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On **October 3, 2019**, Creek & River Co., Ltd. announced earnings results for 1H FY02/20.

| Cumulative<br>(JPYmn) | FY02/19 |        |        |        | FY02/20 |        |    |    | FY02/20 |         | FY02/20 |         |
|-----------------------|---------|--------|--------|--------|---------|--------|----|----|---------|---------|---------|---------|
|                       | Q1      | Q2     | Q3     | Q4     | Q1      | Q2     | Q3 | Q4 | % of 1H | 1H Est. | % of FY | FY Est. |
| Sales                 | 7,367   | 14,819 | 22,084 | 29,569 | 8,233   | 16,512 |    |    | 100.7%  | 16,400  | 50.0%   | 33,000  |
| YoY                   | -4.1%   | 4.5%   | 8.8%   | 10.7%  | 11.8%   | 11.4%  |    |    |         | 10.7%   |         | 11.6%   |
| Gross profit          | 3,087   | 5,891  | 8,613  | 11,366 | 3,419   | 6,508  |    |    |         |         |         |         |
| YoY                   | 7.9%    | 7.8%   | 10.3%  | 11.8%  | 10.8%   | 10.5%  |    |    |         |         |         |         |
| GPM                   | 41.9%   | 39.8%  | 39.0%  | 38.4%  | 41.5%   | 39.4%  |    |    |         |         |         |         |
| SG&A expenses         | 2,313   | 4,626  | 7,220  | 9,787  | 2,631   | 5,242  |    |    |         |         |         |         |
| YoY                   | 10.2%   | 9.7%   | 14.2%  | 17.1%  | 13.8%   | 13.3%  |    |    |         |         |         |         |
| SG&A ratio            | 31.4%   | 31.2%  | 32.7%  | 33.1%  | 32.0%   | 31.7%  |    |    |         |         |         |         |
| Operating profit      | 774     | 1,265  | 1,393  | 1,579  | 788     | 1,266  |    |    | 97.4%   | 1,300   | 53.9%   | 2,350   |
| YoY                   | 1.7%    | 1.5%   | -6.3%  | -12.6% | 1.9%    | 0.1%   |    |    |         | 2.8%    |         | 48.8%   |
| OPM                   | 10.5%   | 8.5%   | 6.3%   | 5.3%   | 9.6%    | 7.7%   |    |    |         | 7.9%    |         | 7.1%    |
| Recurring profit      | 770     | 1,256  | 1,392  | 1,585  | 790     | 1,269  |    |    | 97.6%   | 1,300   | 54.0%   | 2,350   |
| YoY                   | 0.6%    | 0.2%   | -6.1%  | -13.1% | 2.6%    | 1.0%   |    |    |         | 3.5%    |         | 48.2%   |
| RPM                   | 10.5%   | 8.5%   | 6.3%   | 5.4%   | 9.6%    | 7.7%   |    |    |         | 7.9%    |         | 7.1%    |
| Net income            | 455     | 738    | 811    | 970    | 507     | 792    |    |    | 98.9%   | 800     | 54.6%   | 1,450   |
| YoY                   | -1.1%   | 0.6%   | -6.6%  | -12.1% | 11.4%   | 7.2%   |    |    |         | 8.4%    |         | 49.5%   |
| Net margin            | 6.2%    | 5.0%   | 3.7%   | 3.3%   | 6.2%    | 4.8%   |    |    |         | 4.9%    |         | 4.4%    |
| Quarterly<br>(JPYmn)  | FY02/19 |        |        |        | FY02/20 |        |    |    |         |         |         |         |
|                       | Q1      | Q2     | Q3     | Q4     | Q1      | Q2     | Q3 | Q4 |         |         |         |         |
| Sales                 | 7,367   | 7,452  | 7,265  | 7,485  | 8,233   | 8,279  |    |    |         |         |         |         |
| YoY                   | -4.1%   | 14.8%  | 18.8%  | 16.7%  | 11.8%   | 11.1%  |    |    |         |         |         |         |
| Gross profit          | 3,087   | 2,804  | 2,722  | 2,753  | 3,419   | 3,089  |    |    |         |         |         |         |
| YoY                   | 7.9%    | 7.7%   | 16.0%  | 16.9%  | 10.8%   | 10.1%  |    |    |         |         |         |         |
| GPM                   | 41.9%   | 37.6%  | 37.5%  | 36.8%  | 41.5%   | 37.3%  |    |    |         |         |         |         |
| SG&A expenses         | 2,313   | 2,313  | 2,594  | 2,567  | 2,631   | 2,611  |    |    |         |         |         |         |
| YoY                   | 10.2%   | 9.1%   | 23.2%  | 26.0%  | 13.8%   | 12.9%  |    |    |         |         |         |         |
| SG&A ratio            | 31.4%   | 31.0%  | 35.7%  | 34.3%  | 32.0%   | 31.5%  |    |    |         |         |         |         |
| Operating profit      | 774     | 491    | 128    | 186    | 788     | 478    |    |    |         |         |         |         |
| YoY                   | 1.7%    | 1.4%   | -47.0% | -41.7% | 1.9%    | -2.7%  |    |    |         |         |         |         |
| OPM                   | 10.5%   | 6.6%   | 1.8%   | 2.5%   | 9.6%    | 5.8%   |    |    |         |         |         |         |
| Recurring profit      | 770     | 486    | 135    | 193    | 790     | 478    |    |    |         |         |         |         |
| YoY                   | 0.6%    | -0.6%  | -40.8% | -43.4% | 2.6%    | -1.6%  |    |    |         |         |         |         |
| RPM                   | 10.5%   | 6.5%   | 1.9%   | 2.6%   | 9.6%    | 5.8%   |    |    |         |         |         |         |
| Net income            | 455     | 284    | 73     | 158    | 507     | 285    |    |    |         |         |         |         |
| YoY                   | -1.1%   | 3.5%   | -45.9% | -32.5% | 11.4%   | 0.5%   |    |    |         |         |         |         |
| Net margin            | 6.2%    | 3.8%   | 1.0%   | 2.1%   | 6.2%    | 3.4%   |    |    |         |         |         |         |

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Net income refers to net income attributable to owners of the parent.

## Quarterly performance by segment

| Cumulative<br>(JPYmm)      | FY02/19 |        |        |        | FY02/20 |        |    |    |
|----------------------------|---------|--------|--------|--------|---------|--------|----|----|
|                            | Q1      | Q2     | Q3     | Q4     | Q1      | Q2     | Q3 | Q4 |
| Total sales                | 7,367   | 14,819 | 22,084 | 29,569 | 8,233   | 16,512 |    |    |
| YoY                        | -4.1%   | 4.5%   | 8.8%   | 10.7%  | 11.8%   | 11.4%  |    |    |
| Creative (Japan)           | 5,303   | 10,729 | 16,349 | 22,213 | 5,927   | 11,906 |    |    |
| YoY                        | 9.8%    | 14.3%  | 16.0%  | 16.3%  | 11.8%   | 11.0%  |    |    |
| Medical                    | 1,182   | 2,328  | 3,063  | 3,709  | 1,322   | 2,559  |    |    |
| YoY                        | 3.3%    | 0.9%   | 4.6%   | 4.2%   | 11.8%   | 9.9%   |    |    |
| Legal and Accounting       | 493     | 942    | 1,440  | 1,952  | 514     | 1,044  |    |    |
| YoY                        | 11.2%   | 3.5%   | 5.4%   | 8.1%   | 4.3%    | 10.9%  |    |    |
| Other                      | 442     | 953    | 1,425  | 1,913  | 514     | 1,089  |    |    |
| YoY                        | 36.5%   | 42.3%  | 33.2%  | 31.2%  | 16.3%   | 14.2%  |    |    |
| Eliminations, company-wide | -53     | -134   | -193   | -217   | -43     | -86    |    |    |
| Operating profit           | 774     | 1,265  | 1,393  | 1,579  | 788     | 1,266  |    |    |
| YoY                        | 1.7%    | 1.5%   | -6.3%  | -12.6% | 1.9%    | 0.1%   |    |    |
| Creative (Japan)           | 414     | 649    | 840    | 1,072  | 344     | 534    |    |    |
| YoY                        | 12.8%   | 20.4%  | 2.4%   | -7.2%  | -16.8%  | -17.7% |    |    |
| Medical                    | 365     | 638    | 600    | 533    | 472     | 750    |    |    |
| YoY                        | -3.9%   | -4.1%  | 3.2%   | -7.3%  | 29.4%   | 17.4%  |    |    |
| Legal and Accounting       | 40      | 43     | 80     | 146    | 56      | 108    |    |    |
| YoY                        | 17.7%   | -40.9% | -33.7% | -1.1%  | 40.9%   | 149.3% |    |    |
| Other                      | -35     | -52    | -119   | -182   | -79     | -121   |    |    |
| YoY                        | -       | -      | -      | -      | -       | -      |    |    |
| Eliminations, company-wide | -10     | -14    | -8     | 9      | -5      | -5     |    |    |
| Recurring profit           | 770     | 1,256  | 1,392  | 1,585  | 790     | 1,269  |    |    |
| YoY                        | 0.6%    | 0.2%   | -6.1%  | -13.1% | 2.6%    | 1.0%   |    |    |
| Net income                 | 455     | 738    | 811    | 970    | 507     | 792    |    |    |
| YoY                        | -1.1%   | 0.6%   | -6.6%  | -12.1% | 11.4%   | 7.2%   |    |    |

  

| Quarterly performance<br>(JPYmm) | FY02/19 |        |        |        | FY02/20 |         |    |    |
|----------------------------------|---------|--------|--------|--------|---------|---------|----|----|
|                                  | Q1      | Q2     | Q3     | Q4     | Q1      | Q2      | Q3 | Q4 |
| Total sales                      | 7,367   | 7,452  | 7,265  | 7,485  | 8,233   | 8,279   |    |    |
| YoY                              | -4.1%   | 14.8%  | 18.8%  | 16.7%  | 11.8%   | 11.1%   |    |    |
| Creative (Japan)                 | 5,303   | 5,426  | 5,619  | 5,864  | 5,927   | 5,979   |    |    |
| YoY                              | 9.8%    | 19.1%  | 19.4%  | 17.0%  | 11.8%   | 10.2%   |    |    |
| Medical Staffing                 | 1,182   | 1,145  | 735    | 645    | 1,322   | 1,237   |    |    |
| YoY                              | 3.3%    | -1.5%  | 18.1%  | 2.8%   | 11.8%   | 8.0%    |    |    |
| Legal and Accounting             | 493     | 449    | 498    | 512    | 514     | 531     |    |    |
| YoY                              | 11.2%   | -3.8%  | 9.3%   | 16.2%  | 4.3%    | 18.1%   |    |    |
| Other                            | 442     | 511    | 472    | 488    | 514     | 575     |    |    |
| YoY                              | 36.5%   | 47.6%  | 18.0%  | 25.7%  | 16.3%   | 12.5%   |    |    |
| Eliminations, company-wide       | -53     | -80    | -59    | -24    | -43     | -43     |    |    |
| Operating profit                 | 774     | 491    | 128    | 186    | 788     | 478     |    |    |
| YoY                              | 1.7%    | 1.4%   | -47.0% | -41.7% | 1.9%    | -2.7%   |    |    |
| Creative (Japan)                 | 414     | 236    | 191    | 232    | 344     | 190     |    |    |
| YoY                              | 12.8%   | 36.7%  | -32.1% | -30.7% | -16.8%  | -19.4%  |    |    |
| Medical Staffing                 | 365     | 274    | -38    | -67    | 472     | 278     |    |    |
| YoY                              | -3.9%   | -4.5%  | -      | -      | 29.4%   | 1.5%    |    |    |
| Legal and Accounting             | 40      | 3      | 37     | 66     | 56      | 52      |    |    |
| YoY                              | 17.7%   | -91.3% | -22.6% | 143.3% | 40.9%   | 1405.6% |    |    |
| Other                            | -35     | -18    | -67    | -63    | -79     | -42     |    |    |
| YoY                              | -       | -      | -      | -      | -       | -       |    |    |
| Eliminations, company-wide       | -10     | -4     | 5      | 18     | -5      | 0       |    |    |
| Recurring profit                 | 770     | 486    | 135    | 193    | 790     | 478     |    |    |
| YoY                              | 0.6%    | -0.6%  | -40.8% | -43.4% | 2.6%    | -1.6%   |    |    |
| Net income                       | 455     | 284    | 73     | 158    | 507     | 285     |    |    |
| YoY                              | -1.1%   | 3.5%   | -45.9% | -32.5% | 11.4%   | 0.5%    |    |    |

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Net income refers to net income attributable to owners of the parent.

Note: From Q1 FY02/19, the accounting and legal businesses which had been included in the Other segment became an independent reporting segment.

Note: From Q1 FY02/20, Creative and Technical (South Korea) has been excluded as an independent segment, and included in the Other segment, as a result of reduced quantitative significance. The figures for FY02/19 are reference figures, adjusted so as to fit the segment classification after this change.

## Results by business

| Cumulative<br>(JPYmm) | FY02/19 |        |        |        | FY02/20 |    |    |    |
|-----------------------|---------|--------|--------|--------|---------|----|----|----|
|                       | Q1      | Q2     | Q3     | Q4     | Q1      | Q2 | Q3 | Q4 |
| Sales                 | 7,367   | 14,819 | 22,084 | 29,569 | 8,233   |    |    |    |
| YoY                   | -4.1%   | 4.5%   | 8.8%   | 11.2%  | 11.8%   |    |    |    |
| TV and video          | 1,370   | 2,786  | 4,240  | 5,766  | 1,581   |    |    |    |
| YoY                   | 0.2%    | 8.5%   | 1.9%   | 4.3%   | 15.4%   |    |    |    |
| Games                 | 1,635   | 3,408  | 5,256  | 7,422  | 2,001   |    |    |    |
| YoY                   | 5.3%    | 10.8%  | 21.6%  | 25.2%  | 22.3%   |    |    |    |
| Web                   | 1,702   | 3,230  | 4,814  | 6,505  | 1,712   |    |    |    |
| YoY                   | 10.7%   | 10.1%  | 11.9%  | 13.3%  | 0.6%    |    |    |    |
| Medical               | 1,171   | 2,312  | 3,026  | 3,637  | 1,301   |    |    |    |
| YoY                   | 2.3%    | 0.6%   | 4.2%   | 3.2%   | 11.1%   |    |    |    |
| Accounting            | 435     | 830    | 1,303  | 1,715  | 453     |    |    |    |
| YoY                   | 8.8%    | 2.7%   | 7.0%   | 7.0%   | 4.2%    |    |    |    |
| E-books               | 383     | 845    | 1,303  | 1,685  | 428     |    |    |    |
| YoY                   | -       | -      | -      | -      | 11.8%   |    |    |    |
| Operating profit      | 774     | 1,265  | 1,393  | 1,579  | 788     |    |    |    |
| YoY                   | 1.7%    | 1.5%   | -6.3%  | -1.9%  | 1.9%    |    |    |    |
| TV and video          | 48      | 86     | 187    | 249    | 119     |    |    |    |
| YoY                   | -70.1%  | -61.2% | -31.8% | -23.3% | 148.1%  |    |    |    |
| OPM                   | 3.5%    | 3.1%   | 4.4%   | 4.3%   | 7.5%    |    |    |    |
| Games                 | 221     | 391    | 581    | 742    | 159     |    |    |    |
| YoY                   | 32.2%   | 28.6%  | 18.7%  | 6.7%   | -28.1%  |    |    |    |
| OPM                   | 13.5%   | 11.5%  | 11.1%  | 10.0%  | 8.0%    |    |    |    |
| Web                   | 154     | 224    | 345    | 475    | 138     |    |    |    |
| YoY                   | 17.6%   | 3.9%   | 33.5%  | 44.6%  | -10.4%  |    |    |    |
| OPM                   | 9.0%    | 6.9%   | 7.2%   | 7.3%   | 8.1%    |    |    |    |
| Medical               | 360     | 603    | 578    | 513    | 464     |    |    |    |
| YoY                   | -5.1%   | -9.5%  | 0.2%   | -10.1% | 29.0%   |    |    |    |
| OPM                   | 30.7%   | 26.1%  | 19.1%  | 14.1%  | 35.7%   |    |    |    |
| Accounting            | 36      | 29     | 85     | 120    | 51      |    |    |    |
| YoY                   | 33.6%   | -40.1% | -7.8%  | 7.2%   | 43.9%   |    |    |    |
| OPM                   | 8.2%    | 3.5%   | 6.5%   | 7.0%   | 11.3%   |    |    |    |
| Legal                 | 4       | 11     | -      | 21     | 4       |    |    |    |
| YoY                   | -43.5%  | -54.3% | -      | -40.2% | 1.9%    |    |    |    |
| E-books               | 57      | 114    | 175    | 204    | 25      |    |    |    |
| YoY                   | -       | -      | -      | -      | -56.0%  |    |    |    |
| OPM                   | 14.9%   | 13.5%  | 13.5%  | 12.1%  | 5.9%    |    |    |    |
| Other                 | -106    | -195   | -559   | -745   | -173    |    |    |    |

  

| Quarterly<br>(JPYmm) | FY02/19 |         |        |        | FY02/20 |    |    |    |
|----------------------|---------|---------|--------|--------|---------|----|----|----|
|                      | Q1      | Q2      | Q3     | Q4     | Q1      | Q2 | Q3 | Q4 |
| Sales                | 7,367   | 7,452   | 7,265  | 7,485  | 8,233   |    |    |    |
| YoY                  | -4.1%   | 14.8%   | 18.8%  | 14.0%  | 11.8%   |    |    |    |
| TV and video         | 1,370   | 1,416   | 1,454  | 1,526  | 1,581   |    |    |    |
| YoY                  | 0.2%    | 18.1%   | -8.8%  | 11.5%  | 15.4%   |    |    |    |
| Games                | 1,635   | 1,773   | 1,848  | 2,166  | 2,001   |    |    |    |
| YoY                  | 5.3%    | 16.3%   | 48.3%  | 34.8%  | 22.3%   |    |    |    |
| Web                  | 1,702   | 1,529   | 1,584  | 1,691  | 1,712   |    |    |    |
| YoY                  | 10.7%   | 9.4%    | 15.8%  | 17.4%  | 0.6%    |    |    |    |
| Medical              | 1,171   | 1,140   | 714    | 611    | 1,301   |    |    |    |
| YoY                  | 2.3%    | -1.0%   | 17.9%  | -1.9%  | 11.1%   |    |    |    |
| Accounting           | 435     | 395     | 473    | 412    | 453     |    |    |    |
| YoY                  | 8.8%    | -3.3%   | 15.5%  | 7.1%   | 4.2%    |    |    |    |
| E-books              | 383     | 462     | 458    | 382    | 428     |    |    |    |
| YoY                  | -       | -       | -      | -      | 11.8%   |    |    |    |
| Operating profit     | 774     | 491     | 128    | 186    | 788     |    |    |    |
| YoY                  | 1.7%    | 1.4%    | -47.0% | -28.5% | 1.9%    |    |    |    |
| TV and video         | 48      | 38      | 101    | 63     | 119     |    |    |    |
| YoY                  | -70.1%  | -37.8%  | 94.0%  | 22.0%  | 148.1%  |    |    |    |
| OPM                  | 3.5%    | 2.7%    | 6.9%   | 4.1%   | 7.5%    |    |    |    |
| Games                | 221     | 170     | 190    | 161    | 159     |    |    |    |
| YoY                  | 32.2%   | 24.2%   | 2.5%   | -21.8% | -28.1%  |    |    |    |
| OPM                  | 13.5%   | 9.6%    | 10.3%  | 7.4%   | 8.0%    |    |    |    |
| Web                  | 154     | 70      | 122    | 130    | 138     |    |    |    |
| YoY                  | 17.6%   | -17.4%  | 181.2% | 85.5%  | -10.4%  |    |    |    |
| OPM                  | 9.0%    | 4.6%    | 7.7%   | 7.7%   | 8.1%    |    |    |    |
| Medical              | 360     | 244     | -25    | -65    | 464     |    |    |    |
| YoY                  | -5.1%   | -15.3%  | -      | -      | 29.0%   |    |    |    |
| OPM                  | 30.7%   | 21.4%   | -      | -      | 35.7%   |    |    |    |
| Accounting           | 36      | -6      | 56     | 35     | 51      |    |    |    |
| YoY                  | 33.6%   | -129.6% | 28.1%  | 77.0%  | 43.9%   |    |    |    |
| OPM                  | 8.2%    | -       | 11.8%  | 8.5%   | 11.3%   |    |    |    |
| Legal                | 4       | 8       | -11    | 21     | 4       |    |    |    |
| YoY                  | -43.5%  | -58.4%  | -      | 238.5% | 1.9%    |    |    |    |
| E-books              | 57      | 57      | 62     | 28     | 25      |    |    |    |
| YoY                  | -       | -       | -      | -      | -56.0%  |    |    |    |
| OPM                  | 14.9%   | 12.3%   | 13.5%  | 7.4%   | 5.9%    |    |    |    |
| Other                | -106    | -89     | -364   | -187   | -173    |    |    |    |

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Sales and operating profit by business area are calculated by Shared Research based on percentage breakdown disclosed by the company.

**Seasonality:** Physician referral revenue at Medical Principle Co. (fiscal year ends on October 31) is normally concentrated in April, as well as in July and October (when physicians tend to transfer). As a result, quarterly sales at Medical Principle are usually highest in February–April, followed by May–July, August–October, and November–January. Meanwhile, fluctuations in quarterly expenses are smaller than those in sales, so operating profit tends to be higher in February–April, while August–October and November–January see losses. Medical Principle’s financial year ends in a different month from that of Creek & River, meaning Q1 sales in the Medical Staffing segment cover February–April, and so on for Q2, Q3, and Q4. This means consolidated operating profit tends to be higher in Q2 and lower in Q3 and Q4.

## 1H FY02/20 results

- ▷ Sales: JPY16.5bn (+11.4% YoY)
- ▷ Operating profit: JPY1.3bn (+0.1% YoY)
- ▷ Recurring profit: JPY1.3bn (+1.0% YoY)
- ▷ Net income\*: JPY792mn (+7.2% YoY)

\*Net income attributable to parent company shareholders

- ▷ Sales were up at all segments. In Creative and Technical (Japan), the company worked to respond to personnel and production needs, utilizing resources at its production studios. The doctor referral business expanded in Medical Staffing.
- ▷ On the profit front, SG&A expenses rose 13.3% YoY to JPY5.2bn, but all lines of profit increased YoY due to higher sales, offsetting the impact of delays in the global distribution of smartphone games licensed by CREEK & RIVER KOREA Co., Ltd. and the prolonged development period of "Palette Parade", developed by Claytechworks. SG&A expenses grew due to a rise in personnel aimed at enhancing existing businesses in each segment and launching new businesses. Relocating and consolidating the group headquarters established in the Tokyo area in October 2018 also pushed up SG&A expenses.

The results of individual segments are detailed below.

Note: Starting in Q1 FY02/20, the Creative and Technical (South Korea) segment has been excluded as an independent segment and included in the Other segment, as a result of reduced quantitative significance.

### Creative and Technical (Japan)

- ▷ Sales: JPY11.9bn (+11.0% YoY)
- ▷ Operating profit: JPY534mn (-17.7% YoY)

Sales were up YoY. Profit narrowed due to increased SG&A expenses, even though the number of high margin production consignment projects at the company’s production studios increased, and the company worked to improve its efficiency at attracting clients through its own media. Profits were also impacted by the prolonged development period of the smartphone game, “Pallet Parade”, developed in-house by Claytechworks. SG&A expenses increased due to personnel enhancements in response to increased demand at existing businesses, the launch of a new agency business, strengthening efforts in new markets such as VR and AI, the relocation and consolidation of group headquarters in the Tokyo area, and the increase in floorspace at the Osaka office. Operating profit declined YoY, but was broadly in line with company forecasts.

### Video, TV, and video technology-related businesses

- ▷ The company strengthened TV show planning and production mainly at its production studios, stepped up content for its video distribution service, and responded to the increase in demand for shows on BS and terrestrial television such as variety shows, educational programs, and documentaries.

- ▷ Services were expanded to include TV director training courses and networking broadcasters all around Japan, and the number of television production staff increased. Recruitment from EIZOshigoto.com, a job information site specializing in the visual media industry, also expanded.
- ▷ In July 2019, the company increased floorspace at its Osaka office in order to accommodate the creative demand for video, web-based applications, and games in the Kansai area, which is expected to increase in anticipation of the Osaka Expo 2025 and due to other factors. It also strengthened its planning, development and creative development capabilities.

## YouTube Online Creators (OC)

- ▷ At YouTube Online Creators, the company saw a steady rise in the views of uploads by YouTubers and won more contracts to operate YouTube channels for companies and television programs.
- ▷ In May 2018, it began operating foreign language channels on behalf of YouTubers, making use of the AI-driven speech synthesizing technology (RECAIUS™) developed by its strategic partner Toshiba Digital Solutions. The company presented profitability measures for domestic YouTubers, such as launching and managing Kids Line World (an English-language subtitled version of the popular YouTuber Kids Line, aimed at children), with an aim to increasing the number of channels it operated. Using the RECAIUS technology, the company also collaborated with WatchMojo.com—a popular overseas YouTube channel—to jointly start and operate the Japanese language versions of WatchMojo.com’s subchannels.
- ▷ The company accelerated its efforts in the video market, establishing OC Studio for video content production in its new office following relocation. It has been planning, producing, and managing the YouTube channel ULTRA TEENS Channel, which is popular among teenagers, since March 2019 in collaboration with Ultra Teens. It has also strengthened its offering for VTubers.

## Games business

- ▷ In video games, at its production studio, the company undertook new production projects on behalf of clients, worked together with the group's Korean subsidiary (Creek & River Korea Co., Ltd.) on joint development projects, and progressed with its own development work using licensed IP.
- ▷ At its production studio, the company primarily employed staff involved in game development (such as with VFX to enhance the visual effects of a game, or those who work on the scenario and thereby influence the appearance of the in-game world), and offered contract development and operations management work in the consumer, amusement, and social gaming fields.
- ▷ Working primarily from its production studio, the company also established training academies (Creative Academy and Tech Stadium) for people with no experience in the industry in an effort to address the shortage of qualified personnel in the game industry.
- ▷ In July 2018, the company acquired shares in ClayTech Works, Co., Ltd. and made it a consolidated subsidiary. ClayTech Works is a newly established spinoff from Silicon Studio Corporation that took over part of Silicon Studio's content business. Creek & River also started working to blend its creative talents with those of ClayTech Works, which has extensive expertise in the area of video game content development, and strengthened its contract development activities. In addition, it proceeded with preparations for the distribution of “Palette Parade”, an internally developed smartphone game for training artists.
- ▷ The company also focused on boosting the event business, which includes eSport (competitive video gaming). In May 2019, it collaborated with the Pokémon Company to host a corporate Pokémon tournament for “Pokémon: Let’s Go, Pikachu! and Let’s Go, Eevee!” on Nintendo Switch™, and Pokémon cards, gathering 120 participating companies. In addition, the company hosted an event called the Attraction Festa at various locations in the Greater Tokyo area. The Attraction Festa, which combines anime and game content with a live event, establishing a new revenue model in intellectual property distribution and event management.

## VR

- ▷ In VR, the company developed a system to deliver VR content (such as the VR remote medical training system) using the VR goggles from consolidated subsidiary VR Japan and IDEALENS. It also began rolling out a comprehensive business solutions service (including everything from the hardware to the content). The target markets include corporate education and training facilities, amusement facilities, hotels, tourist facilities, events, and exhibitions.
- ▷ The company continued marketing “IDEALENS K4,” new IDEALENS VR goggles with 4K resolution that were released in September 2019.

## Web business

- ▷ At its web business, the company grew its Agency business by strengthening recruitment of website creators and the company’s network among website creators through the web business-oriented job information site Webist, which is one of the largest of its kind in the web, advertising, and publishing industries.
- ▷ There was an increase in the number of large-scale web site production projects for government ministries and agencies at the web studio that was expanded in FY02/16.
- ▷ Creek & River also began operating Symbiorise, a job information website for people working AI and IoT fields, and expanded its digital marketing services, including referral of data analysts to companies.

## Publishing business

- ▷ In publishing, the company distributed (as an agent) e-books through electronic bookstores, including Amazon Kindle. In this e-book distribution agent business, the company reported a steady increase in downloads and distribution of e-books.
- ▷ To capture the growing demand of video content in China, the company also expanded its overseas agency business that works to license the rights to make videos for the local market based on the works of Japanese authors.

## Architecture business

- ▷ In the architecture business, the agency business (a referral service of certified class 1 architects) showed steady growth. The architectural design business that proposes rental housing with distinctive designs under the Creative Residence® brand launched a new series of property called the Staple House, which is a detached house with an integral garage. Inquiries from interested parties have increased as a result.
- ▷ In February 2019, the company created the store design for an Italian restaurant that opened in the Ginza Mitsukoshi department store, as it worked to build a track record in the architecture design business by taking advantage of its network with approximately 1,000 design offices.

## Initiatives in new fields

- ▷ In the professor agency business, in which the company operates an AI domain-centered staffing business for researchers and doctors, Creek and River launched an agency business for R&D support staff in February 2019 to assist with R&D in the life sciences, including biology and chemistry.
- ▷ With the performing art agency business that launched in March 2018, the company developed its sales activities to open up new venues for performing artists to work in, introducing its new “Dramatic Corporate History” service to medical institutions, through which professional actors use drama to instill a company’s core principles during corporate training.

### Medical Staffing

- ▷ Sales: JPY2.6bn (+9.9% YoY)
- ▷ Operating profit: JPY750mn (+17.4% YoY)

Sales and operating profit were up YoY. The chronic shortage of physicians nationwide and the uneven distribution of doctors by regions continued to underpin steady demand for doctors. In order to enhance the doctor referral business, the company strengthened recruitment of doctors by investing in advertising. Additionally, it made progress in effectively allocating personnel. Both of these measures contributed to higher earnings.

To meet the various needs of medical institutions, municipal governments, doctors, and nurses, the company rolled out services in its medical staffing business such as Resinavi fairs for medical students and residents held all over the country; Resinavi, a clinical trial training information site; MediGate, a job search website for doctors; and Minkan Ikyoku Academy, a training program for doctors. In September 2018, the company opened its Eastern Kanto branch office in Funabashi City, Chiba Prefecture, bringing the total number of facilities in Japan to 16.

### Accounting and Legal

- ▷ Sales: JPY1.0bn (+10.9% YoY)
- ▷ Operating profit: JPY108mn (+149.3% YoY)

Solid demand for professionals with expertise in the accounting and legal fields led to higher YoY sales and operating profit.

The company aims to expand the agency business and increase its name recognition in the industry through joint seminars with client companies and firms as well as strengthen relationships with organizations in related industries.

Making use of the network it has already established, Creek & River expanded its service offering with the full-scale launch of business succession and M&A support services in order to better meet the business succession planning needs of accounting firms and their clients. It also began a referral service for accounting staff who wish to telecommute in an effort to address work style diversification in the accounting field.

In the legal space, registrations on bengoshitenshoku.com, launched in September 2018, continued to grow, with the referral business to law firms and companies expanding. The company marketed JURISTERRA, an SNS platform that links legal professionals around the world, and its voice dictation editor, which uses RECAIUS™ speech recognition technology, to lawyers and small legal companies. It also provided support for client expansion and customer efficiency improvements.

### Other

- ▷ Sales: JPY1.1bn (+14.2% YoY)
- ▷ Operating loss: JPY121mn (operating loss of JPY52mn in FY02/19)

Sales rose YoY thanks in large part to growth in the Agency business in the IT industry. Operating profit fell YoY as the company strengthened initiatives for new markets, such as VR and AI, and also because of delays in the global distribution of smartphone games licensed by CREEK & RIVER KOREA Co., Ltd. However, results were broadly in line with the company's forecast.

- ▷ Leading Edge Co., Ltd., which operates the IT staffing agency business, continued to focus on hiring, training, and referral of IT engineers in response to market demand for robotics and artificial intelligence, creating a network of more than 4,000 engineers adept at the Python programming language.

- ▷ Inter Belle Inc. which operates the group's agency business in the fashion industry, made progress in reconstructing its business foundation through such efforts as reviewing unprofitable projects. It also looked to diversify its business model, for example by externally expanding its original sales staff training program.
- ▷ CREEK & RIVER KOREA Co., Ltd., a Korean subsidiary that develops Korean game licenses around the world, experienced a delay in the global rollout of its smartphone games, "CeresM" and "Sangokushi Mugen Taisen," scheduled for spring 2019. The company is coordinating with publishers in each country to put distribution arrangements in place for this year.
- ▷ Professional Media Co., Ltd., which operates a personnel media business, established a profit base combining its media business and its agency business centered on Koukokutenshoku.com (an online job board for advertising and web professionals) and Creative-haken.com (an online job board for temporary workers with advertising and web expertise), which revamped in July 2018. It also expanded the same business model in the video and fashion industries in an effort to diversify its income.
- ▷ VR Japan Co., Ltd., a consolidated subsidiary, promoted the VR goggles with Creek & River to expand sales in Japan. It aims to expand this business through aggressive marketing of its virtual reality safety training service to companies in the construction industry, as well as marketing "IDEALENS K4," new VR goggles with 4K resolution.
- ▷ Consolidated subsidiary Idrasys Co., Ltd. provides system planning, development, sales, operation, and maintenance services using AI. Idrasys sells chatbots (automatic response systems) that utilize SmartRobot™, an AI platform developed by Intumit Inc. The company aims to position itself as a solutions partner for companies looking to make use of AI, and has rolled out initiatives such as the cloud-based AI platform, "MAGELLAN BLOCKS," a support service developed by Groovenauts Inc.
- ▷ Consolidated subsidiary Economic Index Co., Ltd. which operates data analysis business, worked to generate profit from its data analysis service and consulting (suggesting measures for clients to improve on the basis of unique methods of analysis), and provided solution services based on the results of data analysis.
- ▷ CREEK & RIVER Global, Inc., which develops and operates the legal networking SNS platform "JURISTERRA" in the United States, is making developmental progress towards full operation of "JURISTERRA". Utilizing some of its functions, it has expanded its legal consulting services to form links between the United States and Japan.

## Full-year company forecasts

| (JPYmn)                 | FY02/19       |               |               | FY02/20       |               |               |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                         | 1H Act.       | 2H Act.       | FY Act.       | 1H Act.       | 2H Est.       | FY Est.       |
| <b>Sales</b>            | <b>14,819</b> | <b>14,751</b> | <b>29,569</b> | <b>16,512</b> | <b>16,488</b> | <b>33,000</b> |
| YoY                     | 4.5%          | 17.7%         | 10.7%         | 11.4%         | 11.8%         | 11.6%         |
| Cost of sales           | 8,928         | 9,275         | 18,203        | 10,005        |               |               |
| <b>Gross profit</b>     | <b>5,891</b>  | <b>5,475</b>  | <b>11,366</b> | <b>6,508</b>  |               |               |
| YoY                     | 7.8%          | 16.4%         | 11.8%         | 10.5%         |               |               |
| GPM                     | 39.8%         | 37.1%         | 38.4%         | 39.4%         |               |               |
| SG&A expenses           | 4,626         | 5,162         | 9,787         | 5,242         |               |               |
| SG&A ratio              | 31.2%         | 35.0%         | 33.1%         | 31.7%         |               |               |
| <b>Operating profit</b> | <b>1,265</b>  | <b>314</b>    | <b>1,579</b>  | <b>1,266</b>  | <b>1,084</b>  | <b>2,350</b>  |
| YoY                     | 1.5%          | -44.0%        | -12.6%        | 0.1%          | 245.3%        | 48.8%         |
| OPM                     | 8.5%          | 2.1%          | 5.3%          | 7.7%          | 6.6%          | 7.1%          |
| <b>Recurring profit</b> | <b>1,256</b>  | <b>329</b>    | <b>1,585</b>  | <b>1,269</b>  | <b>1,081</b>  | <b>2,350</b>  |
| YoY                     | 0.2%          | -42.3%        | -13.1%        | 1.0%          | 228.8%        | 48.2%         |
| RPM                     | 8.5%          | 2.2%          | 5.4%          | 7.7%          | 6.6%          | 7.1%          |
| <b>Net income</b>       | <b>738</b>    | <b>232</b>    | <b>970</b>    | <b>792</b>    | <b>658</b>    | <b>1,450</b>  |
| YoY                     | 0.6%          | -37.4%        | -12.1%        | 7.2%          | 184.1%        | 49.5%         |

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

This note is the most recent addition to the [full report](#).



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## Contact Details

### Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: [info@sharedresearch.jp](mailto:info@sharedresearch.jp)