Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original version and this English translation, the Japanese original version shall prevail.

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]

February 10, 2021

Company name: Uzabase, Inc. (herein referred as the "Company")

Stock exchange listing: Tokyo

Code number: 3966

URL: http://www.uzabase.com

Representative: Yusuke Inagaki Co-Chief Executive Officer
Taira Sakuma Co-Chief Executive Officer

Contact: Daisuke Chiba Executive Officer, Chief Financial Officer

Phone: +81-03-4533-1999

Scheduled date of Ordinary General Meeting of Shareholders: March 25, 2021

Scheduled date of filing annual securities report: March 26, 2021

Scheduled date of commencing dividend payments: Not applicable

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

Scheduled date of financial results briefing session: February 10, 2021

(Amounts less than one million yen are rounded down)

1. Consolidated financial results as of and for the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(1) Consolidated operating results

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA*		Operating profit (loss)		Ordinary loss		Loss attributable to owners of the parent	
Fiscal year ended:	¥Million	%	¥Million	%	¥Million	%	¥Million	%	¥Million	%
December 31, 2020	13,809	10.3	917	−	104	−	(281)	−	(6,472)	−
December 31, 2019	12,521	34.1	(411)	−	(1,236)	−	(1,429)	−	(1,620)	−

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

(Notes)
Comprehensive income (loss): Fiscal year ended December 31, 2020: ¥ (6,371) million [- %]
Fiscal year ended December 31, 2019: ¥ (1,946) million [- %]

	Basic net loss per share	Diluted net income per share	Net profit to capital ratio	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended:	¥	¥	%	%	%
December 31, 2020	(186.58)	–	(111.2)	(1.5)	0.8
December 31, 2019	(51.35)	–	(29.1)	(7.2)	(9.9)

(For reference)
Shares of loss (profit) of entities accounted for using equity method: As of December 31, 2020: ¥ -
As of December 31, 2019: ¥ -

(2) Consolidated financial position

	Total assets	Equity	Capital-to-asset ratio*	Equity per share
	¥ Million	¥ Million	%	¥
As of December 31, 2020	15,915	7,118	36.3	158.01
As of December 31, 2019	20,958	7,131	28.0	178.20

*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 December 31, 2020: ¥ 5,772 million
As of December 31, 2019: ¥ 5,871 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	¥ Million	¥ Million	¥ Million	¥ Million
Fiscal year ended December 31, 2020	1,026	(2,028)	613	7,513
Fiscal year ended December 31, 2019	60	(851)	3,282	7,954

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	¥	¥	¥	¥	¥	¥ Million	%	%
Fiscal year ended December 31, 2019	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2021 (Projected)	–	0.00	–	0.00	0.00		–	

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

For the fiscal year ending December 31, 2021 ("FY21), the Company and its subsidiaries (together, the "Group") expect net sales of ¥15,600 million, an increase by 13.0% YoY. The Group targets to achieve a 30% sales growth rate continuously from the fiscal year ending December 31, 2022 onward, by investing for sustainable growth such as reinvesting in existing businesses, investing in new businesses, investing in human resources such as engineers to strengthen the development system, and investing in systems. As a result, the Group expects EBITDA of ¥1,800 million, an increase by 96.1% YoY, and operating profit of ¥1,380 million.

Please refer for details to "1. Qualitative Information on Operating Results, (4) Prospects for the Fiscal Year Ending December 31, 2021".

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Net profit per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	15,600	13.0	1,800	96.1	1,380	−	1,240	−	690	−	19.89

*Notes

(1) Significant changes in the scope of major subsidiaries during the fiscal year ended December 31, 2020
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
Newly included: none
Excluded: Quartz Intermediate Holdings, Inc. (former Uzabase USA, Inc.), Quartz Media, Inc., NewsPicks USA, LLC

(2) 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 except for those in (2) (a): Not applicable
(c) Changes in accounting estimates: Not applicable
(d) Restatement: Not applicable

(3) Number of total shares issued (common stock)
(a) Number of shares issued (including treasury shares) as of:
December 31, 2020 36,533,502 shares
December 31, 2019 32,949,578 shares
(b) Number of treasury shares as of:
December 31, 2020 258 shares
December 31, 2019 258 shares
(c) Average number of shares outstanding
December 31, 2020 34,691,090 shares
December 31, 2019 31,560,269 shares

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results as of and for the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(1) Non-consolidated operating results

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Net profit	
Fiscal year ended:	¥Million	%	¥Million	%	¥Million	%	¥Million	%
December 31, 2020	5,318	17.4	1,097	54.6	1,258	6.4	(9,051)	−
December 31, 2019	4,529	25.3	709	52.6	1,182	47.8	1,039	255.2

	Basic net profit per share	Diluted net profit per share
Fiscal year ended:	¥	¥
December 31, 2020	(260.93)	−
December 31, 2019	32.93	31.49

(2) Non-consolidated financial position

	Total assets	Equity	Capital-to-asset ratio*	Equity per share
	¥ Million	¥ Million	%	¥
As of December 31, 2020	12,615	6,517	51.5	177.98
As of December 31, 2019	21,321	9,417	44.1	285.49

*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 December 31, 2020: ¥ 6,502 million
As of December 31, 2019: ¥ 9,406 million

*This financial report is not subject to audit 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 business forecasts, are based on information currently available to the Company and certain assumptions that the Company believes to be reasonable. Therefore, actual financial results might be different from the aforementioned forecast depending on various factors. Please refer to "1. Qualitative Information on Operating Results" on page 5 of the attached materials for the assumptions used in the forecasts of financial results and cautions concerning the use of the forecasts of financial results.

The Company plans to hold a financial result briefing for institutional investors and securities analysts on February 10, 2021. The materials for the financial result briefing to be used on the day will be posted on the Company's website.

1. Qualitative Information on Operating Results

(1) Overview of Operating Results (from January 1, 2020 to December 31, 2020)

Revenue in the domestic IT service sector had increased for eight consecutive years, up 4.1% YoY in 2019 reaching ¥12.6 trillion (source: Survey of Selected Service Industries, by the Ministry of Economy, Trade and Industry, Japan [February 2020]). The domestic SaaS (Software as a Service) market also recorded a compound annual growth rate of 12%, whereas DX (Digital Transformation) initiatives are accelerating towards 2025 and the needs of transition from packaged software to SaaS is becoming increasingly important 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 ¥1.5 trillion in market size by 2023 (source: 2020 Current and Future State of Cloud Computing, Fuji Chimera Research Institute, Inc.). Personal smartphone ownership rate has reached 67.6% in 2019, up by 2.9 percentage points YoY (source: Communications Usage Trend Survey, Ministry of Internal Affairs and Communications, Japan [May 29, 2020]). Furthermore, in terms of the market size, the internet advertisement has exceeded ¥2 trillion for the first time and reached ¥2.1 trillion in 2019, an increase by 22.9% YoY, overtaking the TV media advertisement (source: 2019 Advertising Expenditures in Japan, DENTSU INC. [March 2020]). Meanwhile, the U.S. domestic internet advertisement market has expanded by 115.9% YoY, reaching US$124.6 billion (¥13.7 trillion, at the exchange rate of US$1 to ¥110) (source: IAB internet advertising revenue report, PwC and IAB [May 2020]).

On the other hand, the spread of COVID-19 has forced restrictions on economic activities on a global scale, and the finalized U.S. GDP over the April-June quarter in 2020 fell 31.4%. Economic activities are gradually resuming, and it was announced that U.S. GDP over the July-September quarter increased 33.4% at an annualized rate compared to the previous quarter, the largest growth in history that exceeded market expectations, partly in reaction to the sharp decline in the previous quarter. U.S. GDP over the October-December quarter increased 2.1%, albeit at a lower level than usual. However, the situation still remains unpredictable due to the risk of re-acceleration of the COVID-19 infection, as new variant of COVID-19 has been confirmed to be prevalent.

In the new society coexisting with COVID-19, we recognize 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, SPEEDA business has steadily acquired new IDs in Japan resulting in an increase in MRR (Monthly Recurring Revenue, a metric for stock-type businesses that excludes any one-off payments by customers such as initial costs) despite the increase of churn rate. In addition, from the third quarter of the fiscal year ended December 31, 2020 (“3Q20”) onward, cross-selling with other products within the Group progressed.

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 on COVID-19 in a speedy and timely manner during the six months ended June 30, 2020 (“6M20”). In reaction to this significant increase, the pace of acquisition of new paid subscribers slowed down in the 3Q20, however the number of paid subscribers increased during the fourth quarter of the fiscal year ended December 31, 2020 (“4Q20”), driven by growth in the number of corporate subscribers. In addition, orders for advertising, including video advertising, increased steadily, and advertising sales for the fiscal year ended 2020 (“FY20”) increased by 40.4% YoY as the Group further enhanced its presence as a medium by providing high-quality media content in the COVID-19 pandemic.

In the Quartz business, due to the COVID-19 pandemic unfolding from the beginning of 2020, there has been a strong trend of corporations curbing advertisement placements, especially in the U.S. In response to this situation, on May 14, 2020, the Group made the decision to restructure the Quartz organization focusing on its advertisement business. Since then, Quartz has operated its business while watching for recovery in the advertisement market, however, the situation has made it difficult for the Group to achieve its target to turn the Quartz business profitable in three years, as committed at the time of acquisition. Therefore, based on its investment discipline, the Group has withdrawn from the Quartz business by divesting all shares of Quartz Intermediate Holdings, Inc., based on the resolution at its Board of Directors meeting held on November 9, 2020, in order to focus the Group’s resources on the SPEEDA and NewsPicks businesses, where higher growth can be expected. In conjunction with this withdrawal, the Group recognized an impairment loss of ¥7,810 million for goodwill and other items, and a capital loss of ¥1,042 million on the sales of subsidiary’s shares during FY20 related to the Quartz business. In addition, the Group recorded a deferred tax asset of ¥3,060 million arising from this withdrawal during FY20, taking into account its recoverability.

As a result, for the FY20, the Group recorded net sales of ¥13,809 million, an increase by 10.3% YoY, EBITDA of ¥917 million (a loss of ¥411 million for the fiscal year ended December 31, 2019 (“FY19”)), operating profit of ¥104 million (a loss of ¥1,236 million for FY19), and ordinary loss of ¥281 million (a loss of ¥1,429 million for FY19). Net loss attributable to owners of the parent for FY20 was ¥6,472 million (a loss of ¥1,620 million for FY19). This was primarily due to gain of ¥104 million on a step acquisition of Mimir, Inc., expenses of ¥279 million related to restructuring at Quartz, impairment loss of ¥7,810 million on goodwill and other assets related to Quartz, loss of ¥1,042 million on sales of shares of subsidiaries and associates, and total income tax benefit of ¥2,771 million.

Business results in each reportable segment are presented as follows.

As the Company expands its businesses in Japan and overseas, company-wide corporate expenses are becoming increasingly complex. As such, effective fromFY20, the Company has allocated a portion of such corporate expenses 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 company-wide corporate costs into two categories: Direct Cost and Indirect Cost. Direct Cost is allocated to each reportable segment based on a reasonable method given the nature and status of each reportable segment whereas Indirect Cost is allocated to each reportable segment in proportion with net sales of each reportable segment.

- Direct Cost: company-wide cost that is directly linked to each reportable business or service
- Indirect Cost: company-wide cost that is not directly linked to each reportable business or service, cost that occurs in relation to consolidated group operations (e.g., costs to maintain the status as a public entity, audit fees, and executive remuneration etc.)

Further, in relation to Segment EBITDA, which had been calculated and disclosed by each reportable business segment, the Company decided to disclose Direct EBITDA and Segment EBITDA to present the profitability of each reportable segment more appropriately. The calculation methods are as follows:

- Segment profit (loss): the amount of net sales minus operating cost (including depreciation and amortization, and amortization of goodwill) and Direct Cost in each reportable segment
- Direct EBITDA: the sum of Segment profit (loss), depreciation and amortization, and amortization of goodwill (equivalent to the amount of EBITDA before allocation of Indirect Cost)
- Segment EBITDA: the amount of Direct EBITDA minus Indirect Cost

(a) SPEEDA

While the growth of newly acquired IDs in Asian markets, mainly in China, continued to be weak due to the outbreak of COVID-19 since the first quarter of the fiscal year ending December 31, 2020 ("1Q20"), newly acquired domestic IDs increased steadily. In addition, Mimir, Inc., a company providing expert network services through approximately 7,000 experts (figures at the time of becoming a wholly-owned consolidated subsidiary; currently approximately 8,000 experts) in Japan became a wholly-owned consolidated subsidiary during the second quarter of the fiscal year ended December 31, 2020 ("2Q20"), and the Group integrated the expert research business of Mimir, Inc. to revamp SPEEDA as a comprehensive economic information platform that includes the knowledge of front-line experts in a variety of industries and fields. As the first service, we have released FLASH Opinion, an "Ask the Expert Now" function. As a result, MRR for December 2020 was ¥463 million, an increase by 13.1% YoY. The Group is evolving into a global economic information platform that gives customers access to experts from around the world and provides them with the quality information they need to make decisions by leveraging the Group's capital alliance signed in May 2020 with GlobalWonks, Inc., a company holding a network of over 10,000 experts in more than 180 countries worldwide.

As a result, net sales for FY20 were ¥5,509 million (an increase by 21.3% YoY), Segment EBITDA was ¥2,000 million (an increase by 25.2% YoY), and segment profit was ¥2,282 million (an increase by 27.8% YoY).

Comparisons and analysis with the same period of the previous fiscal year are based on the aforementioned new method of measuring segment profit or loss (the same applies to other businesses).

(b) NewsPicks

NewsPicks has seen a significant increase in the number of paid subscribers resulting from the Group's efforts to provide a great number of quality information on COVID-19 and Post-COVID-19 World with featured editorial and video contents in a speedy and timely manner. The number of paid subscribers for corporate clients, for which orders were delayed in 2Q20 due to stagnant sales activities caused by COVID-19, has been recovering since 3Q20. As a result, MRR for December 2020 was ¥243 million, an increase by 37.8% YoY.

In the advertising business, the Group further enhanced its presence as a medium by providing high-quality media content under the COVID-19 pandemic. As a result, advertising orders, including video advertising, increased steadily and advertising sales during FY20 increased by 40.4% YoY.

As a result, segment net sales were ¥5,950 million for FY20 (an increase by 42.0% YoY), segment EBITDA was ¥492 million (an increase by 74.4% YoY), and segment profit was ¥711 million (an increase by 65.9% YoY).

(c) Quartz

While Quartz's paid subscription business, an area that it has been actively investing into in recent years, has been steadily expanding, its existing advertising business was materially affected by the economic slowdown resulting from the spread of COVID-19 and net sales decreased significantly from the previous year. However, selling, general and administrative expenses during 3Q20 decreased compared to the same period last year due to ongoing cost reductions since last year and fundamental business reforms particularly in the advertising business implemented during 2Q20.

As a result, segment net sales of Quartz for FY20 were ¥972 million (a decrease by 67.0% YoY), segment EBITDA was a loss of ¥1,527 million (a loss of ¥2,160 million for FY19), and segment loss was ¥1,961 million (a loss of ¥2,693 million for FY19).

The Group has withdrawn from the Quartz business during 4Q20 based on the resolution at its Board of Directors meeting held on November 9, 2020. The period covered by the consolidation of Quartz in FY20 is from January to October 2020, and the YoY comparison is for reference only.

(d) Other

In the Other Business segment, the B2B marketing platform FORCAS made steady progress in acquiring customers, with MRR for December 2020 increasing to ¥100 million, an increase by 33.2% YoY. In addition, INITIAL, a startup database, accelerated

its growth, achieved full-year profitability in the previous fiscal year after three years of acquisition by the Company in January 2017, and its EBITDA has continued to be positive for FY20. Segment EBITDA deficit of the Other Businesses has been reduced to a level close to the break-even point. The Group aims to expand the Other Business furthermore while maintaining a balance between sales growth and earnings.

As a result, segment net sales for FY20 were ¥1,421 million (an increase by 63.1% YoY), segment EBITDA was a loss of ¥11 million (segment loss of ¥144 million for FY19), and segment profit was ¥46 million (a loss of ¥122 million for FY19).

(2) Overview of Financial Condition (as of December 31, 2020)

(Total assets)

Total assets were ¥15,915 million, a decrease of ¥5,043 million from the previous year-end, primarily due to a combined effect of the following items: (a) a decrease of ¥369 million in cash and deposits, and a decrease of ¥931 million in notes and accounts receivable in current assets; (b) a decrease of ¥8,058 million in goodwill due to impairment, amortization and foreign currency translation; and (c) an increase of ¥3,004 million in deferred tax assets in investments and other assets.

(Total liabilities)

Total liabilities were ¥8,796 million, a decrease of ¥5,029 million from the previous year-end, primarily due to a combined effect of the following items: (a) a decrease of ¥361 million in current portion of long-term bank loans, a decrease of ¥589 million in income tax payable, and an increase of ¥752 million in unearned revenue due to sales growth in SPEEDA business, resulting in an increase of ¥91 million in current liabilities; (b) a decrease of ¥5,107 million in long term bank loans, resulting in a decrease of ¥5,121 million in non-current liabilities.

(Equity)

Equity were ¥7,118 million, a decrease of ¥13 million from the previous year-end, primarily due to a combined effect of an increase of ¥3,074 million in common stock and ¥3,076 million in capital surplus from the issuance of new shares through third party allotment and a public offering, and a decrease of ¥6,472 million in retained earnings due to a loss of ¥6,472 million attributable to owners of the parent.

(3) Overview of Cash Flows (from January 1, 2020 to December 31, 2020)

Cash and cash equivalents as at December 31, 2020 were ¥7,513 million, a decrease of ¥441 million from the previous year-end. The analysis of cash flows recorded during FY20 is as follows.

(Cash flows from operating activities)

Net cash generated through operating activities for FY20 was ¥1,026 million (¥60 million for FY19), primarily due to a loss before income taxes of ¥9,366 million, an impairment loss of ¥7,810 million, an amortization of goodwill of ¥533 million, a loss on sales of shares of subsidiaries and associates of 1,042 million, a decrease in trade receivables of ¥612 million due to progress in collection of receivables, and an increase in unearned revenue of ¥754 million due to the expansion of business including SPEEDA.

(Cash flows from investing activities)

Net cash used in investing activities for FY20 was ¥2,028 million (¥851 million in FY19), primarily due to an outflow of ¥404 million for the purchase of property, plant and equipment, ¥330 million for the purchase of intangible assets, ¥604 million for the purchase of investment securities by funds managed by UB Ventures, Inc., ¥170 million for the acquisition of shares of a subsidiary resulting in a change in the scope of consolidation as a result of making Mimir, Inc. a wholly owned subsidiary of the Company, and ¥451 million for the payments for sales of shares of subsidiaries resulting in change in scope of consolidation, in conjunction with the withdrawal from Quartz business.

(Cash flows from financing activities)

Net cash provided by financing activities for FY20 was ¥613 million (¥3,282 million for FY19), primarily due to an inflow of ¥1,500 million due to refinancing, an outflow of ¥7,037 million resulting from a repayment of long-term borrowings, and an inflow of ¥6,043 million from the issuance of new shares via third party allotment and public offering.

(4) Prospects for the Fiscal Year Ending December 31, 2021

Since its establishment, the Group has been committed to its mission of guiding business people to insights that change the world. Based on the conviction that creating strong businesses is the most important task on the path to achieving this mission, the Group has established separate subsidiaries for each of its products, including NewsPicks, FORCAS, and INITIAL. By doing so, the Group was able to transfer the decision-making authority and clarify the management responsibility, thereby building a flexible and robust decision-making structure that has enabled each of these businesses to achieve growth. On the other hand, the separation of legal entities has prevented the Group from fully leveraging the potential synergies between businesses. Recognizing this issue, the Group then established the B2B SaaS business with an integrated management structure in the FY20 and started group-wide efforts to realize the concept of “One Uzabase”, which appears to have provided a strong response to the issue. In the FY21, the Group will carry out an absorption-type merger targeting its wholly owned subsidiaries FORCAS, Inc. and INITIAL, Inc., subject to the approval of Uzabase’s Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2021 and will further deepen the integration of these businesses and accelerate the collaboration as well as boost the growth of each business.

In addition, the Group will create new customer value for each of its products and services as “One Uzabase”, transcending business boundaries by promoting collaboration between NewsPicks and products in our B2B SaaS business, such as SPEEDA,

FORCAS, and INITIAL.

Under this structure, the Group targets to achieve a 30% sales growth rate continuously from the fiscal year ending December 31, 2022 onward, and has positioned FY21 as a period of growth investment to achieve this management goal. In order to further improve the sales growth rate, the Group will reinvest in existing businesses, invest in new businesses, invest in human resources such as engineers to strengthen the development system, and invest in systems.

As a result of withdrawal from Quartz business during FY20, impairment of goodwill and all related one-time losses was recognized in this fiscal year, in addition to excluding the loss-making Quartz business from consolidated accounts. This is expected to make a major improvement in consolidated EBITDA as well as operating profits and other lines of profit from FY21.

Based on the above, the Group expects net sales of ¥15,600 million for FY21, an increase by 13.0% YoY, EBITDA of ¥1,800 million, an increase by 96.1% YoY, operating profit of ¥1,380 million (a profit of ¥104 million for FY20), ordinary profit of ¥1,240 million (a loss of ¥281 million for FY20), and ¥690 million of net profit attributable to owners of the parent (a loss of ¥6,472 million for FY20).

2. Basic approach to the selection of accounting standards

The Group has adopted Japanese GAAP for accounting standards in consideration of inter-company comparability and other factors. As for the adoption of IFRS (International Financial Reporting Standards), the Group will take appropriate measures in consideration of the domestic and international situation.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	7,954	7,584
Trade notes and accounts receivable	1,916	984
Other current assets	378	676
Allowance for doubtful accounts	(24)	(19)
Total current assets	10,224	9,226
Non-current assets		
Property, plant and equipment		
Buildings	374	557
Accumulated depreciation	(182)	(164)
Buildings, net	191	392
Tools, furniture and fixtures	395	432
Accumulated depreciation	(244)	(273)
Tools, furniture and fixtures, net	151	159
Other	5	4
Accumulated depreciation	(4)	(0)
Other, net	1	3
Total property, plant and equipment	344	554
Intangible assets		
Goodwill	8,870	811
Other	130	402
Total intangible assets	9,001	1,214
Investments and other assets		
Investment securities	694	1,219
Deferred tax assets	221	3,226
Other	472	385
Total investment and other assets	1,388	4,831
Total non-current assets	10,733	6,600
Deferred assets		87
Total assets	20,958	15,915

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Trade accounts payable	319	370
Current portion of bonds	102	102
Current portion of long-term bank loans	1,123	761
Accounts payable	598	543
Income tax payable	730	141
Provision for bonuses	366	246
Unearned revenue	1,210	1,962
Other	680	1,094
Total current liabilities	5,131	5,222
Non-current liabilities		
Bonds	276	174
Long-term bank loans	8,378	3,270
Other	41	129
Total liabilities	8,695	3,573
Total liabilities	13,826	8,796
Equity		
Shareholders' equity		
Common stock	4,096	7,170
Capital surplus	3,029	6,105
Accumulated deficit	(1,006)	(7,478)
Treasury shares	(0)	(0)
Total shareholders' equity	6,118	5,796
Accumulated other comprehensive income (loss)		
Unrealized loss on available-for-sale securities	(0)	(2)
Foreign currency translation adjustments	(246)	(21)
Total accumulated other comprehensive loss	(247)	(23)
Stock acquisition rights	10	14
Noncontrolling interests	1,249	1,330
Total equity	7,131	7,118
Total liabilities and equity	20,958	15,915

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)	Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)
Net sales	12,521	13,809
Cost of sales	5,321	6,216
Gross profit	7,200	7,592
Selling, general and administrative expenses	8,437	7,488
Operating profit (loss)	(1,236)	104
Non-operating income		
Interest income	6	7
Consumption tax adjustment	4	9
Subsidy income	0	7
Other	9	10
Total non-operating income	21	34
Non-operating expenses		
Interest expenses	97	88
Loss on valuation of investment securities	—	70
Commission expenses	3	112
Investment partnership management fees	65	66
Other	47	82
Total non-operating expenses	214	420
Ordinary loss	(1,429)	(281)
Extraordinary gains		
Gain on reversal of stock acquisition rights	311	—
Gain on a step acquisition	—	104
Total extraordinary gain	311	104
Extraordinary losses		
Impairment loss	12	7,810
Loss on sales of shares of subsidiaries and associates	—	1,042
Business restructuring expenses	—	279
Other	—	57
Total extraordinary losses	12	9,189
Loss before income taxes	(1,130)	(9,366)
Income taxes – current	822	232
Income taxes – deferred	(202)	(3,004)
Total income taxes	619	(2,771)
Net loss	(1,750)	(6,594)
Net loss attributable to noncontrolling interests	(130)	(122)
Net loss attributable to owners of the parent	(1,620)	(6,472)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)	Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)
Net loss	(1,750)	(6,594)
Other comprehensive income (loss)		
Unrealized loss on available-for-sale securities	(0)	(1)
Foreign currency translation adjustments	(195)	225
Total other comprehensive loss	(196)	223
Comprehensive loss	(1,946)	(6,371)
Total comprehensive loss attributable to:		
Owners of the parent	(1,816)	(6,244)
Noncontrolling interests	(130)	(127)

(3) Consolidated Statement of Change in Equity

Fiscal year ended December 31, 2019 (from January 31, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized gain/loss on available-for-sale securities	Foreign currency translation adjustment	Accumulated other comprehensive income			
Balance at the beginning of the period	2,731	1,683	897	(0)	5,313	0	(51)	(51)	616	438	6,316
Changes during the period											
Issuance of new shares	1,189	1,189			2,378						2,378
Issuance of new shares – exercise of share acquisition rights	175	175			350						350
Profit (loss) attributable to owners of the parent			(1,620)		(1,620)						(1,620)
Purchase of treasury shares				(0)	(0)						(0)
Purchase of shares of consolidated subsidiaries		(23)			(23)						(23)
Change in fiscal year end of consolidated subsidiaries			(283)		(283)						(283)
Change in ownership interest of parent due to transactions with non-controlling interests		4			4						4
Net changes in items other than shareholders' equity						(0)	(195)	(196)	(605)	811	9
Total changes during the period	1,364	1,345	(1,904)	(0)	805	(0)	(195)	(196)	(605)	811	815
Balance at the end of the period	4,096	3,029	(1,006)	(0)	6,118	(0)	(246)	(247)	10	1,249	7,131

Fiscal year ended December 31, 2020 (from January 31, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Unrealized gain/loss on available-for-sale securities	Foreign currency translation adjustment	Accumulated other comprehensive income			
Balance at the beginning of the period	4,096	3,029	(1,006)	(0)	6,118	(0)	(246)	(247)	10	1,249	7,131
Changes during period											
Issuance of new shares	3,046	3,046			6,092						6,092
Issuance of new shares – exercise of share acquisition rights	28	28			56						56
Profit (loss) attributable to owners of the parent			(6,472)		(6,472)						(6,472)
Purchase of treasury shares					—						—
Purchase of shares of consolidated subsidiaries					—						—
Change in fiscal year end of consolidated subsidiaries					—						—
Change in ownership interest of parent due to transactions with non-controlling interests		1			1						1
Net changes in items other than shareholders' equity						(1)	225	223	4	81	308
Total changes during the period	3,074	3,076	(6,472)	—	(322)	(1)	225	223	4	81	(13)
Balance at the end of the period	7,170	6,105	(7,478)	(0)	5,796	(2)	(21)	(23)	14	1,330	7,118

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)	Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Loss before income taxes	(1,130)	(9,366)
Depreciation	192	280
Impairment loss	12	7,810
Amortization of goodwill	632	533
Gain on reversal of stock acquisition rights	(311)	—
Gain on a step acquisition	—	(104)
Loss on sales of shares of subsidiaries and associates	—	1,042
Decrease in trade notes and accounts receivables	565	612
Increase (decrease) in provision for bonuses	366	(120)
Increase in unearned revenue	437	754
Increase in advances received	62	303
Increase in consumption taxes refund receivable	104	106
Other	(402)	259
Subtotal	531	2,109
Interest and dividends received	6	7
Interest paid	(97)	(88)
Income taxes paid	(379)	(1,001)
Cash flows from operating activities	60	1,026
Cash flows from investing activities		
Payments into time deposits	—	(672)
Proceeds from withdrawal of time deposits	—	600
Purchases of property, plant and equipment	(105)	(404)
Purchases of intangible assets	(125)	(330)
Purchases of investment securities	(473)	(604)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(43)	(170)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(451)
Other	(103)	6
Cash flows from investing activities	(851)	(2,028)
Cash flows from financing activities		
Proceeds from long-term loans	6,500	1,500
Repayments of long-term loans	(6,092)	(7,037)
Payment for redemption of bonds	(102)	(102)
Proceeds from issuance of new shares	2,077	6,043
Proceeds from limited partners of investment partnership	923	210
Other	(23)	(0)
Cash flows from financing activities	3,282	613
Foreign currency translation adjustments on cash and cash equivalents	(12)	(53)
Net increase (decrease) in cash and cash equivalents	2,480	(441)
Cash and cash equivalents, beginning of period	5,725	7,954
Decrease in cash and cash equivalents due to change in the closing date of a subsidiary	(251)	—
Cash and cash equivalents, end of period	7,954	7,513

(5) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
Not applicable

(Additional Information)
The Group has decided to withdraw from the Quartz business based on the resolution at its Board of Directors meeting on November 9, 2020. Upon withdrawal from the Quartz business, all shares of Quartz Intermediate Holdings, Inc. (formerly known as Uzabase USA, Inc.), which holds 100% shares of Quartz Media, Inc. (“Quartz”), NewsPicks USA, LLC (“NewsPicks USA”) and two other consolidated subsidiaries (collectively, ”Quartz and its affiliates”), have been transferred to Quartz Media Holdings, Inc., an entity founded with majority of voting right held by Mr. Zachary Seward, Quartz’s current CEO.

In conjunction with this withdrawal, the Group recognized an impairment loss of ¥7,810 million for goodwill and other items, and a capital loss of ¥1,042 million on the sales of subsidiary’s shares during FY20 related to the Quartz business. In addition, the Group recorded a deferred tax asset of ¥3,060 million arising from this withdrawal during FY20, taking into account its recoverability.

(Segment Information)
1. Overview of reporting segment
(1) Method of determining reportable segments
The Group’s reportable segments are the constituent units of the Group for which financial information is available and which are subject to periodic reviews by the Board of Directors in order to determine the allocation of management resources and evaluate business performance. The Group has four reportable segments based on the characteristics of the services it provides: SPEEDA Business, NewsPicks Business, Quartz Business, and Other Business.

(2) Type of products and services belonging to each reportable segment
SPEEDA Business provides financial institutions, business corporations, universities and research institutes with information (financial data, statistical data, analysis reports, etc.) necessary for business and industry analysis through "SPEEDA," a web-based platform operated by the Company. Its main source of revenue is the initial fee at the time of contract and the monthly fixed fee received from customers as the usage fee of "SPEEDA".

NewsPicks Business provides the economic news platform "NewsPicks" with social networking functions. It is a one-stop platform that provides economic news from various media as well as articles edited and created by the Company. Users can also view comments from experts in each industry, voice own opinions, and share news. The main source of revenue is the monthly subscription fee from paid subscribers and the sale of advertisements.

Quartz Business operates the U.S.-based economic media company Quartz. The main source of revenue is advertising and solutions business targeting approximately 20 million sophisticated readers in North America and other countries around the world, as well as subscription fees from paid subscribers. The Company withdrew from the Quartz business during 4Q20, as resolved by the Board of Directors on November 9, 2020.

Other Business includes INITIAL, which provides a database of start-ups in Japan, and FORCAS, a platform that supports marketing for B2B businesses.

(3) Matters related to changes in reportable segments
Effective from FY20, the Company has allocated a portion of corporate expenses to the reportable segments, based on a reasonable method given the nature and status of each reportable segment in order to present the operating results of each reportable segment more appropriately. Segment information for FY19 indicated in this report is based on the aforementioned new method of measuring segment profit or less.

2. Calculation method for the amount of net sales and profit or loss by reportable segment
Income of reportable segment is based on operating profit. Intersegment sales and transfers are based on prevailing market prices.

3. Information on net sales and profit or loss by reportable segment
For the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Reportable Segments					Reconciliations (Note 1)	Consolidated (Note 2)
	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Total		
Net sales							
Sales to external customers	4,530	4,177	2,942	870	12,521	―	12,521
Intersegment sales or Transfers	12	12	1	0	26	(26)	―
Total	4,543	4,190	2,943	871	12,548	(26)	12,521
Segment profit (loss)	1,785	429	(2,693)	(122)	(601)	(635)	(1,236)
Others							
Depreciation	21	40	56	5	123	69	192
Amortization of goodwill	―	6	612	13	632	―	632

(Notes)
1. Reconciliation of segment loss (¥635 million) includes ¥13 million of eliminations of intersegment transactions and ¥648 million of corporate expenses. Corporate expenses primarily consist of general and administrative expenses that are not allocable to the reportable segments.
2. Segment profit or loss corresponds to operating profit or loss in the consolidated statement of income.
3. Segment assets are not disclosed since the Company does not allocate assets to reportable segments.
4. Effective from 1Q20, Direct EBITDA and Segment EBITDA are disclosed to present the profitability of each reportable segment more appropriately.
   Direct EBITDA and Segment EBITDA in each reportable segment are as follows:

	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Company-wide / Eliminations	Consolidated
Segment profit (loss)	1,785	429	(2,693)	(122)	(635)	(1,236)
Depreciation and amortization	21	40	56	5	69	192
Amortization of goodwill	―	6	612	13	―	632
Direct EBITDA (Note 5)	1,807	475	(2,024)	(104)	(566)	(411)
Allocation of corporate expenses (Note 6)	(209)	(193)	(135)	(40)	579	―
Segment EBITDA (Note 6)	1,597	282	(2,160)	(144)	13	(411)

5. Direct EBITDA of each reportable segment is the sum of Segment profit (loss), depreciation and amortization, and amortization of goodwill. It is equivalent to the amount of net sales minus operating cost (other than depreciation and amortization, and amortization of goodwill) and Direct Cost (*1) in each reportable segment.
   (*1) Direct Cost: company-wide cost that is directly linked to each reporting business or services
6. Segment EBITDA is the amount of Direct EBITDA minus Indirect Cost (*2). Indirect cost is allocated to each reportable business segment based on the proportion of net sales of each reportable segment.
   (*2) Indirect Cost: company-wide cost that is not directly linked to each reportable business or service, cost that occurs in relation to consolidated group operations (e.g. costs to maintain the status as a public entity, audit fees, and executive remuneration etc.)

For the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Reportable Segments					Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Total				
Net sales									
Sales to external customers	5,492	5,932	972	1,412	13,809	—	13,809	—	13,809
Intersegment sales of Transfers	16	17	0	9	43	—	43	(43)	—
Total	5,509	5,950	972	1,421	13,853	—	13,853	(43)	13,809
Segment profit (loss)	2,282	711	(1,961)	46	1,078	(52)	1,026	(921)	104
Others									
Depreciation	34	110	41	17	204	1	205	74	280
Amortization of goodwill	26	40	452	13	533	—	533	—	533

(Notes)

1. Other is a business segment including but not limited to a company-wide new business that is not categorized in each reportable segment.
2. Reconciliations of segment loss (¥921 million) include ¥14 million of eliminations of intersegment transactions and ¥936 million of corporate expenses. Corporate expenses primarily consist of general and administrative expenses that are not allocable to the reportable segments.
3. Segment profit or loss corresponds to operating profit or loss in the consolidated statement of income.
4. Segment assets are not disclosed since the Company does not allocate assets to reportable segments.
5. Effective from 1Q20, Direct EBITDA and Segment EBITDA are disclosed to present the profitability of each reportable segment more appropriately.

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

	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Other	Company-wide / Eliminations	Consolidated
Segment profit (loss)	2,282	711	(1,961)	46	(52)	(921)	104
Depreciation and amortization	34	110	41	17	1	74	280
Amortization of goodwill	26	40	452	13	—	—	533
Direct EBITDA (Note 6)	2,343	863	(1,466)	76	(50)	(847)	917
Allocation of corporate expenses (Note 7)	(342)	(370)	(60)	(88)	—	862	—
Segment EBITDA (Note 7)	2,000	492	(1,527)	(11)	(50)	14	917

6. Direct EBITDA of each reportable segment is the sum of Segment profit (loss), depreciation and amortization, and amortization of goodwill. It is equivalent to the amount of net sales minus operating cost (other than depreciation and amortization, and amortization of goodwill) and Direct Cost (*1) in each reportable segment.
   (*1) Direct Cost: company-wide cost that is directly linked to each reporting business or services
7. Segment EBITDA is the amount of Direct EBITDA minus Indirect Cost (*2). Indirect cost is allocated to each reportable business segment based on the proportion of net sales of each reportable segment.
   (*2) Indirect Cost: company-wide cost that is not directly linked to each reportable business or service, cost that occurs in relation to consolidated group operations (e.g. costs to maintain the status as a public entity, audit fees, and executive remuneration etc.)

4. Information on impairment loss on fixed assets by reportable segment

For the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Company-wide / Eliminations	Consolidated
Impairment loss	—	—	—	—	12	12

For the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Millions of yen)

	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Other	Company-wide / Eliminations	Consolidated
Impairment loss	—	—	7,810	—	—	—	7,827

(Note)
In conjunction with the withdrawal from Quartz, an impairment loss of ¥7,810 million ($72,742 thousand) was recorded for fixed assets including goodwill attributable to the business.

5. Information on amortization and unamortized balance of goodwill by reportable segment

For the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(Millions of yen)

	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Company-wide / Eliminations	Consolidated
Amortization of goodwill	—	6	612	13	—	632
Unamortized balance of goodwill	—	402	8,376	92	—	8,870

For the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Millions of yen)

	SPEEDA Business	NewsPicks Business	Quartz Business	Other Business	Other	Company-wide / Eliminations	Consolidated
Amortization of goodwill	26	40	452	13	—	—	533
Unamortized balance of goodwill	371	361	—	78			811

(Note)
Upon withdrawal from Quartz, an impairment loss of ¥7,757 million ($72,250 thousand) was recorded for goodwill attributable to the business.

(Per-share information)

	Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)	Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)
Equity per share	¥178.20	¥158.01
Net profits (loss) per share	(¥51.35)	(¥186.58)

(Notes)
1. Diluted net income per share is not disclosed, as it is anti-dilutive, given the Group's net loss position.
2. Basis for the calculation of net loss per share is as follows.

	Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)	Fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)
Net loss per share		
Net loss attributable to owners of the parent (Millions of yen)	(1,620)	(6,472)
Net loss not attributable to common shareholders (Millions of yen)	—	—
Net loss attributable to owners of the parent pertaining to common stock (Millions of yen)	(1,620)	(6,472)
Average number of shares of common stock during the period (shares)	31,560,269	34,691,090
Latent shares not included in the calculation of diluted net income per share due to lack of dilutive effect	—	—

(Significant subsequent events)
Not applicable