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On June 11, 2021, GiG Works Inc. announced earnings results for 1H FY10/21.

Cumulative (JPYmn)	FY10/20				FY10/21				FY10/21		FY10/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	1H Est.	% of Est.	FY Est.
Revenue	4,425	9,184	13,404	19,771	6,445	11,758			90.4%	13,000	49.0%	24,000
YoY	9.0%	6.7%	2.7%	12.4%	45.6%	28.0%				41.6%		21.4%
Gross profit	1,038	2,274	3,199	4,805	1,568	2,900						
YoY	9.4%	10.4%	4.9%	16.1%	51.1%	27.6%						
Gross profit margin	23.5%	24.8%	23.9%	24.3%	24.3%	24.7%						
SG&A expenses	918	1,829	2,707	3,803	1,072	2,060						
YoY	16.7%	13.2%	11.0%	13.4%	16.8%	12.6%						
SG&A ratio	20.7%	19.9%	20.2%	19.2%	16.6%	17.5%						
Operating profit	120	445	492	1,002	495	840			98.8%	850	70.0%	1,200
YoY	-26.1%	0.1%	-19.3%	27.8%	313.3%	88.9%				91.1%		19.7%
Operating profit margin	2.7%	4.8%	3.7%	5.1%	7.7%	7.1%				6.5%		5.0%
Recurring profit	119	447	495	1,005	507	859			101.1%	850	71.6%	1,200
YoY	-28.1%	-5.3%	-22.0%	25.4%	324.9%	92.2%				90.1%		19.4%
Recurring profit margin	2.7%	4.9%	3.7%	5.1%	7.9%	7.3%				6.5%		5.0%
Net income	65	270	323	657	292	414			82.8%	500	59.1%	700
YoY	-6.4%	3.9%	-3.0%	35.6%	348.7%	53.3%				85.2%		6.5%
Net margin	1.5%	2.9%	2.4%	3.3%	4.5%	3.5%				3.8%		2.9%

Quarterly (JPYmn)	FY10/20				FY10/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	4,425	4,759	4,220	6,367	6,445	5,313		
YoY	9.0%	4.7%	-5.1%	40.4%	45.6%	11.7%		
Gross profit	1,038	1,236	926	1,606	1,568	1,332		
YoY	9.4%	11.3%	-6.4%	47.4%	51.1%	7.8%		
Gross profit margin	23.5%	26.0%	21.9%	25.2%	24.3%	25.1%		
SG&A expenses	918	911	878	1,096	1,072	987		
YoY	16.7%	10.0%	6.6%	19.8%	16.8%	8.4%		
SG&A ratio	20.7%	19.1%	20.8%	17.2%	16.6%	18.6%		
Operating profit	120	325	47	510	495	345		
YoY	-26.1%	15.0%	-71.4%	191.9%	313.3%	6.2%		
Operating profit margin	2.7%	6.8%	1.1%	8.0%	7.7%	6.5%		
Recurring profit	119	328	48	510	507	353		
YoY	-28.1%	7.0%	-70.5%	205.5%	324.9%	7.5%		
Recurring profit margin	2.7%	6.9%	1.1%	8.0%	7.9%	6.6%		
Net income	65	205	53	334	292	122		
YoY	-6.4%	7.7%	-27.6%	120.8%	348.7%	-40.5%		
Net margin	1.5%	4.3%	1.3%	5.2%	4.5%	2.3%		

Source: Shared Research based on company data

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

By segment (cumulative) (JPYmn)	FY10/20				FY10/21				FY10/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Revenue	4,425	9,184	13,404	19,771	6,445	11,758			49.0%	24,000
YoY	9.0%	6.7%	2.7%	12.4%	45.6%	28.0%				21.4%
On-demand Economy	3,880	7,832	11,458	17,236	5,780	10,408				
YoY	6.8%	1.7%	-1.4%	10.2%	49.0%	32.9%				
% of total revenue	87.7%	85.3%	85.5%	87.2%	89.7%	88.5%				
No. of job placements (quarter-end)	6,683	6,737	6,788	6,847						
YoY	4.3%	4.0%	3.9%	3.6%						
QoQ	1.1%	0.8%	0.8%	0.9%						
No of job placements (QoQ change)	74	54	52	58						
YoY	-	-19.7%	-13.1%	-21.3%						
QoQ	0.7%	-28.0%	-3.6%	12.7%						
No. of unique workers	4,025	4,573	5,441	7,809						
YoY	0.7%	-6.3%	-4.5%	26.5%						
QoQ	-	13.6%	19.0%	43.5%						
No. of unique workers (QoQ change)	4,025	548	868	2,368						
YoY	0.7%	-37.9%	6.4%	400.6%						
QoQ	-	-86.4%	58.4%	172.8%						
Sharing Economy	545	1,352	1,946	2,535	665	1,350				
YoY	27.5%	49.0%	36.6%	29.9%	22.0%	-0.1%				
% of total revenue	12.3%	14.7%	14.5%	12.8%	10.3%	11.5%				
No. of locations	59	59	59	59						
YoY	13.5%	11.3%	11.3%	3.5%						
QoQ	3.5%	0.0%	0.0%	0.0%						
No. of memberships	4,416	4,551	4,664	4,879						
YoY	19.2%	13.8%	9.9%	12.9%						
QoQ	2.2%	3.1%	2.5%	4.6%						
Occupancy	92.2%	89.4%	88.4%	87.3%						
No. of drop-in members	882	960	988	1,072						
YoY	-	-	-	-						
QoQ	-	8.8%	2.9%	8.5%						
Operating profit	120	445	492	1,002	495	840			70.0%	1,200
YoY	-26.1%	0.1%	-19.3%	27.8%	313.3%	88.9%				19.7%
On-demand Economy	340	847	1,122	1,923	784	1,497				
YoY	-6.4%	2.7%	-4.2%	22.0%	130.4%	76.8%				
% of total operating profit	91.4%	89.6%	92.6%	96.5%	104.6%	106.3%				
Operating profit margin	8.8%	10.8%	9.8%	11.2%	13.6%	14.4%				
Sharing Economy	32	98	90	69	-35	-89				
YoY	-	-	281.8%	58.8%	-	-				
% of total operating profit	8.6%	10.4%	7.4%	3.5%	-4.6%	-6.3%				
Operating profit margin	5.9%	7.2%	4.6%	2.7%	-5.2%	-6.6%				
Corporate, eliminations	-253	-500	-720	-990	-254	-568				
By segment (quarterly) (JPYmn)	FY10/20				FY10/21					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Revenue	4,425	4,759	4,220	6,367	6,445	5,313				
YoY	9.0%	4.7%	-5.1%	40.4%	45.6%	11.7%				
On-demand Economy	3,880	3,951	3,626	5,778	5,780	4,628				
YoY	6.8%	-2.8%	-7.7%	44.2%	49.0%	17.1%				
Sharing Economy	545	807	594	590	665	686				
YoY	27.5%	68.0%	14.8%	11.9%	22.0%	-15.1%				
Operating profit	120	325	47	510	495	345				
YoY	-26.1%	15.0%	-71.4%	191.9%	313.3%	6.2%				
On-demand Economy	340	507	275	801	784	714				
YoY	-6.4%	9.8%	-20.6%	97.8%	130.4%	40.8%				
Sharing Economy	32	66	-8	-21	-35	-54				
YoY	-	354.2%	-	-	-	-				
Corporate, eliminations	-253	-248	-220	-271	-254	-314				

Source: Shared Research based on company data

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

Seasonality

- ▷ The busy period is Q2 due to the confluence of factors such as clients' settlement of annual budgets and accounts, spring break demand in March, and strong consumer electronics sales to the customers of GiG Works' clients, who are people embarking on a new academic or career paths. The latter also drive up demand for technical support and contact centers.
- ▷ Conversely, demand tends to weaken in Q3 as a result of a pullback after the busy period and due to waning demand during the summer holidays. In the past, GiG Works could count on PC replacement demand from academic institutions during the summer holidays. However, as such replacements can now be conducted all year round, summer holiday demand has leveled

off.

1H FY10/21 results (out June 10, 2021)

Summary

- ▷ Revenue: JPY11.8bn (+28.0% YoY)
- ▷ On-demand Economy: +32.9% YoY, Sharing Economy: -0.1% YoY
- ▷ Operating profit: JPY840mn (+88.9% YoY)
- ▷ On-demand Economy: +76.8% YoY, Sharing Economy: operating loss of JPY89mn (versus profit of JPY98mn in 1H FY10/20). In the On-demand Economy business, the number of unique workers increased 40.6% YoY reflecting contributions from the continuation of several large projects secured in FY10/20. The Sharing Economy business recorded operating loss as a result of upfront spending to increase the number of directly-managed facilities offered under the new Smart Office service. However, the number of companies using shared offices reached 5,000, the number of drop-in members (non-subscribing members who use these offices on a one-time, pay-as-you-go basis) exceeded 1,100 companies, and the occupancy rate for existing facilities remained at 87%. These results were in line with the initial forecast.
- ▷ GPM: 24.7% (-0.1pp YoY), SG&A expense ratio: 17.5% (-2.4pp YoY), OPM: 7.1% (+2.3pp YoY)
- ▷ Progress rate: 1H FY10/21 revenue reached 90.4% of the 1H FY10/21 forecast, operating profit 98.8%, recurring profit 101.1%, and net income attributable to owners of the parent 82.8%. 1H FY10/21 revenue reached 49.0% of the FY10/21 forecast (1H FY10/20 revenue was 46.4% of the FY10/20 result), operating profit 70.0% (44.4%), recurring profit 71.6% (44.5%), and net income attributable to owners of the parent 59.1% (41.1%). The company left its full-year forecast unchanged.

By segment

On-demand Economy

- ▷ Revenue (from external clients): JPY10.4bn (+32.9% YoY)
- ▷ Operating profit: JPY1.5bn (+76.8% YoY)
- ▷ Number of unique workers in 1H: 6,428 (+40.6% YoY)
- ▷ Demand for helpdesks and service desks remained strong thanks to work style reforms promoted by the government and telework initiatives driven by the COVID-19 pandemic. Multiple large projects secured in FY10/20 were completed on scheduled in the spring of 2021, contributing to results in 1H. Currently there are several inquiries for new projects, and the company intends to focus on capturing these new projects in 2H.
- ▷ The company increased the seat capacity at directly-managed contact centers in Tokyo, Osaka, and Fukuoka to accommodate growing demand. It relied on its six locations to develop a business continuity plan, and expanded orders for support centers in fields such as e-commerce, technical support, and IoT solutions, resulting in steady operations.
- ▷ The GIGA School Concept projects saw delays in procuring PCs due to a shortage of semiconductors, but PC kitting, configuration, and installation operations were firm in part thanks to effects from business optimization.
- ▷ The launch of 5G service in some areas increased demand for infrastructure development. Anticipating further growth in this area, the company strengthened its construction team ahead of the full-scale launch of the new standard.
- ▷ In professional services delivered by IT engineers, sales of the company's proprietary customer relationship management system "DeCall CC.CRM3" were sluggish due in part to delays in some development processes caused by the pandemic. The number of contracted development projects is heading toward recovery, with the impact from the pandemic having bottomed out for the time being. The number of non-deployed engineers amid delays in projects is gradually decreasing. The

company plans to continue providing education and training to these inactive engineers in anticipation of a rebound in demand once the economy recovers, and until then plans to flexibly reallocate them to development of proprietary new products.

Sharing Economy

- ▷ Revenue (from external clients): JPY1.4bn (-0.1% YoY)
- ▷ Operating loss: JPY89mn (versus profit of JPY97mn in 1H FY10/20)
- ▷ As of end-April 2021, the company's subsidiary Asset Design Inc. operated shared office space at 65 locations mainly in the Tokyo metropolitan area.
- ▷ Driven by work style reforms and the rapid spread of remote work amid the pandemic, many companies have adopted new work styles to cope with the drastically changing environment (e.g., office decentralization, office space reduction, shorter commuting hours, and productivity enhancement). As a result, demand for satellite offices further increased in 1H.
- ▷ From December 2020, the company launched the new Smart Office service that gives companies access to satellite offices in multiple locations. In 1H FY10/20, the company invested to boost the number of directly-managed facilities available under the new service, and booked operating loss in the Sharing Economy business as a result. However, the number of companies using shared offices reached 5,000, the number of drop-in members exceeded 1,100 companies, and the occupancy rate for existing facilities remained high at 87%.
- ▷ Moving forward, while maintaining high occupancy rates at existing facilities, the company aims to expand its business by capturing needs arising from diversifying work styles.

FY10/21 company forecasts

(JPYmn)	FY10/20			FY10/21			YoY		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.	1H Act.	2H Est.	FY Est.
Revenue	9,184	10,587	19,771	11,758	12,242	24,000	28.0%	15.6%	21.4%
Cost of revenue	6,910	8,055	14,966	8,858					
Gross profit	2,274	2,532	4,805	2,900			27.6%		
Gross profit margin	24.8%	23.9%	24.3%	24.7%					
SG&A expenses	1,829	1,974	3,803	2,060			12.6%		
SG&A ratio	19.9%	18.6%	19.2%	17.5%					
Operating profit	445	558	1,002	840	360	1,200	88.9%	-35.4%	19.7%
Operating profit margin	4.8%	5.3%	5.1%	7.1%	2.9%	5.0%			
Recurring profit	447	558	1,005	859	341	1,200	92.2%	-38.9%	19.4%
Recurring profit margin	4.9%	5.3%	5.1%	7.3%	2.8%	5.0%			
Net income	270	387	657	414	286	700	53.3%	-26.1%	6.5%
Net margin	2.9%	3.7%	3.3%	3.5%	2.3%	2.9%			

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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