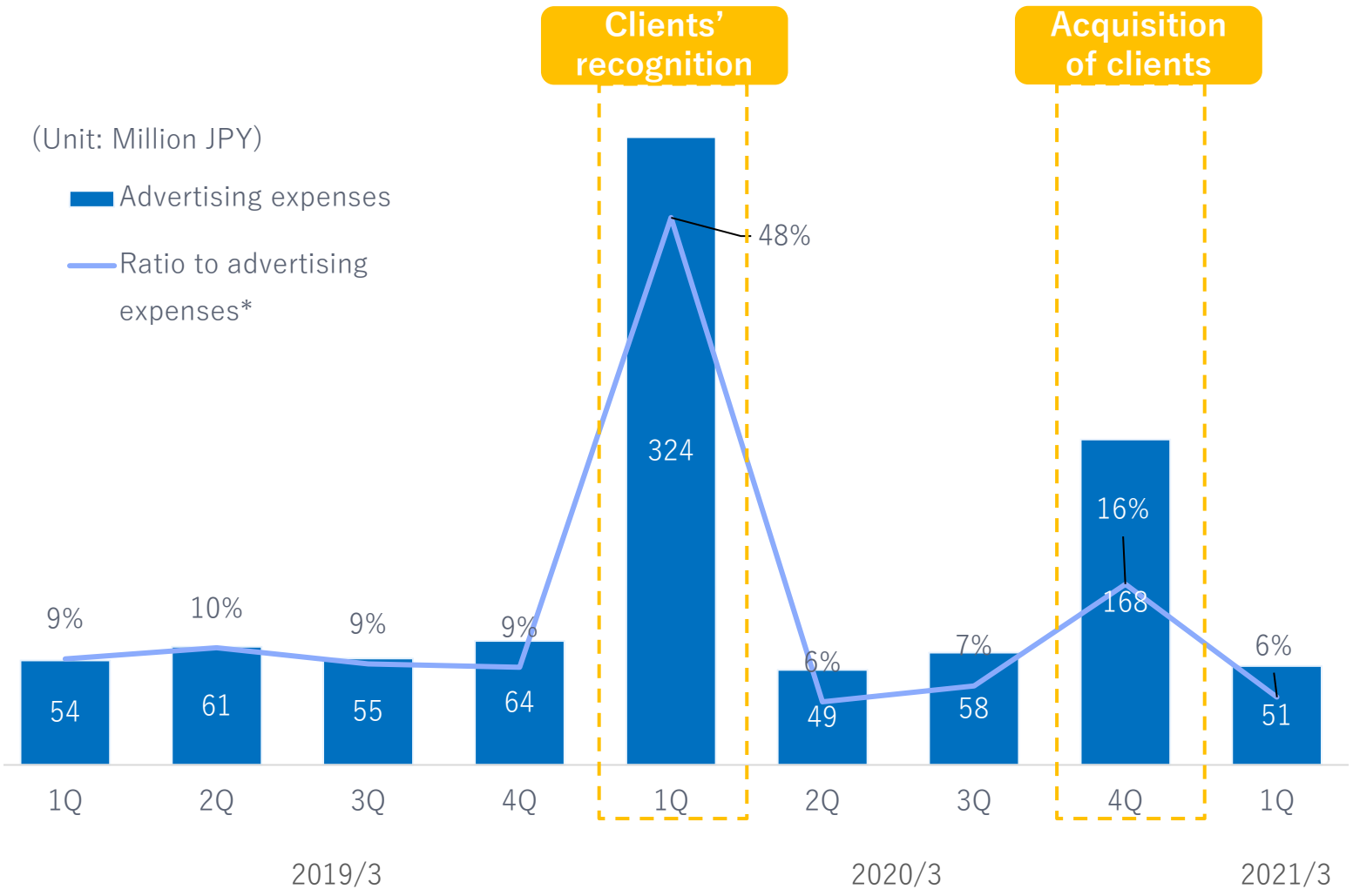
		① Direct order	② Through a third party	③ Using both services
Main Services		Lancers	Lancers Agent Lancers Outsourcing	Lancers Enterprise
Accounting standards	Sales	Handling fees associated with the client's requested amount	Client's request amount ≒ Fees +Lancer's reward	Monthly system usage fees and handling fees associated with client's request amount
	Gross profit	Various costs deducted from handling fees	Lancer's reward and various costs deducted from the client's request amount	Various costs deducted from system usage fees and handling fees
Service models				

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(Reference) Trends in Advertising Expenses (Consolidated)

Lancers

Advertising expenses have been spent efficiently, keeping the ratio of advertising expenses to sales 6%.



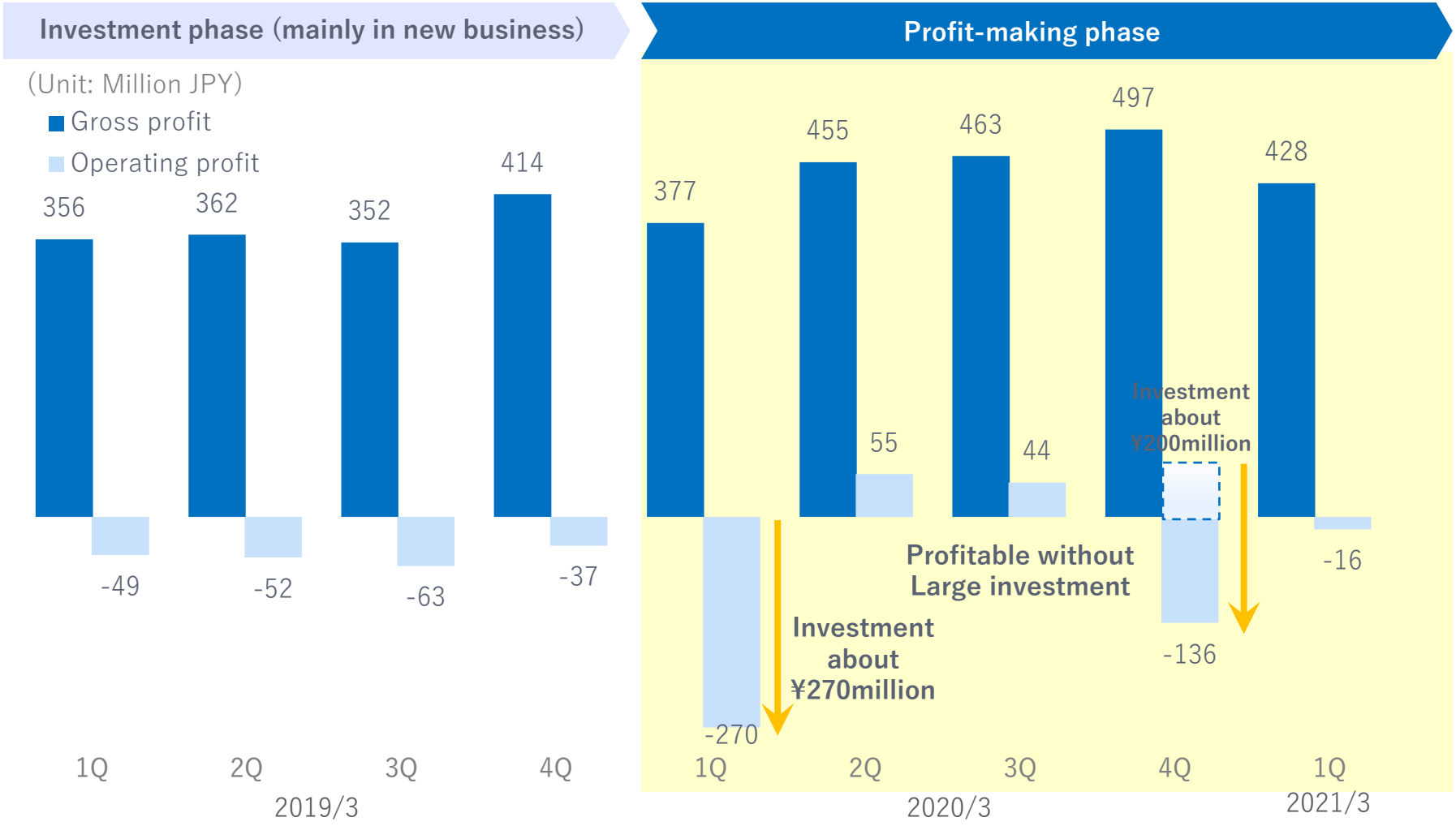
*) Proportion of advertising expenses in Net sales.

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(Reference) Trends in Gross Profit and Operating Profit (Consolidated)

Lancers

Invested within the full-year profitability range this term. Increase overall cost efficiency and generate profits throughout the year.



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Lancers' services/additional info

Management team

Lancers' strengths

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Lancers

A strong management team of specialists from each field with in-house training



Yosuke Akiyoshi CEO

- Launched an internet-based venture business in university.
- In charge of planning/development at NIFTY Corporation.
- Established “Lancers” that offers matching services for individuals and companies.



Nobuhiro Nakajima
Executive Officer, CPO

- Involved in software architecture at FUJI SOFT INCORPORATED.
- After engaging in the startup of a major company for web services, research/development, and PF development as a freelancer, Nakajima changed to CTO for a startup and launched global services.
- Joined Lancers in February 2017. Currently in charge of product development as Executive Officer and CPO.



Katsuhide Kotani
Executive Officer, Business Development

- In charge of corporate sales and sales planning at Pasona Inc.
- Engaged in business planning and business development at Rakuten, Inc.
- Engaged in new business development and alliance strategy at en-Japan inc.
- Joined Lancers in April 2019. Responsible for enterprise business and sales & marketing.



Shio Konuma
Executive Officer, CFO

- Engaged in investment banking business at Nikko Citigroup Limited.
- Engaged in IPO, capital policy/financial strategy planning, and M&A global development at Recruit Co.,Ltd.
- Joined Lancers in November 2017. In charge if corporate department.



Hideaki Sone
Director and Executive Officer

- Worked as a strategy consultant at McKinsey & Company.
- Engaged in sales/business strategy, promotion of overseas DC business M&A/PMI, group-wide business strategy and business planning at Rakuten, Inc.
- Joined Lancers in February 2015. In charge of management strategy, new business promotion, M&A, etc.



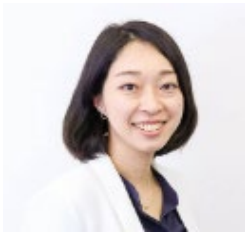
Ryoichi Ueno
Executive Officer, Online Matching Business

- Joined Lancers as a new graduate. Engaged in product planning/development and launching new businesses as an engineer.
- Became the youngest Executive Officer in May 2020 (has been with Lancers for 7 years)



Masatsuna Ishiyama
Executive Officer, Solution Business

- Led freelancing engineering fields at Web Do Japan Co., Ltd. (currently known as CROOZ,Inc.), Vein Carry Japan Inc. (currently known as geechs inc.), BonB Co., Ltd. (foundation), and A-STAR Co., Ltd. (foundation).
- Joined Lancers in June 2017. In charge of overall solution businesses.



Yoshie Miyazawa
Executive Officer, Human Resource

- Engaged in corporate sales at Culture Convenience Club Co., Ltd.
- Dealt with new business and business planning at mixi,.
- Joined Lancers in September 2014. After engaging in business planning, marketing and platform business (currently online matching business), Miyazawa currently leads human resource department.

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Lancers' services/additional info

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Competitive Advantages

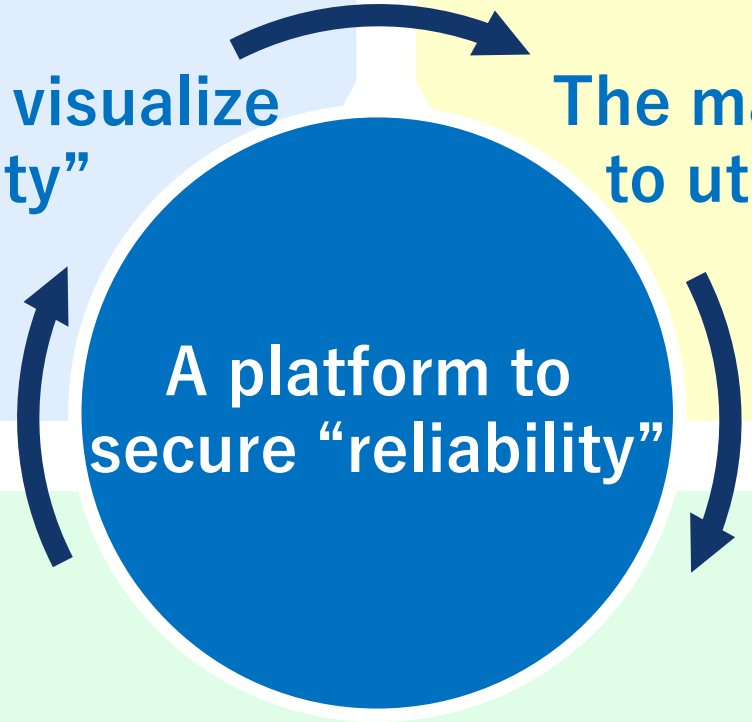
Lancers

1

Technology to visualize “reliability”

2

The matching algorithm to utilize “reliability”

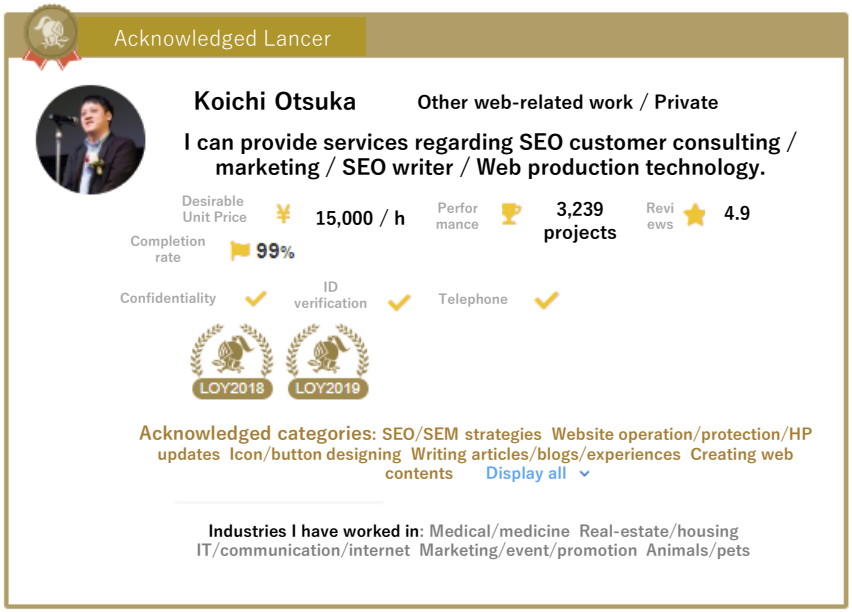


3

The structure to increase and retain “reliable” lancers

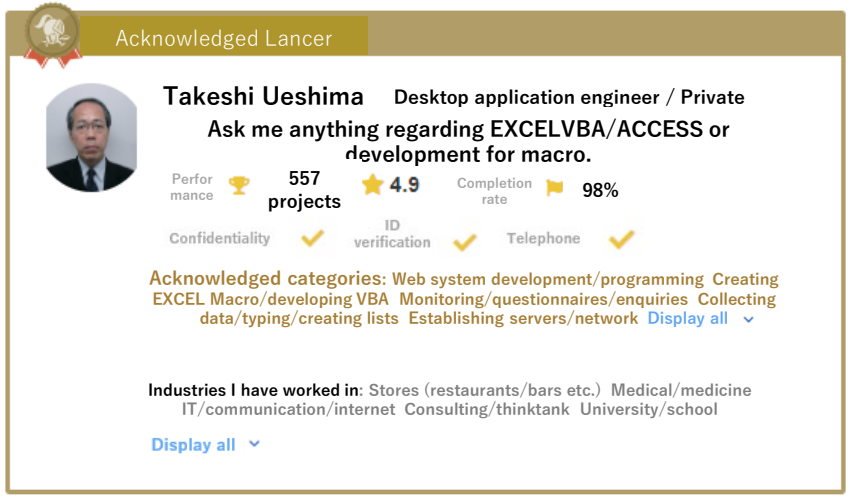
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We recommend a real-name system to enhance reliability



About myself

[Received Lancer of the Year 2018 & 2019] [Featured in the Nikkei]
Started freelancing in earnest in Jan 2017.
I was first in overall ranking in Sep 2017.
I am still first in SEO/SEM customer division, but these achievements are not only my own performance, but also my loyal clients who continue to come back for me.



About myself

I have been No.1 in EXCEL/VBA development division in Lancers’ ranking for 12 consecutive months, and have come third in system development/operation division in Dec 2019.
I have also been nominated for the “Lancer of the Year 2019”.
I offer inexpensive and high-quality systems.
Please ask me anything for Macro development using EXCEL/ACCESS.

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2 The matching algorithm to utilize “reliability”

Lancers

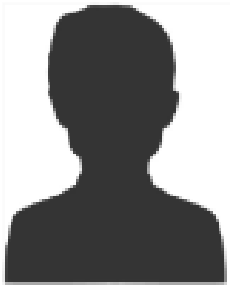
Prioritize and display reliable lancers, and match them up with clients

Match lancers with clients with high affinity



Register reliable data

- Real names
- ID photos
- Skills
- Achievements



Request projects at appropriate prices

- Best prices
- Fair prices
- Difference from Market price

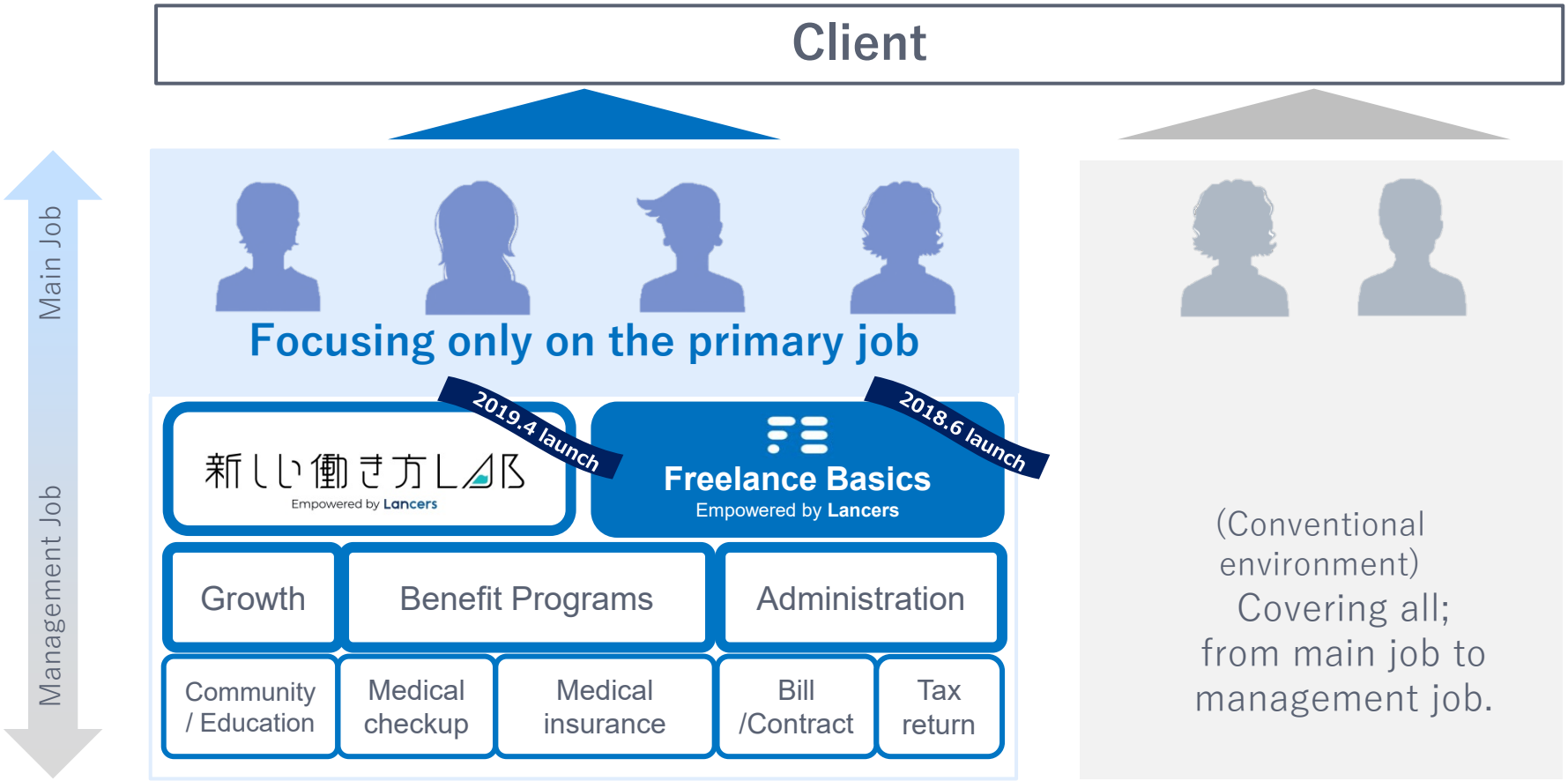


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3 The structure to increase and retain “reliable” lancers

Lancers

Creating an environment where they can focus on their work



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Matching Clients in Tokyo with Local Freelancers

Lancers

Freelancers in different regions receive orders from clients in Tokyo

Local freelancers

Approx. 75%**



Clients in Tokyo

Approx. 60%*



*) Percentage of total distribution of clients located in Tokyo among the total distribution of freelancers (April-June 2020)
**) Percentage of total distribution of freelancers located outside of Tokyo (April-June 2020)

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Lancer of the Year Held in March 2020

Lancers

6th ”Lancer of the Year” to celebrate freelancers.
Switched to be held online due to COVID-19 pandemic.

LANCER OF THE YEAR 2020

「自分らしい働き方」の答えを見つける1日





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Lancers