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Consolidated Financial Results
for the Three Months Ended March 31, 2021
[Japanese GAAP]

May 13, 2021

Company name: Uzabase, Inc.
(herein referred as the "Company," and together with its consolidated subsidiaries, the "Group")

Stock exchange listing: Tokyo

Code number: 3966

URL: http://www.uzabase.com

Representative: Yusuke Inagaki Representative Director and Co-CEO
Taira Sakuma Representative Director and Co-CEO

Contact: Daisuke Chiba Executive Officer, Chief Financial Officer

Phone: +81-3-4533-1999

Scheduled date of filing quarterly securities report: May 13, 2021

Scheduled date of commencing dividend payments: Not applicable

Supplementary material on quarterly financial results: https://www.uzabase.com/investors/library/

Scheduled date of quarterly financial results briefing session: May 13, 2021

(Amounts less than one million yen are rounded down)

1. Consolidated financial results as of and for the three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

(1) Consolidated operating results

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA*		Operating income (loss)		Ordinary income (loss)		Income (loss) attributable to owners of the parent	
Three months ended:	¥Million	%	¥Million	%	¥Million	%	¥Million	%	¥Million	%
March 31, 2021	3,965	25.0	837	−	739	−	677	−	482	−
March 31, 2020	3,171	11.4	(42)	−	(263)	−	(317)	−	(473)	−

*EBITDA is calculated by adding depreciation and amortization of intangible assets including goodwill to operating income (loss).

(Notes)

Comprehensive income (loss): Three months ended March 31, 2021: ¥ 471 million [- %]
Three months ended March 31, 2020: ¥ (569) million [- %]

	Basic net income (loss) per share	Diluted net income per share
Three months ended:	¥	¥
March 31, 2021	13.18	12.82
March 31, 2020	(14.35)	−

(Note)
Diluted net income per share for the three months ended March 31, 2020 is not disclosed, as it is anti-dilutive, given the Group's net loss position.

(2) Consolidated financial position

	Total assets	Equity	Capital-to-asset ratio*
	¥ Million	¥ Million	%
As of March 31, 2021	16,182	7,611	38.9
As of December 31, 2020	15,915	7,118	36.3

*Capital-to-asset ratio is defined as capital divided by total assets. Capital represents the total of shareholders' equity and accumulated other comprehensive income.

(For reference)
Capital: As of March 31, 2021: ¥ 6,303 million
As of December 31, 2020: ¥ 5,772 million

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	¥	¥	¥	¥	¥
Fiscal year ended December 31, 2020	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2021	-				
Fiscal year ending December 31, 2021 (Projected)		0.00	-	0.00	0.00

(Note)
Revision to the dividend projection announced: Not applicable

3. Consolidated Financial Forecasts for the Fiscal Year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

The Group expects ¥15,600 million of net sales for the year ending December 31, 2021, up 13.0% as compared to the previous year. With the aim of continuously achieving a 30% sales growth rate on a consolidated basis from the fiscal year ending December 31, 2022 onward, the Group plans to make the following investments for sustainable growth in the fiscal year ending December 31, 2021: reinvestment in existing businesses, investment in new businesses, investment in human resources such as engineers to strengthen our development system, and investment in IT systems. The Group expects ¥1,800 million of EBITDA (up 96.1% year-over-year) and ¥1,380 million of operating income for the year ending December 31, 2021.

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating income		Ordinary income		Profit attributable to owners of the parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	15,600	13.0	1,800	96.1	1,380	−	1,240	−	690	−	18.86

(Note)
Revisions to the most recent announced forecasts: Not applicable

Notes

(1) Changes in the scope of significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
Newly included: None   Excluded: None

(2) Simplified or particular accounting treatment for quarterly consolidated financial statements: Not applicable

(3) Changes in accounting policies, estimates and restatements
(a) Changes in accounting policies due to the revision of accounting standards: Not applicable
(b) Changes in accounting policies other than (a) above: Not applicable
(c) Changes in accounting estimates: Not applicable
(d) Restatement: Not applicable

(4) Number of issued shares of common stock
(a) Number of common stock issued, including treasury stock, as of:

March 31, 2021	36,663,954 shares
December 31, 2020	36,533,502 shares

(b) Number of treasury stock as of:

March 31, 2021	258 shares
December 31, 2020	258 shares

(c) Average number of common stock for the three months ended:

March 31, 2021	36,590,662 shares
March 31, 2020	33,000,863 shares

*This quarterly financial report is not subject to review by certified public accountants or auditors.

*Explanation regarding the appropriate use of earnings forecasts and other special notes
The forward-looking statements in this report, such as forecasts, are based on information currently available and certain assumptions that the Company believes to be reasonable. Therefore, actual results may differ from the aforementioned forecasts depending on various factors. Please refer to "1. Qualitative Information on Quarterly Operating Results, (3) Forecasts for the Fiscal Year Ending December 31, 2021" of the attached materials for the assumptions used in the forecasts of financial results and cautions concerning the use of the forecasts.

1. Qualitative Information on Quarterly Operating Results

(1) Operating Results (from January 1, 2021 to March 31, 2021)

Revenue in the IT service industry in Japan had increased for nine consecutive years and amounted to ¥12.9 trillion in 2020, up 7% year-over-year (source: Survey of Selected Service Industries, the Ministry of Economy, Trade and Industry, Japan [February 2021]). The SaaS (Software as a Service) market in Japan also recorded a compound annual growth rate of 13%, whereas DX (Digital Transformation) initiatives are accelerating towards 2025 and the needs for transition from packaged software to SaaS are increasing in various business categories. In addition, work from home is becoming more widespread due to the impact of COVID-19 and small-to-medium-sized companies, which used to be reluctant to make IT investments, are now adopting software. As a result, SaaS market in Japan is expected to grow to approximately ¥1.1 trillion in market size by 2024 (source: 2020 New Market of Software Business, Fuji Chimera Research Institute, Inc.). Personal smartphone ownership rate reached 67.6% in 2019, up by 2.9 percentage points year-over-year (source: Communications Usage Trend Survey, Ministry of Internal Affairs and Communications, Japan [May 29, 2020]). Furthermore, the market size of the internet advertisement exceeded ¥2 trillion for the first time in 2019 and reached ¥2.2 trillion in 2020, an increase by 5.9% year-over-year, overtaking the TV media advertisement (source: 2020 Advertising Expenditures in Japan, DENTSU INC. [February 25, 2021]).

On the other hand, the COVID-19 pandemic, which started around March 2020, has been affecting various industries. In April 2020, the state of emergency was declared in Japan for the first time, and subsequently the second declaration was made in January 2021. Moreover, the third declaration was made in Tokyo and other areas in April 2021. The severe situation caused by the COVID-19 pandemic is still continuing.

In the new society coexisting with COVID-19, the Group recognizes that the needs for the Group's services, such as introduction of cloud services and high-quality media content, are expected to increase even further. Under such circumstances, the Group's businesses were continuously expanding in the three months ended March 31, 2021 ("1Q21").

SPEEDA business has steadily acquired new IDs and succeeded in upselling to existing customers. As a result, the year-over-year growth rate of MRR (Monthly Recurring Revenue, which does not include any one-off payments by customers such as initial costs) at the end of 1Q21 was 15.3%, which recovered from that of 13.0% as recorded at the end of the fourth quarter period ended December 31, 2020 ("4Q20").

NewsPicks has seen a significant increase in MRR and the number of paid subscribers resulting from the Group's efforts to provide a large amount of quality information related to COVID-19 in a speedy and timely manner during the second quarter period ended June 30, 2020 ("2Q20"). In addition, the subscription business for corporate customers that the Group has been focusing on since 2019 are robust. As a result, MRR at the end of 1Q21 significantly increased by 38.4% year-over-year. Advertisement sales, which recorded the highest ever in 4Q20, maintained the momentum in 1Q21.

In other B2B businesses, MRR of both FORCAS and INITIAL also has been steadily expanding.

The withdrawal from the loss-making Quartz business in November 2020 has resulted in a significant improvement in EBITDA and other line items of profitability.

As a result, for 1Q21, the Group recorded net sales of ¥3,965 million (up 25.0% year-over-year), EBITDA of ¥837 million (negative EBITDA of ¥42 million a year earlier), operating income of ¥739 million (operating loss of ¥263 million a year earlier), and ordinary income of ¥677 million (ordinary loss of ¥317 million a year earlier). Net income attributable to owners of the parent for 1Q21 was ¥482 million (Net loss attributable to owners of the parent of ¥473 million a year earlier). This was primarily attributable to ¥235 million of income taxes.

Operating results in each reportable segment are presented as follows.

As the Group is expanding its businesses in Japan and overseas, corporate costs are becoming increasingly complex. As such, the Company has allocated a portion of such corporate costs to the reportable segments, based on a reasonable method given the nature and status of each reportable segment in order to better present the operating results of each reportable segment.

More specifically, the Company classifies such corporate costs into two categories: Direct Costs and Indirect Costs. Direct Costs are allocated to each reportable segment based on a reasonable method given the nature and status of each costs whereas Indirect Costs are allocated to each reportable segment based on net sales of each reportable segment.

- Direct Costs: corporate costs that are directly attributable to the service and business of each reportable segment
- Indirect Costs: company-wide expenses that are not directly attributable to the service and business of each reportable segment, including costs of being a listed company, audit fees, and executive remuneration.

Further, in order to present the profitability of each reportable segment more appropriately, the Group has disclosed two key performance indicators: Direct EBITDA and Segment EBITDA. The details are as follows:

・Segment profit or loss: In calculating segment profit or loss, only Direct Costs are allocated to each reportable segment.
・Direct EBITDA: Direct EBITDA is calculated by adding depreciation and amortization of intangible assets including goodwill to segment profit or loss (before allocating Indirect Costs)
・Segment EBITDA: Segment EBITDA is calculated by allocating Indirect Costs to Direct EBITDA.

(a) SPEEDA business

SPEEDA business has steadily acquired new IDs in Japan and succeeded in upselling to existing customers. The Group also has made progress in acquiring new IDs in Asian markets, mainly in China, where the impact of the COVID-19 pandemic has calmed down. On the other hand, the churn rate remained at the same level as that in 4Q20 and showed signs of bottoming out. In 2Q20, the Group converted Mimir Inc., an associated company of the Company, to a wholly owned subsidiary and has been working on integration of SPEEDA and Mimir's expert research business. The Group has set the launch of the expert research business as a key investment area and has been reinforcing its human resource especially in marketing and sales persons in 1Q21.

As a result, MRR at the end of 1Q21 amounted to ¥485 million, up 15.3% year-over-year, which recovered from that of 13.0% as recorded in 4Q20. Since the launch of the expert research business has been running smoothly, segment sales amounted to ¥1,596 million, up 23.8% year-over-year, which means that the growth rate improved as well. On the other hand, due to the investments in the expert research business, the Group recorded segment income of ¥625 million (up 7.8% year-over-year), Direct EBITDA of ¥645 million (up 10.2% year-over-year), and Segment EBITDA of ¥547 million (up 6.7% year-over-year).

(b) NewsPicks business

NewsPicks has seen a significant increase in MRR and the number of paid subscribers resulting from the Group’s efforts to provide a large amount of quality information related to COVID-19 in a speedy and timely manner during 2Q20. In addition, the subscription business for corporate customers that the Group has been focusing on since 2019 are robust. As a result, MRR at the end of 1Q21 amounted to ¥254 million, a significant increase of 38.4% year-over-year. Advertisement sales, which recorded the highest ever in 4Q20, maintained the momentum in 1Q21 because of the sales driven by video advertisement that the Group has been focusing on since 2018. In addition, the Group's new businesses, publishing business and NewSchool business, have contributed to the increase in sales as well.

As a result, segment net sales of NewsPicks business amounted to ¥1,945 million for 1Q21, a significant increase of 53.5% year-over-year. Because of the higher sales recorded in the businesses with higher profitability, the Group recorded segment income of ¥394 million (up 134.5% year-over-year), Direct EBITDA of ¥444 million (up 130.7% year-over-year), and Segment EBITDA of ¥324 million (up 167.7% year-over-year).

(c) Other B2B businesses

In the Other B2B business segment, INITIAL, a startup database, and FORCAS, a B2B marketing platform, made steady progress in acquiring new customers. In addition, the Group launched FORCAS Sales, a sales research platform that improves the productivity of the customer's sales organization, in 4Q20 and has set FORCAS Sales as a key investment area for the year ending December 31, 2021.

Despite the investments in FORCAS Sales, not only INITIAL but also FORCAS successfully recorded net profit that contributed to recording a positive segment EBITDA for 1Q21 which was higher than the figure a year earlier.

As a result, segment net sales of Other B2B businesses amounted to ¥438 million for 1Q21, up 32.9% year-over-year. The Group recorded segment income of ¥30 million (up 70.2% year-over-year), Direct EBITDA of ¥39 million (up 62.5% year-over-year), and Segment EBITDA of ¥12 million (up 116.9% year-over-year).

(Note) Effective from 1Q21, the reportable segment "Other businesses" was renamed "Other B2B Businesses." This change does not have any effect on the Group's segment information as it was just a change of the name of the reportable segment.

(2) Financial Position (as of March 31, 2021)

(Total assets)

Total assets stood at ¥16,182 million, ¥267 million more than the previous year-end, due mainly to a combined effect of (1) decrease in cash and deposits by ¥141 million, (2) increase in trade notes and accounts receivable by ¥488 million, and (3) decrease in deferred tax assets by ¥74 million resulting from the use of tax loss carryforwards.

(Total liabilities)

Total liabilities stood at ¥8,570 million, ¥225 million less than the previous year-end, due mainly to a combined effect of increase in unearned revenue by ¥234 million and decrease in long-term bank loans by ¥359 million.

(Equity)

Equity stood at ¥7,611 million, ¥493 million more than the previous year-end, due mainly to increase in retained earnings by ¥482 million resulting from net income attributable to owners of the parent for the three months ended March 31, 2021.

(3) Forecasts for the Fiscal Year Ending December 31, 2021

Monthly Recurring Revenue, the key performance indicator of the Group, steadily expanded in the three months ended March 31, 2021. EBITDA and other line items of profitability have been also robust. It is difficult to estimate the impact of the COVID-19 pandemic on the economy in future at the time of this announcement; however, the Company has assumed that the forecasts for the year ending December 31, 2021 announced on February 10, 2021 do not need to be modified considering the latest situation.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	7,584	7,443
Trade notes and accounts receivable	984	1,473
Other current assets	676	678
Allowance for doubtful accounts	(19)	(15)
Total current assets	9,226	9,579
Non-current assets		
Property and equipment	554	525
Intangible assets		
Goodwill	811	788
Other	402	428
Total intangible assets	1,214	1,216
Investments and other assets		
Deferred tax assets	3,226	3,151
Other	1,605	1,630
Total investments and other assets	4,831	4,782
Total non-current assets	6,600	6,524
Deferred assets	87	78
Total assets	15,915	16,182

(Millions of Yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Trade accounts payable	370	409
Current portion of bonds	102	102
Current portion of long-term bank loans	761	930
Income taxes payable	141	197
Unearned revenue	1,962	2,197
Other current liabilities	1,884	1,545
Total current liabilities	5,222	5,383
Non-current liabilities		
Bonds	174	144
Long-term bank loans	3,270	2,911
Other	129	132
Total non-current liabilities	3,573	3,187
Total liabilities	8,796	8,570
Equity		
Shareholders' equity		
Common stock	7,170	7,179
Capital surplus	6,105	6,114
Accumulated deficit	(7,478)	(6,996)
Treasury stock	(0)	(0)
Total shareholders' equity	5,796	6,296
Accumulated other comprehensive income (loss)		
Unrealized (loss) on available-for-sale securities	(2)	0
Foreign currency translation adjustments	(21)	6
Total accumulated other comprehensive loss	(23)	6
Stock acquisition rights	14	11
Noncontrolling interests	1,330	1,296
Total equity	7,118	7,611
Total liabilities and equity	15,915	16,182

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income

(Millions of Yen)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021
Net sales	3,171	3,965
Cost of sales	1,549	1,473
Gross profit	1,621	2,491
Selling, general and administrative expenses	1,885	1,752
Operating income (loss)	(263)	739
Non-operating income		
Interest income	2	1
Gain on foreign exchange	―	10
Subsidy income	0	8
Other	7	4
Total non-operating income	11	24
Non-operating expenses		
Interest expenses	28	4
Loss on valuation of investment securities	―	45
Loss on foreign exchange	13	―
Investment partnership management fees	17	18
Other	5	17
Total non-operating expenses	65	86
Ordinary income (loss)	(317)	677
Income (loss) before income taxes	(317)	677
Income taxes - current	78	161
Income taxes - deferred	107	74
Total income taxes	185	235
Net income (loss)	(503)	441
Net loss attributable to noncontrolling interests	(29)	(40)
Net income (loss) attributable to owners of the parent	(473)	482

Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021
Net income (loss)	(503)	441
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(0)	2
Foreign currency translation adjustments	(66)	27
Total other comprehensive income (loss)	(66)	30
Comprehensive income	(569)	471
Total comprehensive income (loss) attributable to:		
Owners of the parent	(540)	505
Noncontrolling interests	(29)	(33)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumptions)
Not applicable

(Significant change in the amount of shareholders' equity)
Not applicable

(Segment Information)
For the three months ended March 31, 2020 (January 1, 2020 to March 31, 2020)
1) Net sales and operating profit (loss) by reportable segment

(Millions of Yen)

	Reportable Segments					Reconciliation (Note 1)	Consolidated (Note 2)
	SPEEDA Business	NewsPicks Business	Quartz Business	Other B2B Businesses	Total		
Net Sales:							
Sales to external customers	1,288	1,266	289	327	3,171	–	3,171
Intersegment sales or transfers	1	1	–	2	4	(4)	–
subtotal	1,289	1,267	289	330	3,176	(4)	3,171
Segment profit (loss)	580	168	(833)	18	(67)	(196)	(263)

(Notes)

1. Reconciliations of segment profit or loss mainly consisted of ¥(0) million of eliminations of intersegment transactions and ¥(196) million of corporate expenses that primarily consisted of general and administrative expenses that are not allocable to the reportable segments.

2. Segment profit or loss equals to operating income or loss in the quarterly consolidated statement of income.

3. Direct EBITDA and Segment EBITDA in each reportable segment are as follows:

	SPEEDA Business	NewsPicks Business	Quartz Business	Other B2B Businesses	Reconciliation	Total
Segment profit (loss)	580	168	(833)	18	(196)	(263)
Depreciation and amortization	5	14	14	3	17	54
Amortization of goodwill	–	10	153	3	–	166
Direct EBITDA (Note 4)	585	192	(666)	24	(178)	(42)
Allocation of company-wide expenses (Note 5)	(72)	(71)	(16)	(18)	178	–
Segment EBITDA (Note 5)	513	121	(682)	5	(0)	(42)

4. Direct EBITDA is calculated by adding depreciation and amortization of intangible assets including goodwill to segment profit or loss, which is equivalent to net sales less the total of operating costs (except for depreciation and amortization of intangible assets including goodwill) and Direct Costs (*1).

   (*1) Direct Costs are defined as corporate costs that are directly attributable to services and business of each reportable segment.

5. Segment EBITDA is calculated by allocating Indirect Costs (*2) to Direct EBITDA of each reportable segment. The allocation of Indirect Costs is based on net sales of each reportable segment.

   (*2) Indirect Costs are defined as company-wide expenses that are not directly attributable to services and business of each reportable segment. Indirect Costs include costs of being a listed company, audit fees, and executive remuneration.

For the three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

1) Net sales and operating profit (loss) by reportable segment

(Millions of Yen)

	Reportable Segments				Other (Note 1)	Total	Reconciliation (Note 2)	Consolidated (Note 3)
	SPEEDA Business	NewsPicks Business	Other B2B Businesses	Total				
Net Sales:								
Sales to external customers	1,589	1,938	436	3,964	0	3,965	―	3,965
Intersegment sales or transfers	7	6	2	16	―	16	(16)	―
subtotal	1,596	1,945	438	3,980	0	3,981	(16)	3,965
Segment profit (loss)	625	394	30	1,050	(48)	1,001	(262)	739

(Notes)

1. Other comprises businesses that are not included in the reportable segments such as a new business managed by the corporate division.

2. Reconciliations of segment profit or loss mainly consisted of ¥(0) million of eliminations of intersegment transactions and ¥(261) million of corporate expenses that primarily consisted of general and administrative expenses that are not allocable to the reportable segments.

3. Segment profit or loss equals to operating income or loss in the quarterly consolidated statement of income.

4. Direct EBITDA and Segment EBITDA in each reportable segment are as follows:

	SPEEDA Business	NewsPicks Business	Other B2B Businesses	Other	Reconciliation	Total
Segment profit (loss)	625	394	30	(48)	(262)	739
Depreciation and amortization	10	39	5	1	17	74
Amortization of goodwill	9	10	3	―	―	23
Direct EBITDA (Note 5)	645	444	39	(47)	(245)	837
Allocation of company-wide expenses (Note 6)	(98)	(119)	(26)	―	244	―
Segment EBITDA (Note 6)	547	324	12	(47)	(0)	837

5. Direct EBITDA is calculated by adding depreciation and amortization of intangible assets including goodwill to segment profit or loss, which is equivalent to net sales less the total of operating costs (except for depreciation and amortization of intangible assets including goodwill) and Direct Costs (*1).

   (*1) Direct Costs are defined as corporate costs that are directly attributable to services and business of each reportable segment.

6. Segment EBITDA is calculated by allocating Indirect Costs (*2) to Direct EBITDA of each reportable segment. The allocation of Indirect Costs is based on net sales of each reportable segment.

   (*2) Indirect Costs are defined as company-wide expenses that are not directly attributable to services and business of each reportable segment. Indirect Costs include costs of being a listed company, audit fees, and executive remuneration.

7. The Group withdrew from Quartz business during the fourth quarter period in the previous fiscal year.

2) Change in reportable segments

Effective from the three months ended March 31, 2021, the reportable segment "Other businesses" was renamed "Other B2B Businesses." This change does not have any effect on the Group's segment information as it was just a change of the name of the reportable segment. The segment information for the three months ended March 31, 2020 as disclosed in the preceding page have been retrospectively adjusted to reflect this change.

(Additional Information―Accounting estimates on the effect of the novel coronavirus)

There are no significant changes in the assumptions regarding the COVID-19 pandemic, including how it will spread in future and how long it will take time to subside, from the information disclosed in "Information on Accounting Estimate Regarding the COVID-19 Pandemic" in the Company's Securities Report for the year ended December 31, 2020 (Japanese version only).