UZABASE

Uzabase, Inc.

2021 1st Quarter Financial Results Briefing

May 13, 2021

Event Summary

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[Participants]	
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Yusuke Inagaki	Co-Chief Executive Officer
Taira Sakuma	Co-Chief Executive Officer
Daisuke Chiba	Executive Officer, Chief Financial Officer
Daisuke Sakamoto	Chief Executive Officer, NewsPicks, Inc.

Presentation

Moderator: Thank you all for taking time out of your busy schedules to join us today. We will now hold a briefing session on the first quarter financial results for Uzabase, Inc. the year ending March 31, 2021.

First of all, I would like to introduce today's speakers. Representative Director and Co-CEO, Yusuke Inagaki.

Inagaki: Thank you very much.

Moderator: Representative Director and Co-CEO, Taira Sakuma.

Sakuma: Thank you very much.

Moderator: Daisuke Chiba, Executive Officer and CFO.

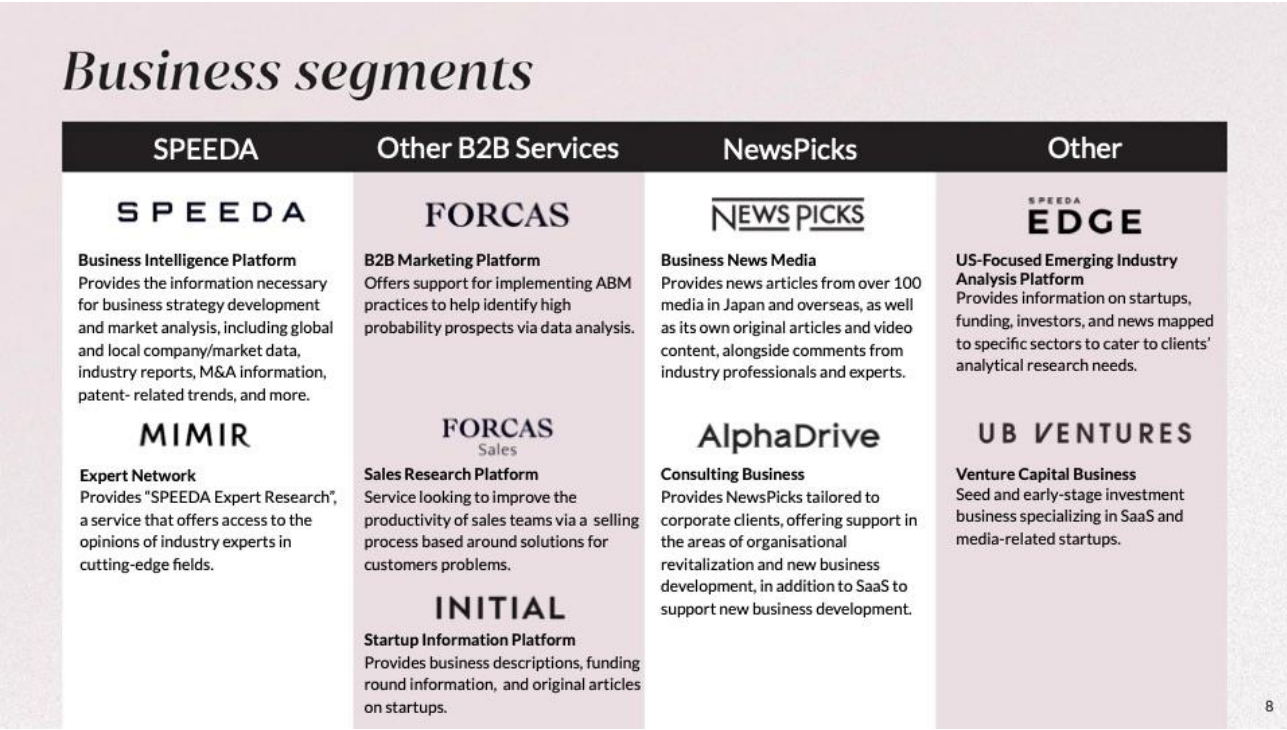
Chiba: Thank you very much.

Moderator: Daisuke Sakamoto, President and CEO, NewsPicks, Inc.

Sakamoto: Thank you very much.

Moderator:

Sakuma, our Co-CEO, will now present our consolidated business results.



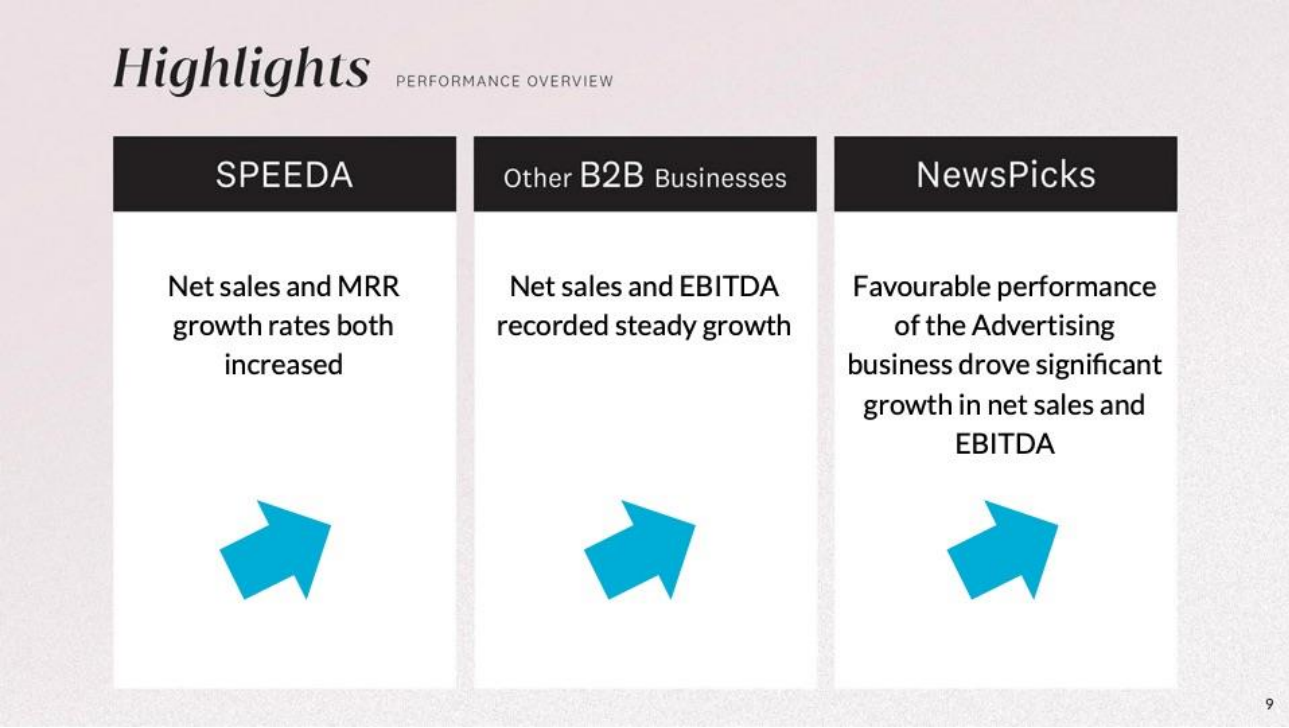
Sakuma: Thank you. First of all, I'd like to introduce the business segments. This ties in with the rest of the presentation.

The SPEEDA business is comprised of SPEEDA and SPEEDA Expert Research. SPEEDA Expert Research is handled by MIMIR.

Other B2B businesses are FORCAS, FORCAS Sales, and INITIAL.

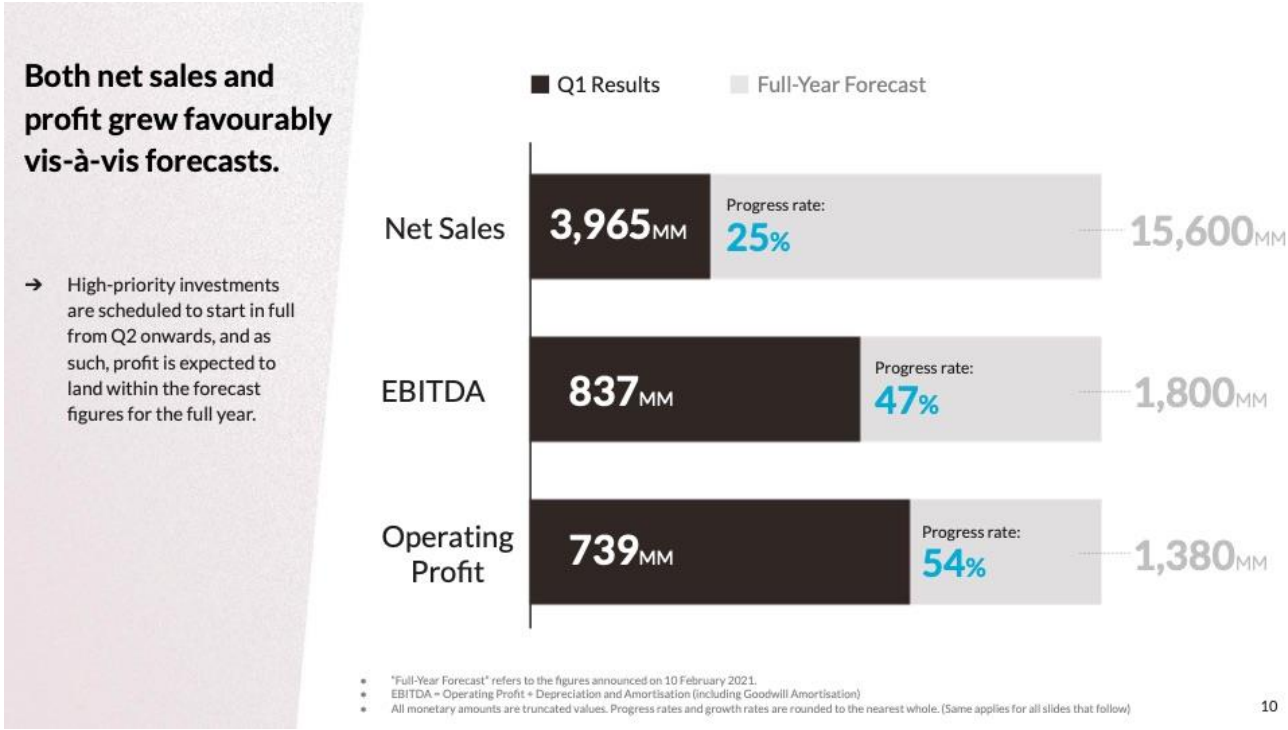
NewsPicks businesses are NewsPicks and AlphaDrive.

Other businesses are not included in these 3 segments.



I will now discuss the first quarter financial highlights.

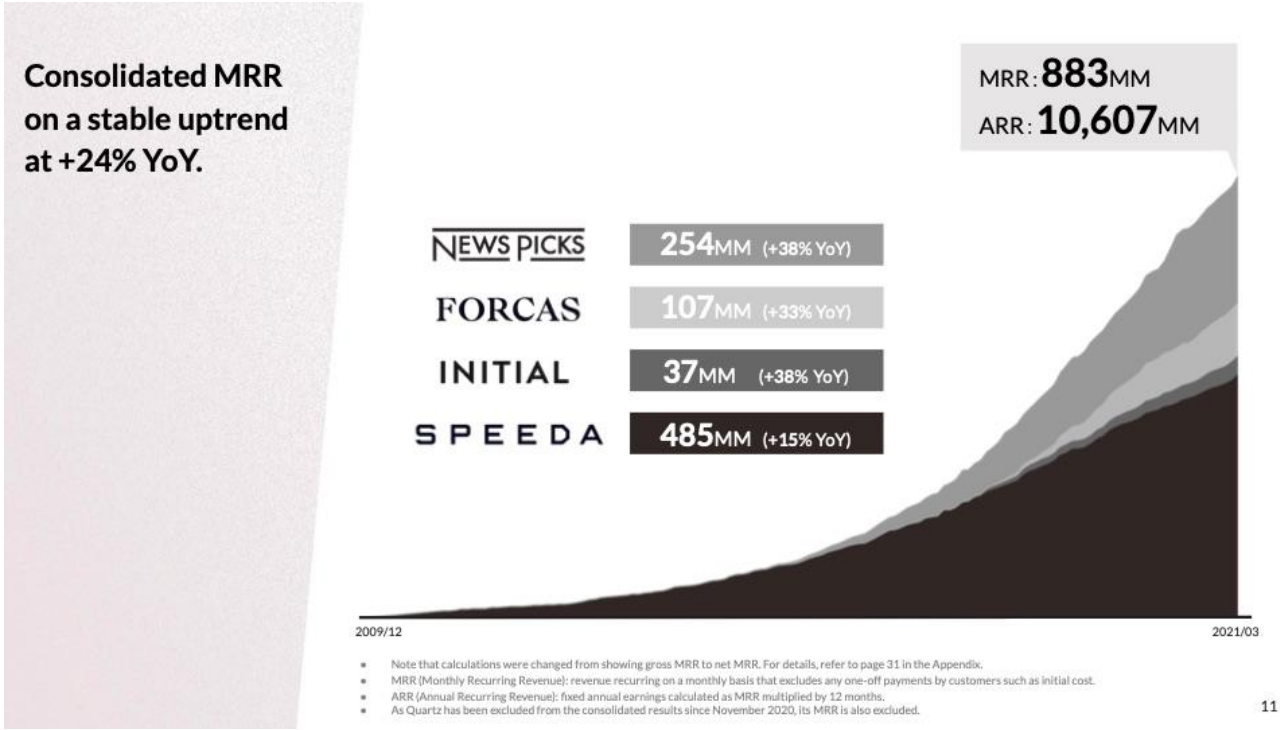
First of all, I would like to say that we had a good quarter in terms of overall performance. I will explain the results for each business in detail later, but I think it is positive that sales and R are expanding steadily in the SPEEDA business and the Expert business is starting up. As for other B2B businesses, both FORCAS and INITIAL are growing steadily. In the NewsPicks business, the Advertising business in particular is doing very well despite the coronavirus pandemic, and both sales and profits are expanding.



As a result, on a consolidated basis, the entire group is making good progress in terms of sales and profit toward the full-year plan of JPY15.6 billion in net sales, JPY1.8 billion in EBITDA, and JPY1.38 billion in operating income.

A few words about this slide.

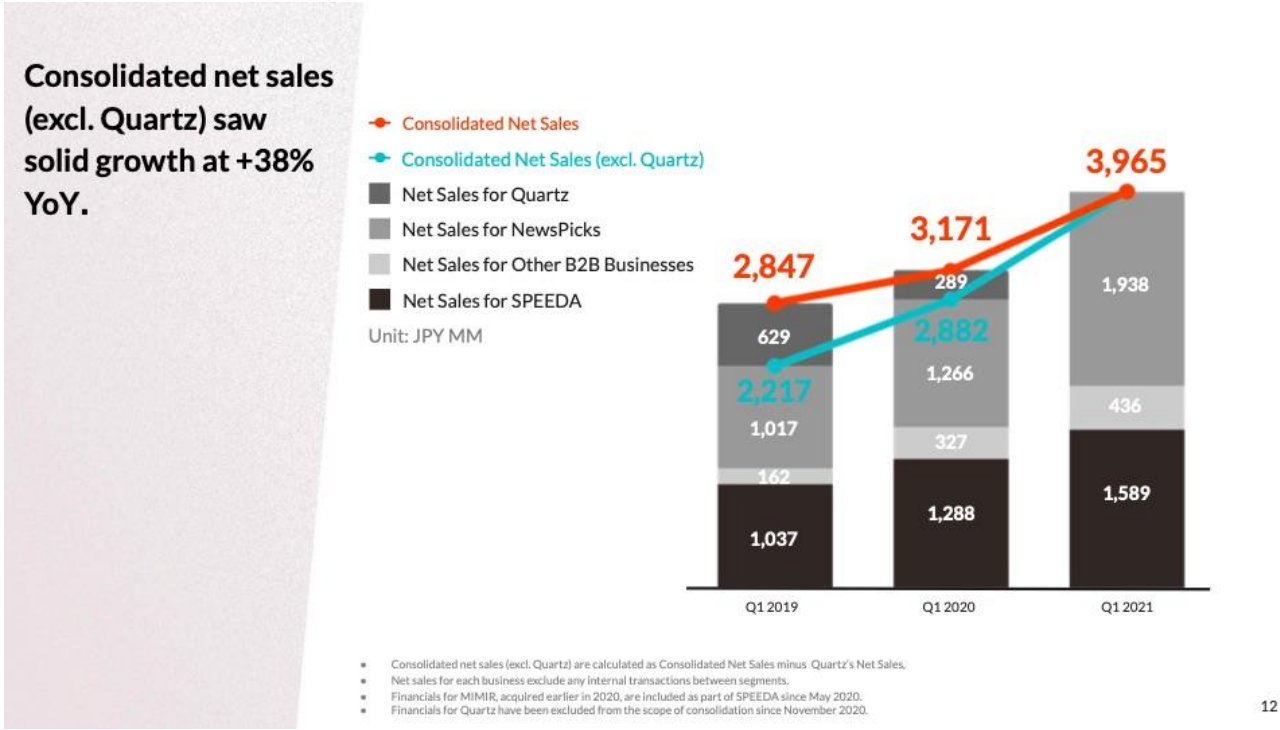
EBITDA and operating profit are both around 25% ahead of the forecast plan, so you may have the impression that we will be able to exceed the plan for the full year. However, as you can see in the message on the left, we will incur some costs in the second half of the fiscal year in relation to the SPEEDA business. We also have some investments for this fiscal year that I mentioned in the last financial results briefing. In order to achieve sustained 30% sales growth from next year onwards, investments in engineer organization and new businesses will be made in earnest from the second quarter onwards. As a result, we currently expect EBITDA and operating income to be in line with the full-year plan.



This is the MRR, which is our most important indicator.

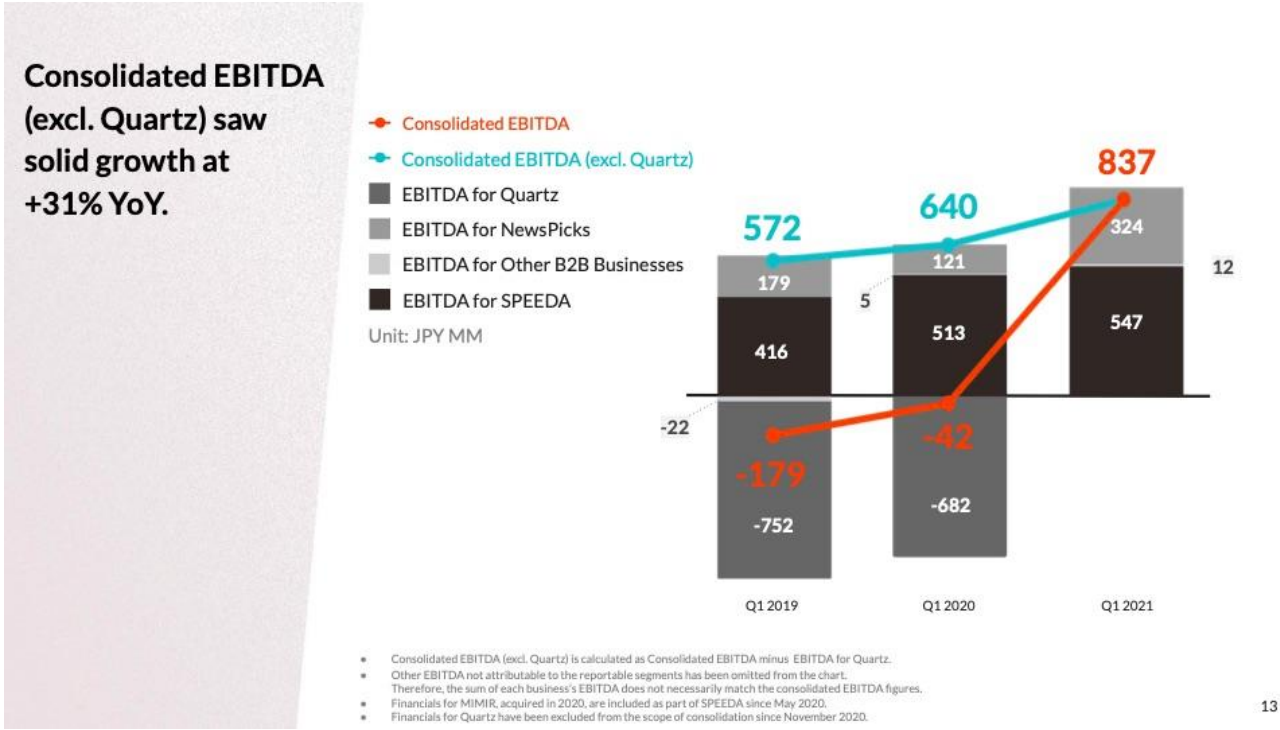
In the first quarter, MRR, as of [inaudible], is JPY883 million, as shown in the number on the top right. Multiplying that by 12 gives the ARR, which is JPY10.6 billion. That figure is 26% higher on a YoY basis, and is growing steadily.

As for the YoY growth of MRR by business, we have talked about our goal of creating businesses with achieving sustained 30% growth in of net sales. For businesses other than SPEEDA, we have already been able to exceed 30%.

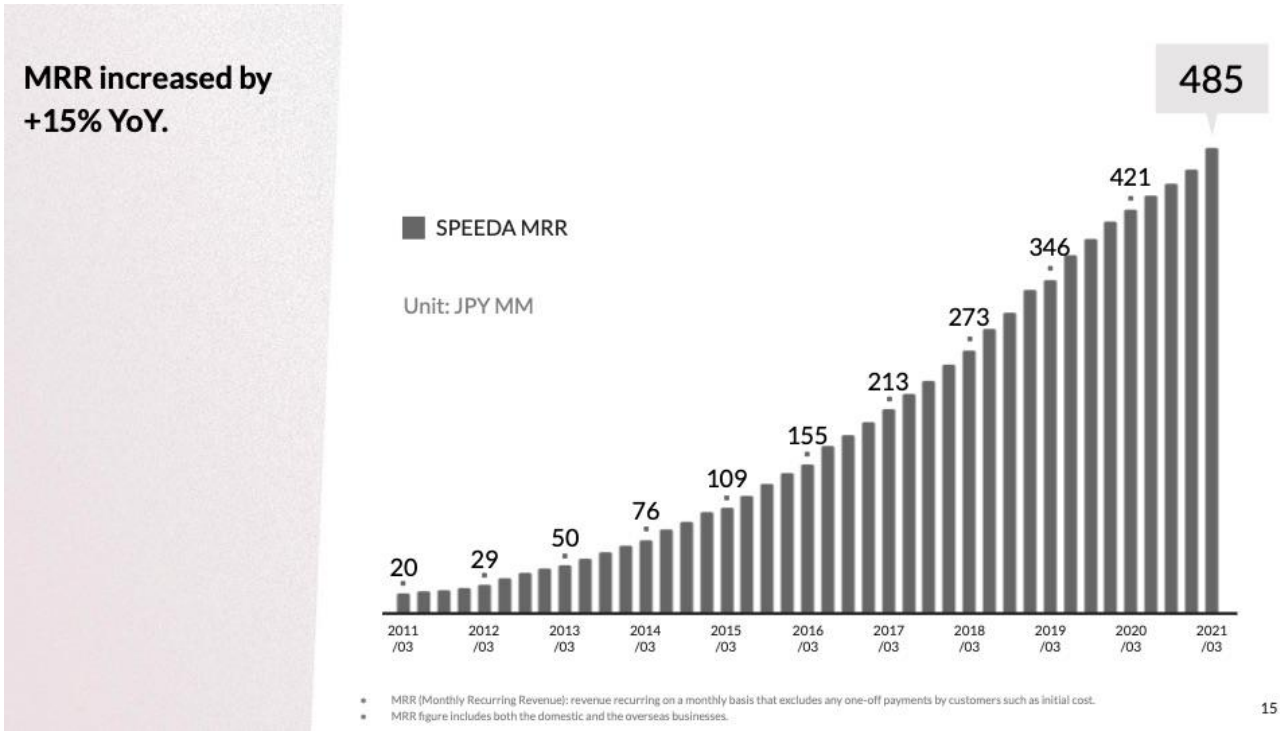


We withdrew from the Quartz business last year, so we believe that it is easier to understand the results as a whole if we look at the figures without that business. In this table, the color in between blue and green shows the consolidated net sales excluding the Quartz business.

This figure is JPY3.965 billion for the first quarter. Excluding the Quartz business, the figure would be JPY2.882 billion for the same period of the previous year. This gives a YoY growth rate of 38%, indicating steady expansion.



On the profit side as well, the blue line suggests the nature of the results excluding the Quartz business. The figure for the first quarter was JPY837 million, which is a steady increase of 31% from JPY640 million.

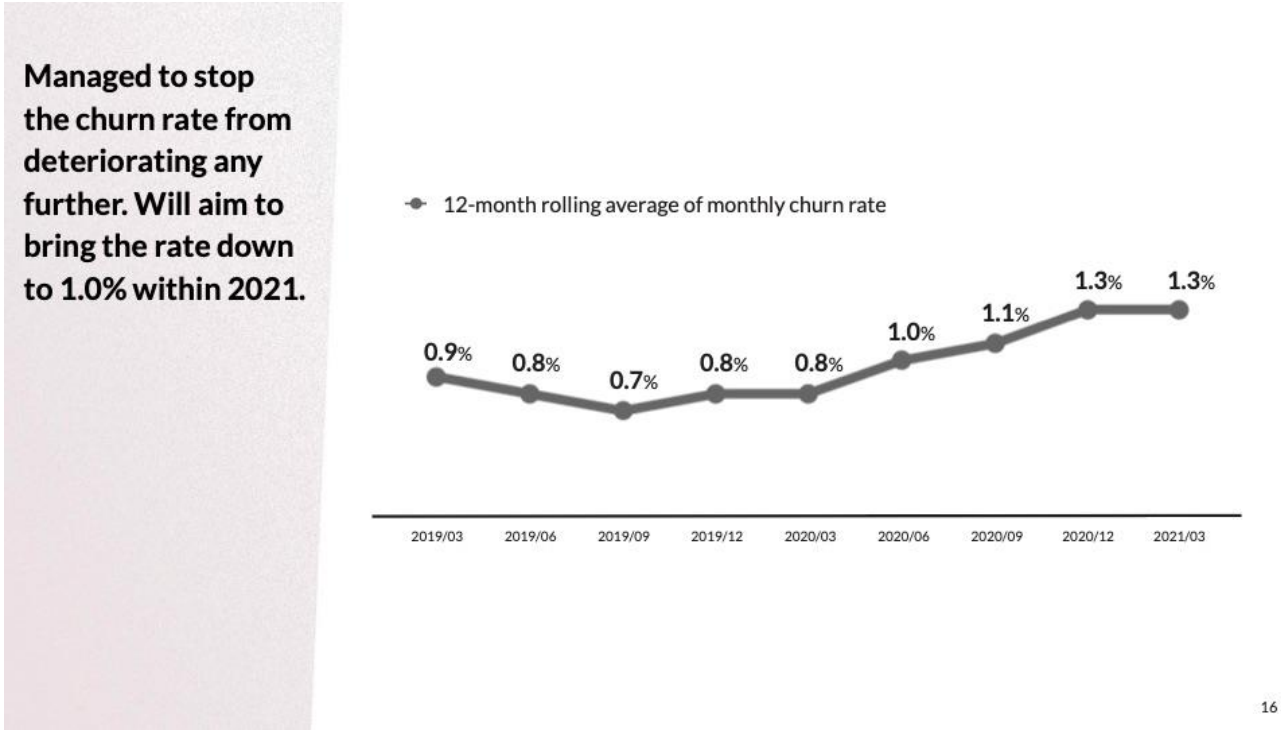


Next, we will look at the results for the first quarter by business segment.

SPEEDA's MRR as of the end of March is JPY485 million.

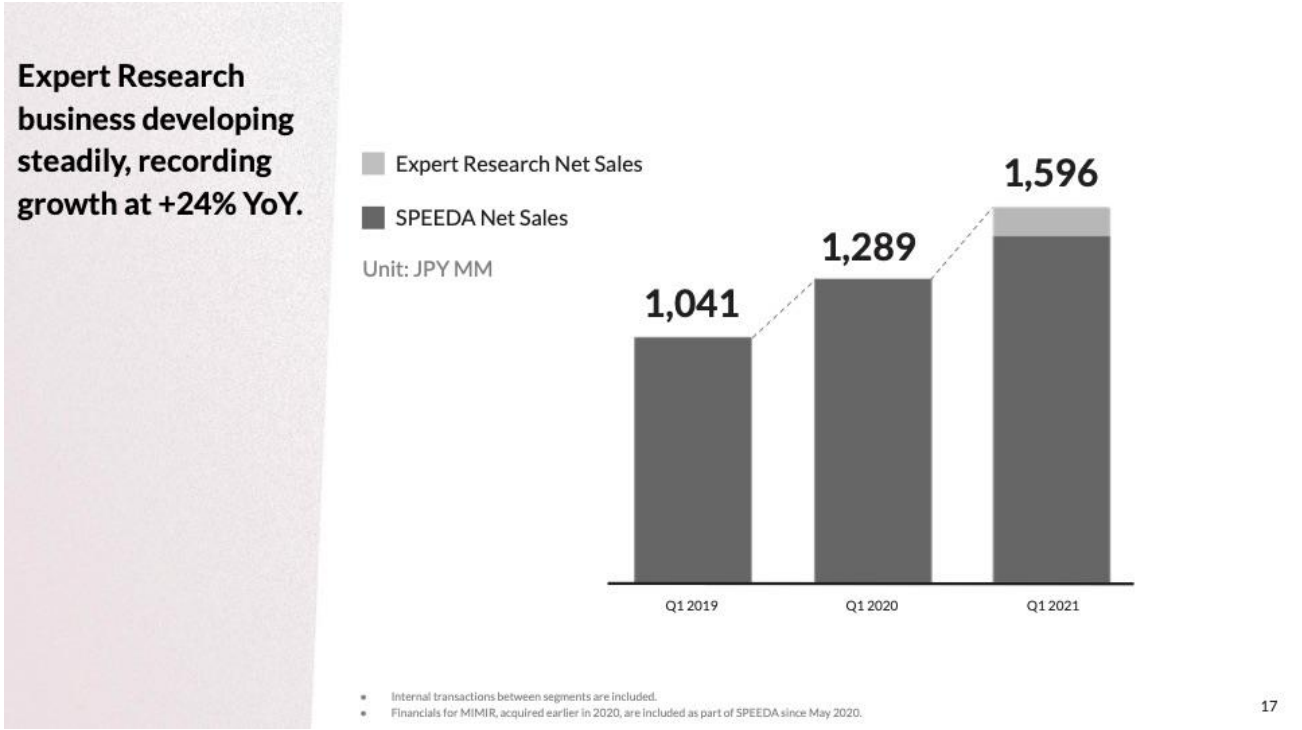
The growth rate has recovered slightly, and the figure is 15% higher than the same period last year. There is a certain seasonality in the increase in MRR seen for SPEEDA, and the increase in MRR in the first quarter of

last year was JPY13 million. In comparison, sales increased by JPY22 million in the first quarter of this fiscal year, so taking seasonality into account, we believe that we were able to achieve favorable results in the first quarter.



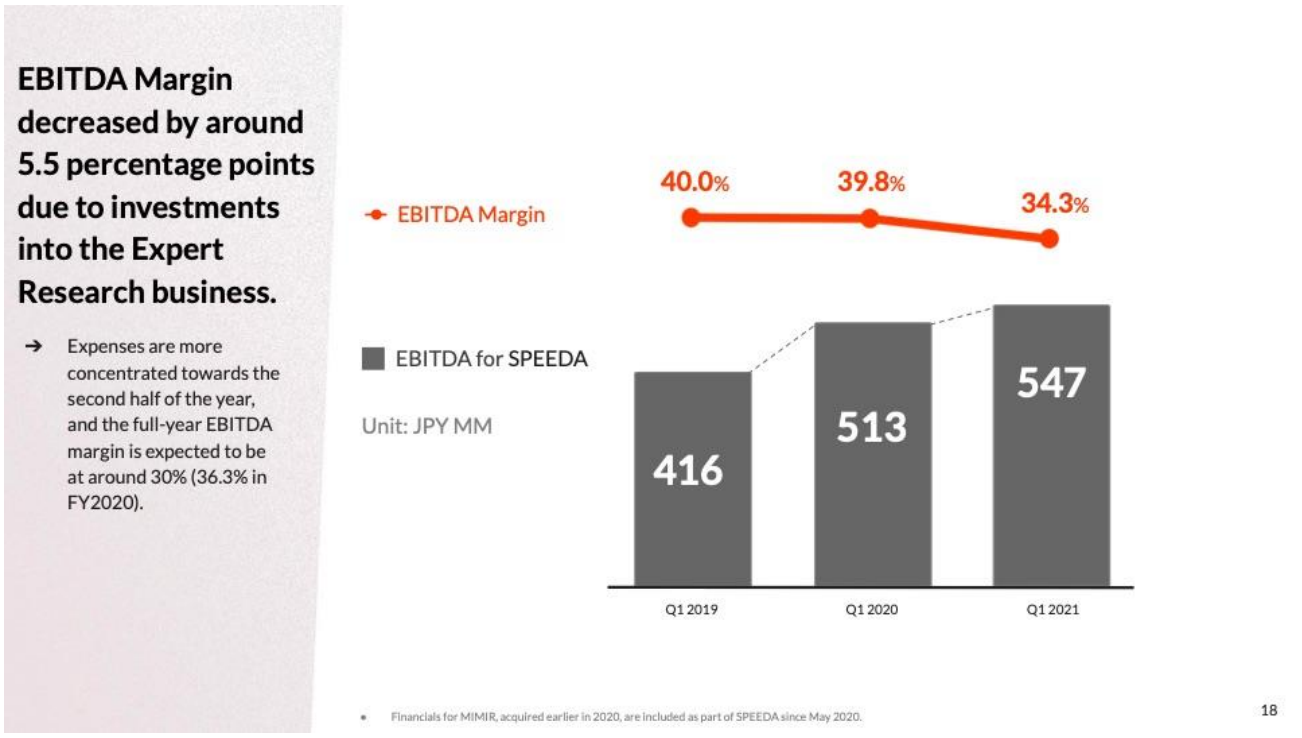
This is the churn rate that we started disclosing from the previous financial results.

The churn rate has been increasing since the second quarter of last year, around the start of the coronavirus pandemic. From these results, we believe that we were able to stop that trend in the first quarter. But of course, this 1.3% is quite high compared to the past. Our target by the end of the year is 1%, and this [inaudible] will work together to achieve this 1% figure.



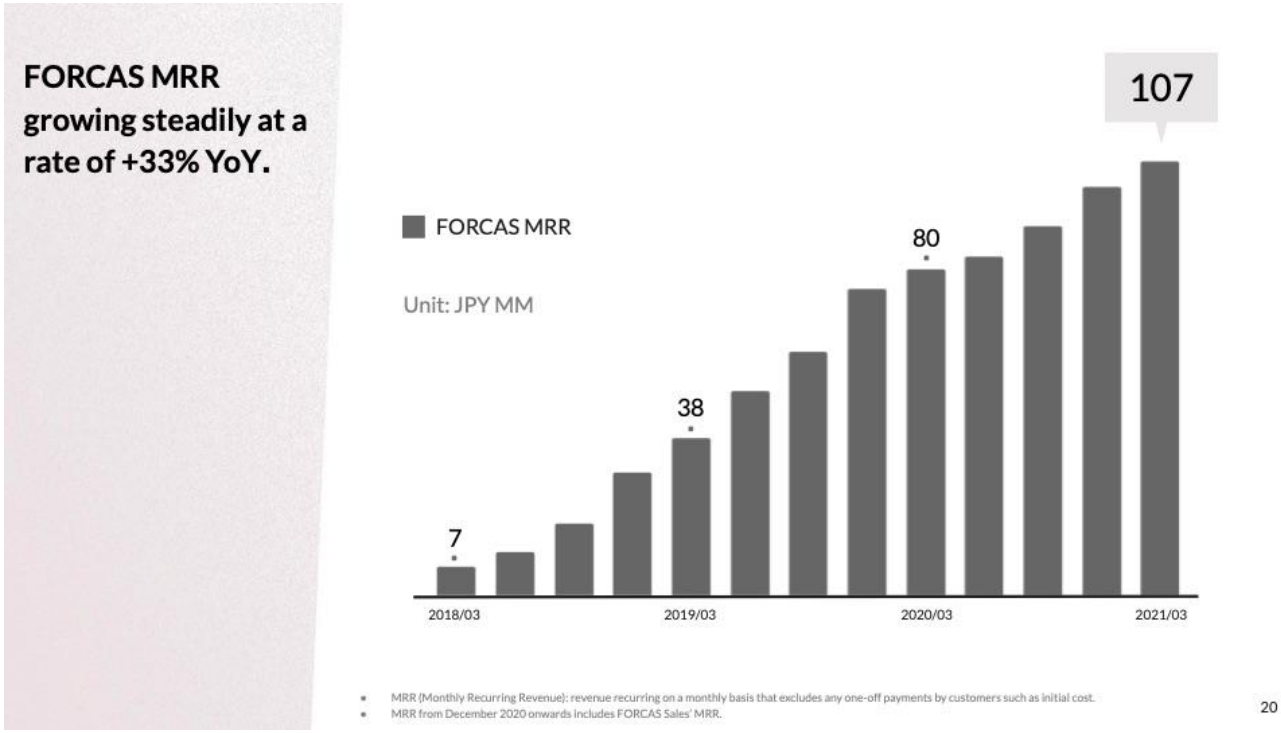
This shows the sales of the SPEEDA business. SPEEDA business sales for the first quarter were JPY1.596 billion.

This gray area has been realized to a certain extent. This is the sales revenue of Expert Research. The Expert Research business has accounted for a certain large portion of the increase in SPEEDA's sales. Therefore, while we reported a 15% MRR growth rate, the sales growth rate was 24%, which is higher than the MRR growth rate.



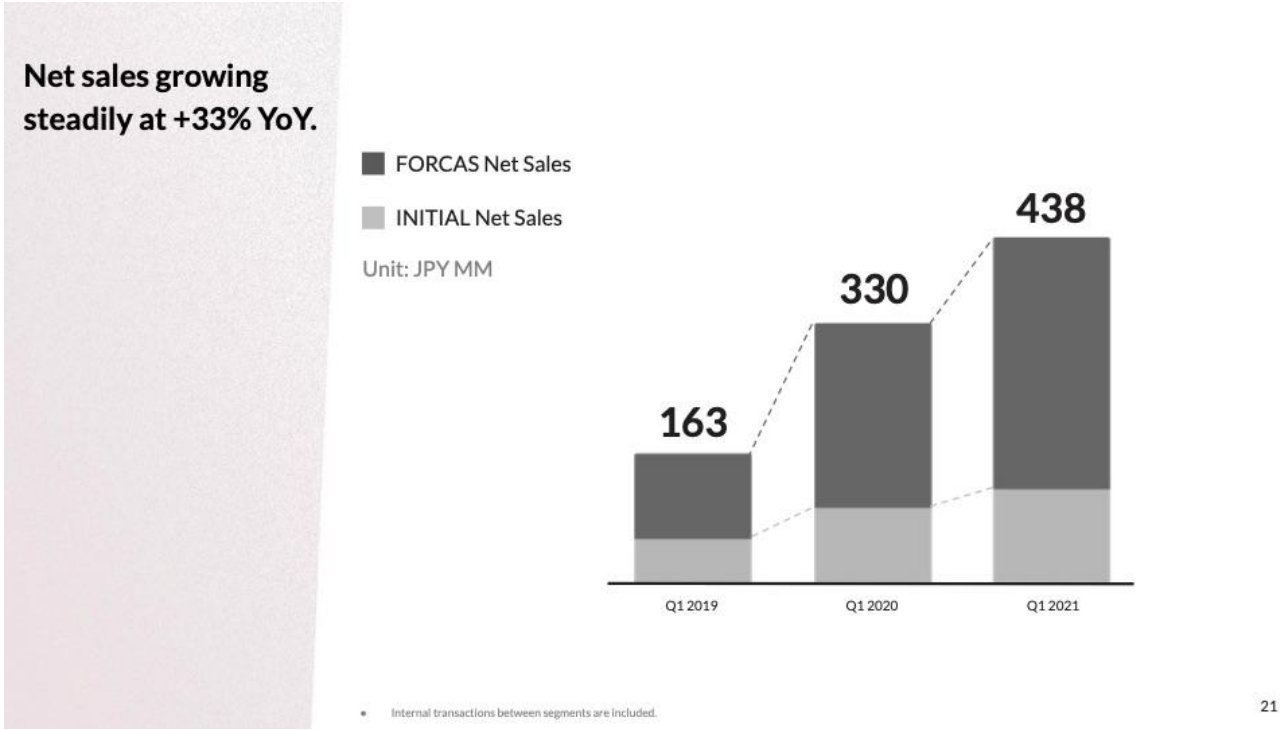
This project is now well underway. We are making investments for this purpose, and the profit margin has fallen slightly due to the launch of the Expert Research business.

The EBITDA ratio deteriorated by 5.5 points YoY. As I mentioned earlier, costs related to the SPEEDA business tend to be weighted towards the second half of the year. The EBITDA margin for SPEEDA for last year was 36.37%. This year, we are aiming for a target of 30% for the full year. The Expert Research business has started up very well, and we will make a firm investment in it.

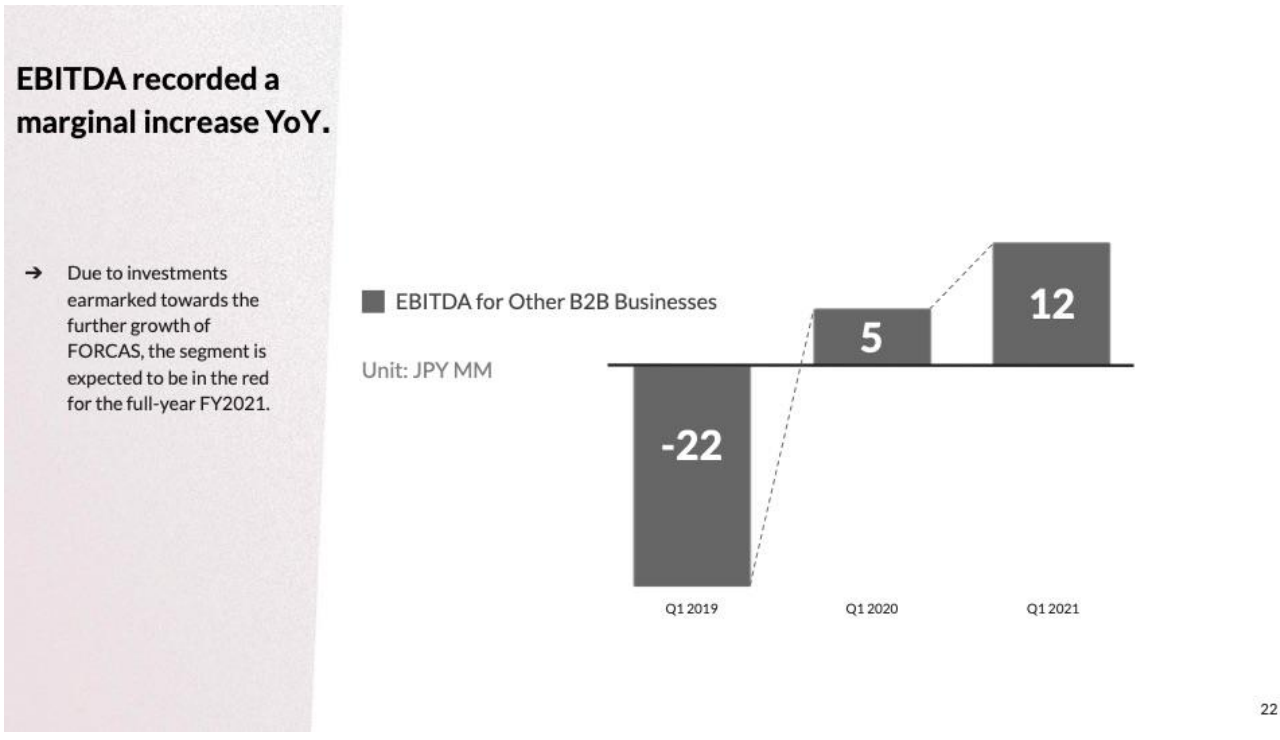


Next, I will tell you about our other B2B business.

The MRR for FORCAS as of the end of March was JPY107 million. It has been expanding steadily, with a YoY increase of 33%.

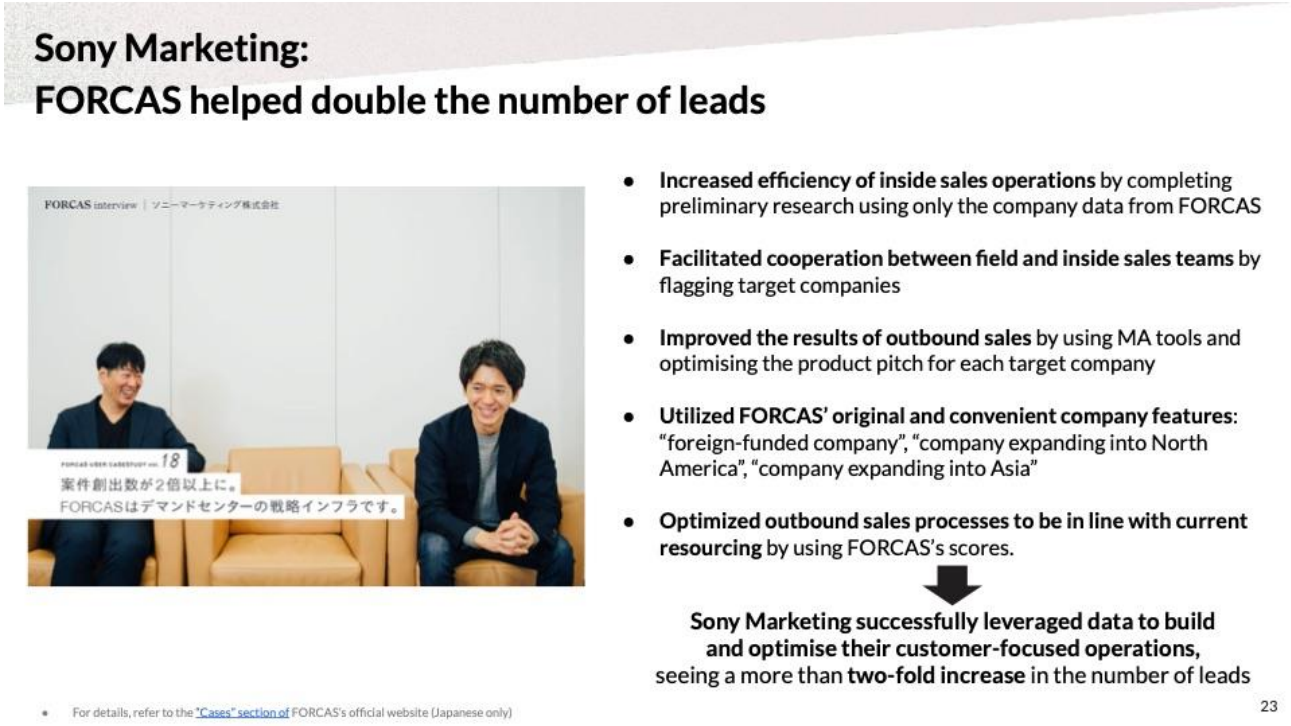


Since most of FORCAS's [inaudible] sales are from MRR [inaudible] recurring sales, sales growth is at the same level. Sales for Other B2B businesses are growing steadily at 33%. This figure includes sales for INITIAL, which was added in the same period last fiscal year.



EBITDA is very low at JPY12 million.

FORCAS, including the FORCAS sales segment, continues to grow. We will continue to invest in this business. Therefore, with the current breakeven figures, we forecast a small loss in this segment, and the Other B2B segment. This is in exchange for continued growth.



We have received some comments that it is difficult to understand what kind of service FORCAS provides, so we are planning to introduce some testimonials about our services on a regular basis, as customer feedback is the easiest way to understand.

This is from Sony Marketing. This is a company that handles marketing and sales of Sony Group products. By using FORCAS, the number of deals generated has more than doubled, and the company seen significant results.

I would like to explain how FORCAS is being used.

By using FORCAS, when a customer is interested in a product or wants to know more about it, they can understand immediately what kind of company is offering the product from FORCAS data. The time and effort of having to research a company, figure out what kind of company it is, and answering questions is virtually eliminated. So, you can understand the company you are inquiring about and quickly move forward. It will speed up the process of responding to inquiries, and you will be able to develop a solid understanding of the company.

Next, FORCAS will use data and technology to clarify the targeting of customers to whom we can deliver value and develop sales marketing. Using FORCAS, we can flag the type of customers that companies should be targeting based on customer attributes. This is used, for example, in sales force and marketing automation services. For example, a sales or management planning person will not end up with [inaudible], but can be firmly connected to an operation where, for example, feed sales and inside sales are connected. Therefore, by taking our FORCAS target company flags and linking them to our system, the collaboration between outside sales and internal sales has become smoother.

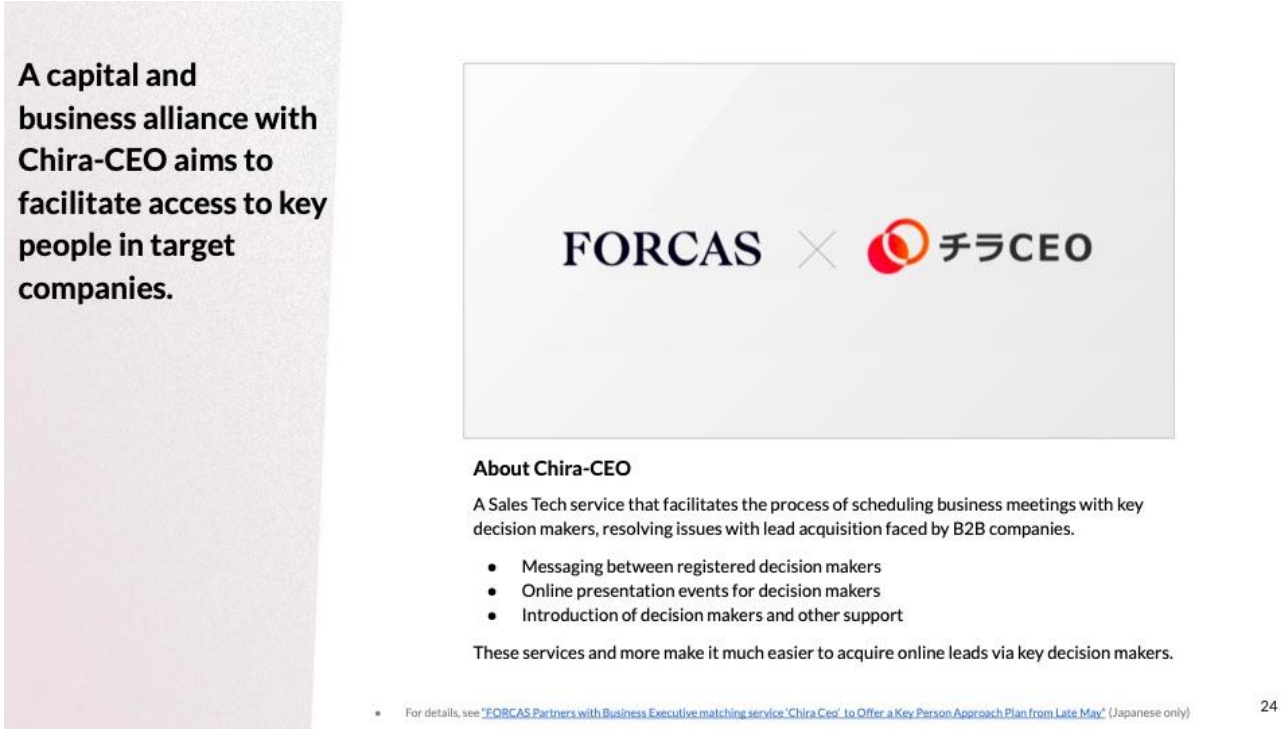
By using FORCAS's targeting function, we will be able to develop marketing that is closer to a one-to-one marketing approach, which is able to reach out to customers in greater volume.

With regard to one-to-one marketing, it is possible to work with one, two, or three companies, but it is inevitably difficult to understand each company deeply enough to develop customized emails and customized

sales talks. By using FORCAS data, we can create systematic branches and reflect them in the text of e-mails, for example, so that we can prepare talk scripts for each target company and improve the results of outbound sales.

In addition, we have prepared a variety of original and intuitive attribute scenarios for foreign companies and companies expanding into North America, which are also used by our clients. FORCAS scores give a likelihood for selling to or doing busines with another company. By using this score, a company can tailor its activities according to its available resources. When resources are available, a company can cast a wider net and set the score at 50 or more. As business negotiations progress and resources became tighter, they can develop more focused sales and marketing activities, and set a score of 70 or higher. That's the kind of thing that's dynamically [inaudible]. We aim to use this data to deliver a customer-driven operation. This is an example of how such value has more than doubled the number of deals created.

This explanation was a little long, but in the case of [inaudible], many of our customers were startups. However, FORCAS is also being used by large corporations, in a variety of B2B situations, regardless of industry.

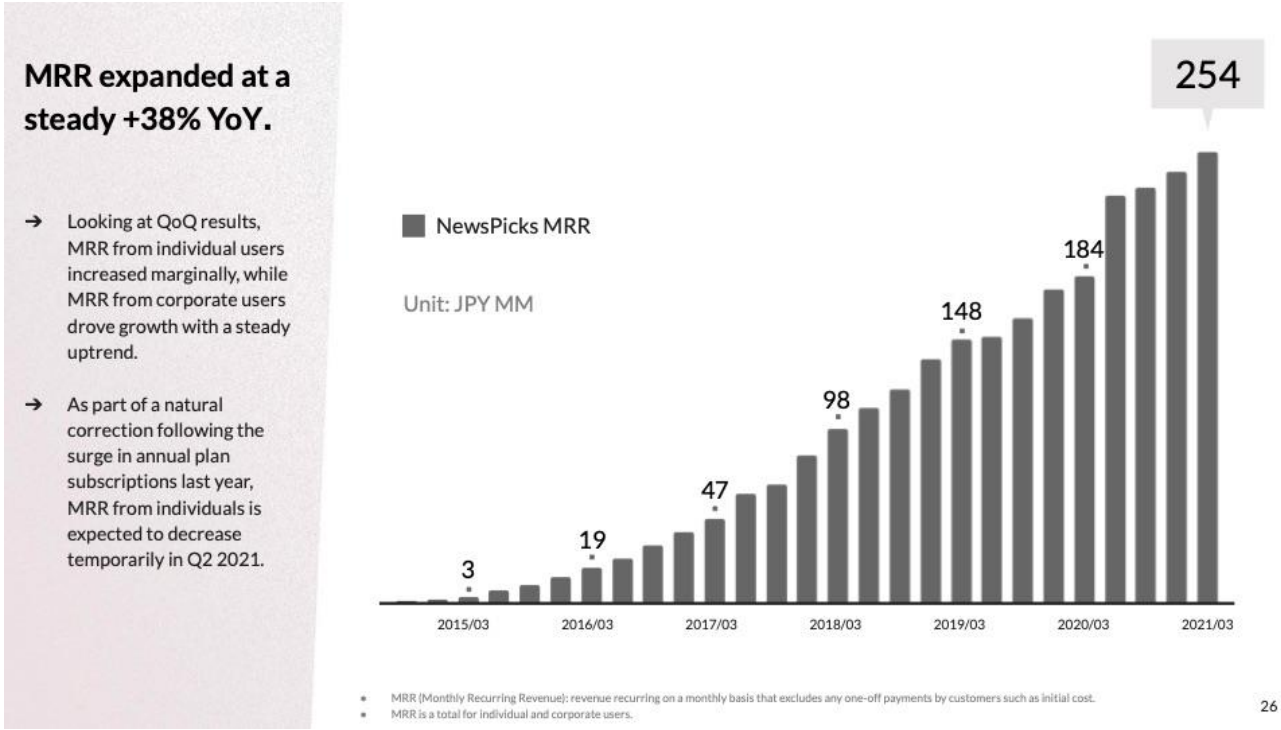


We recently announced a capital and business partnership between FORCAS and Chira-CEO, a service provided by ONLYSTORY, Inc.

This is also a move to support the use of FORCAS targeting information in a variety of practical applications, to deliver new results.

As the name suggests, the Chira-CEO service is a network of CEOs and decision makers. We aim to first use company-based targeting in FORCAS. If any of them use Chira-CEO, we can identify and approach them. We aim to realize this type of ABM in partnership with ONLYSTORY.

We have been using this service ourselves, and we believe that it is a good match for FORCAS and that it can deliver solid results. Through such exchanges, we have entered into a capital and business alliance. In the future, we will continue to promote efforts to expand the diverse value of FORCAS's original products to various operations.



Next, I will tell you about the NewsPicks business.

NewsPicks' MRR as of the end of March is JPY254 million. It is expanding steadily, with a 38% increase compared to the same period last year. Against the previous quarter, MRR increased by about JPY11 million. The increase was driven by Corporate business rather than Individual business.

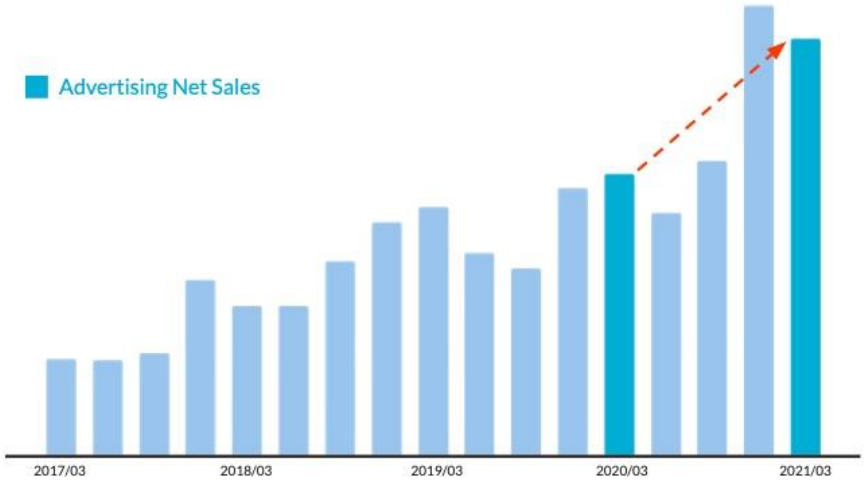
As you can see from the chart on the right, the MRR has expanded significantly since last June. This was due in part to the coronavirus pandemic, which increased the need for reliable information and led to a large increase in paying members.

In the second quarter of last year, NewsPicks' MRR was JPY45 million on a quarterly basis. The increase therefore represents a very significant growth. It has been one year since then, so we expect a certain amount of rebound in the next financial results.

Specifically, we expect a temporary decrease in MRR from individual members this quarter. This is due to the impact of the churn of annual contracts for individual members, which increased significantly in the second quarter of last year. However, we believe that this is a temporary situation and that we will be able to recover and grow steadily in the next 3 quarters.

The momentum seen in Q4 2020 for net sales in the Advertising Business also continued in Q1.

- Share of net sales from video advertisements (launched in 2018) increased.
- Due to the effects of seasonality, advertising sales are expected to decrease in Q2 as usual, but the figures have been higher compared to 2020.



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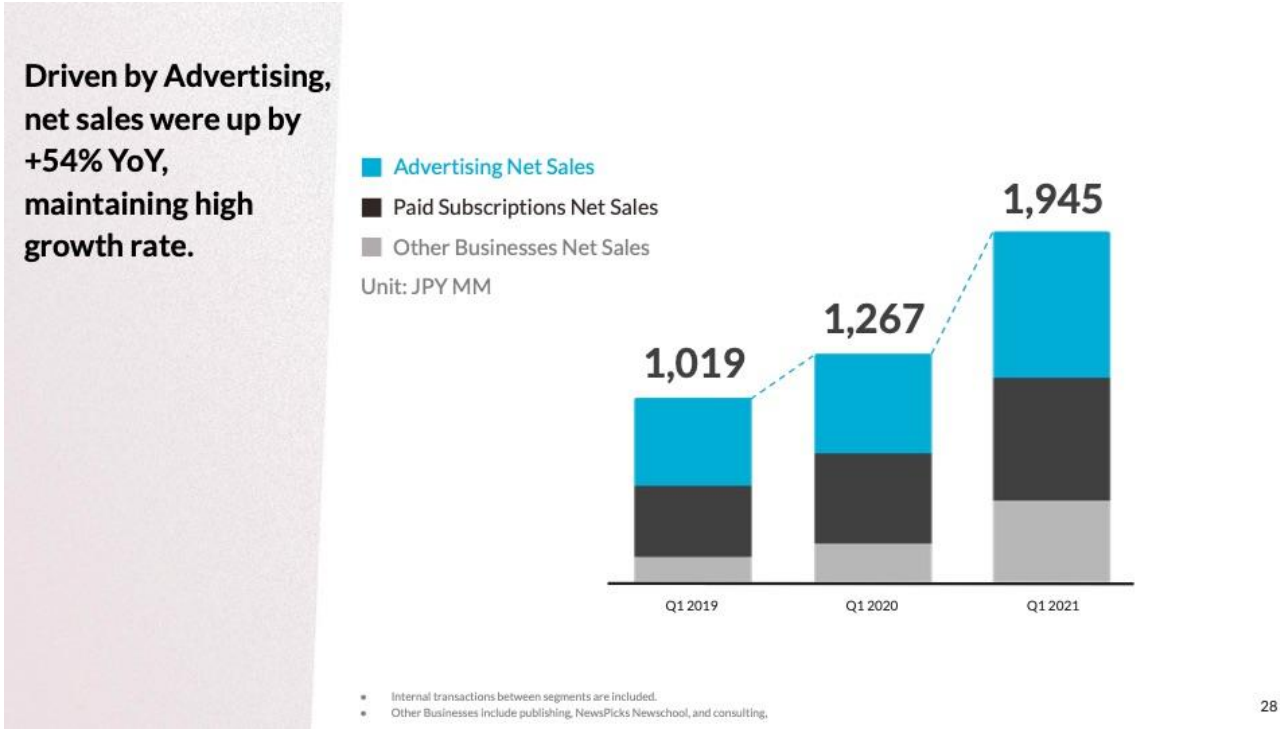
Next, advertising sales.

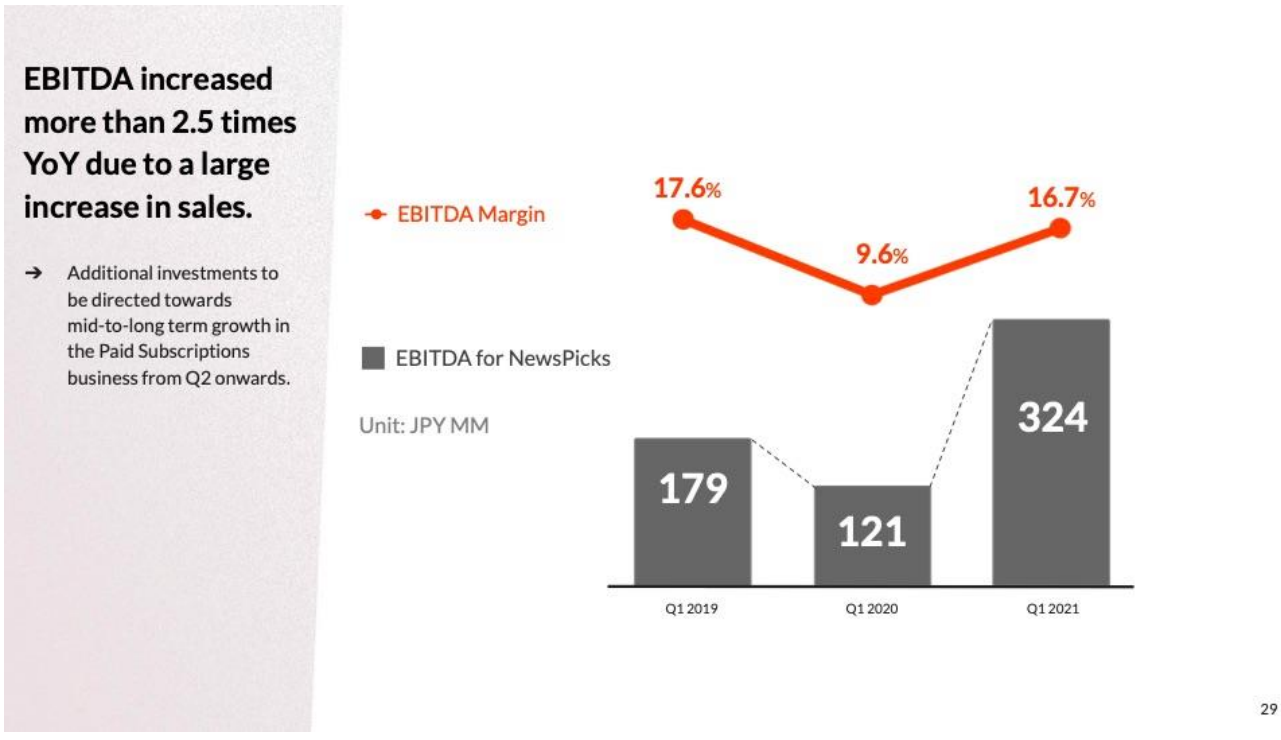
As for advertising sales, I mentioned that we already recorded record sales in the fourth quarter of last year. In the first quarter, sales continued to be strong, and as you can see in the dark blue area, sales expanded significantly compared to the same period last year.

The Advertising business is quite seasonal, and the second quarter of each year typically sees lower advertising sales than the first quarter. Therefore, we do not expect to achieve the same level of advertising sales in the second quarter as we did in the first quarter, but since the Advertising business continues to be strong, we believe that we will be able to achieve higher sales in the second quarter on a YoY basis, and higher than [inaudible].

The reason for the strength of advertising sales is the same as in the previous quarter, namely video advertising. The ratio of video advertising to total advertising sales is also on the rise.



The overall sales figure for the NewsPicks business is JPY19.45 billion. In the gray area, Other B2B businesses, such as the Publishing business, also performed well, and overall sales grew significantly from JPY1.267 billion in the same period last year to JPY1.945 billion, an increase of 54%. This reflects a very high sales growth rate.



Sales have increased significantly and profits have increased from JPY121 million to JPY324 million. However, we do not expect this profit margin to continue in the second quarter, and we would like to use some of the strong performance in the first quarter to invest in medium- to long-term growth.

That concludes my report on the first quarter.

As I mentioned at the beginning of this report, I believe that we were able to deliver very good results in the first quarter as a whole. In order to continue to achieve a 30% sales growth rate next year and beyond, we will not only make a firm commitment to this year's results, but will also work hard from the second quarter onward to make investments and build businesses with a view to growth next year and beyond.

That's all.

Question & Answer

Moderator: I would now like to move on to the question and answer session.

We will be taking new questions until 18:50. All unanswered questions at that point will be answered. . Sakuma will be facilitating the question and answer session from here. Thank you for your cooperation.

Sakuma: Yes. We will now move on to the question and answer session. Your first question.

Regarding the progress of planned expenses, the company explained that it expects full-year profit to be in line with the plan. To begin with, what were the planned expenses associated with sales in Q1, and if they were higher than planned, is there a possibility that the trend will continue in Q2 and beyond? Even if investments are made as planned, is there a possibility that expenses will exceed your expectations? What is your basis for saying at this point that your a forecast can be achieved?

Yes, I will give you an answer. It's very difficult to give a brief answer to this. The honest truth is that there are ups and downs on a per-business basis here. But overall, the situation is in line with the plan. Some investments have been delayed, but we have lined up specific investment items and details for Q2, so in that sense, we expect to achieve the full-year forecast as currently planned.

Now the next question.

How far do you think you have come in terms of building an organization to achieve 30% growth in the next fiscal year and beyond? Please let us know what you have done so far, as well as what you need to do in the future.

Myself and . Inagaki will answer this. I'll start. I think that two points are important for the growth of the SPEEDA business. One is a major expansion of the Expert Research business. The Expert Research business is very compatible with customers who want to use SPEEDA, or whose goal is research. It can deliver more value to the SPEEDA business, so this is a current focus for us.

There are many points that still need to be developed and the head count needs to be increased. We believe that the results for the first quarter have been very good. It's a little hard to say in terms of progress in this area.

Another focus is increasing the number of sales, inside sales, customer success, ther revenue-related personnel. The Quartz business was generating significant deficits, and each business, including SPEEDA, was working hard on cutting excess costs.

To put it simply, the number of sales people, inside sales people, and customer success people were at a minimum. We believe that this was one of the bottlenecks preventing further growth. We'll be hiring and training new staff to create the best possible revenue team. This is where our advisor, . Fukuda, comes in. . Fukuda used to be the president of Marketo Japan, and is now the president of Japan Cloud Consulting. With . Fukuda on board, I have the feeling that the hiring and training methods necessary to scale the revenue team have progressed very smoothly in the first quarter.

This is not only for SPEEDA, of course, but if all goes well with SPEEDA, we would like to expand to FORCAS, INITIAL, NewsPicks, Enterprise, and various businesses, and make this our strength. I'm sorry, but I can't give a concrete answer in terms of progress. I don't know how to answer this question, but I feel that we are making good progress.

Other than that, in terms of organization and engineers, I would like to hear from Inagaki.

Inagaki: Thank you. Indeed. It's difficult to give a concrete answer on progress, but my feeling is that we're about halfway there. In the area of engineers, which is the lowest investment [Inaudible], we have completed just over half of our planned hiring to the point of accepting offers, and we are doing very well here.

Other than that, we will increase productivity throughout the company. The engineering team is responsible for how to provide IT services to the entire company's workforce. In this area, we have been able to build solid partnerships and collaborations with various service vendors over the past quarter, and we are on track to address the issues that we faced until last year.

However, we are expanding our workforce at a rapid pace, and given the changes due to the coronavirus pandemic, I think there is room for us to further improve our work style and increase productivity with remote work. Sales will increase. I don't think there should be a situation where the number of [Inaudible] voices increases according to the number of [Inaudible] voices. It's a more productive mechanism than that. I believe that we can devise a system that enables us to achieve our growth rate without increasing the number of personnel to that extent. If we can build a solid framework in this area, it will be able to contribute to profitability in the future. I think we can positively [Inaudible] strengthen the workforce, so that's the other half of the story. We hope to do well over the second half of the year.

Sakuma: Yes. Let's move on to the next question.

The stock price has been stagnant even before the recent decline in the Nikkei 225. Please explain the possible reasons behind this.

Yes, I will give you an answer. Since the last financial results, the stock price has been very weak, and I feel very responsible for this. There are two possible causes I can think of.

One relates to the sales growth of 30% point. If the company continues to do this, it will naturally justify a market capitalization share price higher than the current market capitalization, so we have not yet gained confidence in that area. That's the outlook for next year and beyond, and the profit policy. I think the problem is that this is not clear.

As for the first point, I think we have no choice but to show it through our achievements. We will be able to explain the results of our existing and new businesses on a quarterly basis and resolve issues such as the churn rate of SPEEDA.

As for the second point, when we issue next year's guidelines, we will be able to see a certain business portfolio from next year onward, so we will be able to explain our profit policy.

Next question.

You mentioned that you are investing in the Expert business. How much of an impact do you think this will have on future business performance? Also, how long do you think it will take to make an impact?

Yes, I will give you an answer.

First of all, I have explained the cost impact in the slide of the financial results. Given SPEEDA's full-year ordinary profit margin of 35%, we will invest 5% to firmly launch the Expert Research business. As for sales, we are still in the start-up phase of our business and there is a high degree of uncertainty, so I would like to refrain from giving a quantitative answer.

As for how long it takes to make an impact, that's a bit tricky. I think it’s difficult to say. As I have already explained in the slide, in terms of sales growth, we believe that the Expert Research business has already made an impact, and we expect it to continue to grow in the future.

Next question.

You are aiming to list on the prime market as soon as possible, but with the current market capitalization moving away from the JPY100 billion level, it will be tough to keep up. Rather than aiming for the prime market, have you thought about applying to switch to the First Section of the Tokyo Stock Exchange first? I think this is the best way to go, but I would like to know what the management team thinks about this.

Chiba, our CFO, will answer this question for you.

Chiba: Yes. I'll answer. As you mentioned, our market capitalization is now below JPY100 billion, and as you understand, if we continue in that condition, we will not meet the definition of applying for the prime market.

On the other hand, the rule says that the amount should exceed JPY100 billion at the time of application, so I hope you understand that this is necessarily based on the assumption that the current situation will continue forever.

As for reclassification to the First Section of the Tokyo Stock Exchange, we have our own criteria, and we are not in a position to do either immediately, so we will make a decision while calmly assessing the situation. At this point in time, as we announced in the fourth quarter of the fiscal year ending December 31, 2020, applying for the prime market is something that the management team is working on.

Sakuma: Now let me move on to the next question.

What factors would prevent you from executing your medium-term investment plan? For example, whether or not you will be able to meet your headcount increase plan, or something like that. What is the possibility of such a thing happening in the current situation?

I'll be happy to answer this question.

Indeed. Last year, we created the SaaS Company, and we've been solidifying the business model across the SaaS business, and to put it simply, the predictability of sales and costs. We believe that we have been able to increase the certainty that we will be able to see things through.

So, in essence, the ability to have a longer outlook on sales and other factors will allow us to make investment decisions sooner than before. I think this is one of the new strengths we have gained over the last year or so. So, we are still able to make decisions regarding the investment situation in a very agile manner. As . Inagaki explained, the investment in engineers, which accounts for a large portion of our investment, is progressing well.

Under these circumstances, what is the possibility of not achieving the investment? If the situation had been the same last year, we would have seen a decrease. Indeed. In the end, I think that the part that is really difficult to control is the hiring part, as you said.

We have also modeled hiring to a large extent and created a capacity model for hiring so that we can look at it ahead of time. That said, that number is an issue. The number of people to be hired can be off by a large margin, so there is a possibility that we may not reach our target. However, as I mentioned earlier, we would like to reduce the possibility of underachievement by creating a capacity model and increasing resources

related to recruitment ahead of time. We want to avoid the possibility of something like this happening if we cannot invest well.

I see your follow-up question.

You said that NewsPicks is experiencing strong video effects, but could you be more specific? By that, do you mean sponsors are paying well, creating videos for advertisers is going well, and so on. Could you be more specific? Also, do you expect more growth in the future?

Let's start with Sakamoto, CEO of NewsPicks.

Sakamoto: Yes, thank you for your question. As you mentioned, video advertising is doing well, and I believe it will continue to grow, with both program sponsorship and video for advertisers doing well.

Of course, one of the main reasons for this is that NewsPicks' video ads are gaining recognition, but in addition, our team is also becoming very strong. Last year, NPS, NewsPicks, and [Inaudible] had managerial changes, but despite that, we are now working with high morale, and I believe that the results of those changes are starting to show.

The next question is also about advertising, so I hope I can answer it as well.

As for your question about whether it is possible to raise the unit price of advertising, we do not have immediate plans to raise prices throughout the year, but we are thinking of raising prices only during the peak season, such as March and December. After all, this is the balance of receiving benefits. Even when the demand is high, we are selling at the same unit price at the moment, so we are preparing to sell at a higher price when the demand is high and at a lower price when it is not.

Sakuma: Next.

I believe that SPEEDA's churn rate of 1.3% corresponds to 15% on an annual basis, and I recognize that this is a high level with many customers from enterprise. I don't know what the cause is, and I don't see any improvement at the moment, but please let me know as much as you can about the situation.

There are 2 main reasons for this. One is the influence of the coronavirus pandemic. Especially in industries where the coronavirus pandemic caused a major drop in business. There has been a certain amount of churn among small- and medium-sized customers who are easily affected by such business sentiment.

One more thing is that we have changed the price system of SPEEDA, and for the customers who want to use SPEEDA a lot, the price has not changed greatly. We are raising some of the prices for customers who have signed up for a more limited SPEEDA plan to make sure that we can keep up with customer success activities.

I wonder if some of the churn is due to that. So, as I mentioned earlier, the increase in net R and R was steady at JPY22 million QoQ, and this effect is also being felt to some extent. However, I think one of the opposite effects is the worsening of the churn rate. We believe that these are the two major points.

Next question. I'll read the Japanese translation. One moment.

When will SPEEDA's sales growth rate return to 30%?

So, this [inaudible], and the questioner is asking about the timing of the increase. I will give you my answer on this point. I would like to return SPEEDA's growth rate to 30%, and to do so, I think the biggest thing is to launch the Expert Research business. As I showed in the chart earlier, the current fairly small scale sales have a large impact on growth. In terms of MRR, we're talking about plus 15% growth, and in terms of sales, we're

talking about [inaudible] growth. Therefore, we have already achieved a certain level of results, and we would like to aim for 30% by steadily expanding this Expert Research business.

Next question.

Many emerging companies have their announcements on the same day as yours, and participants lose the opportunity to watch them. Could you change your schedule?

Chiba, our CFO, will answer your question.

Chiba: Yes. Thank you for your question. We will definitely prepare to announce our financial results ahead of schedule. As for the second quarter, we are now targeting August 5. So far, it has been just short of 45 days, and today's announcement is 43 days, but it is basically the next month and the month after that. As you mentioned, we would like to prepare the system so that we can disclose the information at the beginning of the month, and we will try our best to make it available to everyone without overlapping with the intensive days. The next event, for Q2, is scheduled for August 5, and we hope you will join us on that day as well.

Sakuma: Next question.

The growth rate of SPEEDA's R has accelerated slightly from the previous quarter, and I believe this could be due to newly acquired contracts. What are your thoughts on this?

I'll give you my answer. As I mentioned earlier, we are also affected by the new price revision. Other than that, as I mentioned earlier, with the help of . Fukuda, the sales team of SPEEDA has become very strong. Therefore, the number of marketing leads itself is increasing, and the percentage of marketing leads that are converted into business negotiations is increasing. From those business negotiations, we create a pipeline and make contracts. These various conversion rates are improving, resulting in more new acquisitions and more reps. It's something like that. We have been able to increase various conversion rates, and that is why we can increase our staff to scale. That is our thinking on this.

Next question.

How do you record sales in the Expert business? Do sales equate to billing from customers? Is it correct to assume that the cost equals the payment to the expert and the profit margin is relatively low?

That’s not quite right. Payments to experts are subtracted, and sales are net of that. That’s the first point.

There is an additional point. Regarding the sales composition of the Expert business. As for the profit margin, to be honest, we haven't seen that yet. Early on in starting a business, resilience is relatively low. Investment comes first. After that, we will settle down to a steady state and see what the profit margin is, so I think that we have not yet reached the point where we can say that the steady state profit margin of the Expert Research business is a specific level.

However, since the SPEEDA business boasts an extremely high profit margin of 35% on a regular basis, we are not thinking of avoiding this. We believe that when we launch, we will only be able to grow at the expense of some of that profit margin.

Next question.

Is the sales of the Expert Research business a recurring system, or is it more like a ticket system? Please tell us what kind of sales scheme is actually used, such as whether it is sold as an add-on to SPEEDA.

In a nutshell, it's both. There are some variable factors. However, the majority of sales are in the form of ticket sales. Indeed. As you have written here, we have a ticket system where you can purchase 100 tickets in advance and use them for expert interviews, flash opinions, and so on. So, the amount of the order is released in advance, and the sales are recognized when the order is completed.

Next question.

The stock market doesn't seem to be factoring in the 30% growth figure at all, so how do you think the market will respond in the future?

As for this question, Chiba and I will answer it in turn.

As I mentioned earlier, I feel responsible for the slump in stock prices. There are two points here. We will increase the likelihood of continued growth of 30%. Secondly, we will be sure to communicate it well. We originally thought that we would communicate a clear profit policy at the time we release our full-year plan for next year. I hope you can understand that this is the base of the project.

Chiba, please.

Chiba: Yes. I would like to explain a little more in terms of each of our businesses. One is SPEEDA, which now occupies a large role, and as was asked earlier, in terms of the growth rate, it has dropped a little in line with the expansion of the scale, so we would like to communicate how to bring it back up to 30% growth based on the results. We would like to communicate how we can achieve 30% growth again. In addition, we are seeing steady growth day-to-day. As for NewsPicks, we often receive questions from investors about what kind of market we should target and how we should grow.

I personally feel that we have not yet been able to provide sharp and convincing explanations for these issues. I would like to explain more carefully what kind of portfolio we will use, and how we will expand each business when we issue our 30% growth guidance for the next fiscal year. At that time, I would like to carefully talk on what kind of progress we are making and what issues we feel we need to address.

Sakuma: Yes, next question.

Will you disclose the sales figures of Expert Research? Will you disclose the frequency of use and the unit price? Are there any other KPIs that you are focusing on?

I'll give you my answer. Indeed. Since we are still in the very early stages of launching our business, we need to disclose KPIs. However, we would like to consider disclosing the information when we reach the scale of relocation this year or next.

The KPIs that we're focusing on, in my opinion, are very much in line with what we think about SaaS. The shift from subscription to marketplace also represents the evolutionary process of SaaS in general. In the same way, it is important for a marketplace to be used continuously and regularly. For example, if you think of it in comparison to a subscription, you see it as an automatic built-in upsell and downsell mechanism, and in essence, just like SaaS, customer success is very important. If we can deliver value to our existing customers, then the number of people who use our services will increase virally within the company, and the number of times they use our services will increase. So we're focusing on customer success [inaudible] and how we can continue to get paid.

Next question.

Compared to last year, the growth rate of FORCAS seems to have slowed down. Please tell us if you are seeing a cap in the market and what factors are contributing to this.

I don't see a cap at all. The shift to digital, DX, is coming like a wave right now, and while there are many types of DX, reconfiguring customer-driven operations is one of the biggest themes. We believe that our products, including FORCAS Sales, are designed to directly address these needs. This market is very large.

I am very passionate about FORCAS, and I honestly believe that there are few options that don't use data and technology to get to know customers better and create operations that start from there. In fact, when we look at the [inaudible] participants of the inquiries that come to us, we think that there is no sign of a cap, or a slowing. We believe it will spread.

On the other hand, the growth rate of FORCAS is slowing down, and this is evident in the figures. One factor in this is the churn rate. As I have already mentioned, the FORCAS business was the most affected by the coronavirus pandemic. The field of marketing investment is very susceptible to the influence of business sentiment, and this is a product that is only about four years old, so it has not yet reached the level of a must-have for a wide range of customers.

For example, if FORCAS is added to a list and then forgotten, it will be cancelled quickly. However, as I mentioned earlier in the Sony Marketing case study, if we can create customer-driven operations, and if the product is at the center of those operations, and if it is firmly integrated into each operation, it can provide great value, and it can continue as infrastructure. We are currently working on development and customer success for this purpose.

Moderator: We are running out of time, so we cannot take any new questions. Please do not post anything else. Please note that all remaining unanswered questions will be answered. Thank you.

Sakuma: Yes. Chiba will now answer regarding SPEEDA's IDEA and the number of NewsPicks paying members.

Chiba: Ah yes. Starting this quarter, I would like to have a conversation based basically on R, regarding the other point, I would like to keep it undisclosed.

As for the number of paying members of NewsPicks, there is a diagram of the business model in the Appendix. Specifically, on page 35, the total number of paying members, corporate and individual, is listed as 181,000 in the lower right-hand corner, so please refer to this page.

Sakuma: Next question.

In Q2, the company plans to aggressively invest in NewsPicks upfront, but even if you want to invest in things such as hiring engineers, you may not be able to easily increase the number of people. What are your thoughts on this?

I will pass this question to . Sakamoto.

Sakamoto: Yes. In terms of prior investment, we have been actively hiring in the first quarter, and we have already received a large number of offers for the second quarter and beyond, so I don't think delays in hiring engineers will prevent us from being able to fully use our allotted funds. In addition to that, regarding the slight increase in profits, we will invest in marketing. As . Sakuma mentioned earlier, there will be a bit of a rebound from last year in Q2, so we are planning to invest in marketing to recover from that.

Sakuma: Yes, and I think the other question was asking what was helped us control the churn rate of SPEEDA.

Indeed. We are continuing to expand our customer success staff, and we are building a system to promote value. However, since the churn rate inevitably seems to lag behind, we were able to gradually see results and stop the worsening trend in the churn rate for the first quarter. I believe that is one very big reason.

Next question.

Is the strong performance of video advertising due to macroeconomic factors? Or is it the power of Sakamoto?

I'll pass this to Sakamoto.

Sakamoto: Well I don't know about my power, but the name recognition of NewsPicks video programs has been increasing. The other thing is that we have a very strong team in the field. These are the two most important factors. So I will continue to do my best to make sure it grows. That's all.

Sakuma: Yes. Next question.

Please explain why you are working on SPEEDA EDGE. Historically, SPEEDA has focused on Anche, and I wondered why that focus was changed.

I'm going to give you an explanation about this part. First of all, SPEEDA EDGE is a very experimental product, and we are not currently making a very large investment in it. Naturally, we have the intention to continue to expand our business in Asia. To this end, for example, we are focusing on the China business this fiscal year and are currently developing functions unique to Chinese users. This major policy has not changed. In addition, as part of our search for value, I hope you will understand that we are taking on the challenge of creating new value using the power of SPEEDA's data and content.

Naturally, the US is also a huge market, accounting for 60% of the world's market capitalization, so I believe that it is a region that we must continue to approach in order to achieve our mission of changing the world through economic information. This is an experimental approach to that end.

Next question.

In the first quarter, when your Company made no significant investment, sales increased by 38% compared to the previous quarter, but I wondered if your Company needed to make such a large investment in order to achieve a 30% increase. Do you think that Q1 was strong [inaudible]?

I will answer this point. Particularly, regarding SPEEDA and NewsPicks. With regard to SPEEDA, the growth rate of MRR in the same period of the previous year was 15%, or 24% on a revenue basis and including Expert Research. Basically, it did not reach 30%. As for NewsPicks, if you look at the growth rate for the same period last year, it is steady but very good. However, in the second quarter of the last fiscal year, we added JPY45 million, and MRR increased significantly, so the effect on this part of our business was large. We need to make sure that this will lead to sustained growth. In order to achieve this, I believe that we need to make major investments, including in engineer personnel.

Next question.

When will you raise the annual membership fee for NewsPicks?

Sakamoto will take this.

Sakamoto: Yes. We are currently discussing the price within the NewsPicks team, but nothing has been decided yet, so we will let you know as soon as it is decided.

Sakuma: This is a follow-up question.

What new business ideas do you have in mind?

I'll give you my answer. We're thinking about it a lot. In order to continuously achieve 30% sales growth, we need to grow our existing businesses and add new businesses to the chain. We believe that it is essential to configure [inaudible].

Our strength is our data technology expertise, as I mentioned in the previous financial results briefing. This tight coupling provides strength. With this tight coupling, we can create products that support customer needs. Because we have all three, we are able to control a large number of variables, and we can create products that resonate with our customers. In order to achieve this, we are working to develop new businesses within the company, and we are always looking for new business ideas. This will be announced as soon as we have something to present.

Next question.

I feel that the path to accelerating the pace of growth of NewsPicks' individual paying members is not clear. Is it something that can be accelerated as awareness increases without significantly changing the current content functionality? What marketing measures are effective for this purpose? If you need to change the content and functions, what kind of measures would be effective?

Sakamoto will reply.

Sakamoto: Yes, thank you. As mentioned in the third question below, we mentioned last time that we are aiming to create functionality on NewsPicks that will allow you to monetize your knowledge within a community. I think it is absolutely essential to develop functionality that can appeal to new values for such paying members.

Naturally, we can see a certain amount of growth by continuing with the current marketing approach, but we believe that new value is necessary, so we are now preparing and developing that for release in the second half of the year. We hope to be able to provide a full report around the timing of the Q2 financial results.

Sakuma: Then there's marketing.

Sakamoto: In the area of marketing, we did TV commercials last year, and we know that TV commercials have a certain effect, so we will continue to consider them in the future. That’s the first point.

Sakuma: Also NewsPicks. The next question relates to FY2019.

You said in the FY2019 main financial results briefing that the profit margin for the NewsPicks business in FY2022 would be 20% of common [inaudible] EBITDA, and at the shareholders' meeting, you explained that you were aiming for 20% in direct EBITDA. Which are you aiming for?

Again, Sakamoto.

Sakamoto: I’ll pass this on to Chiba.

Chiba: Yes. As you stated, we reported in our fiscal 2019 presentation that we are targeting a profit margin for NewsPicks of 20% on an EBITDA basis by December 2022. However, as I mentioned at the general shareholders' meeting, the common ratio of the entire company was the acquisition of Quartz and the withdrawal from Quartz. The rest is a bit inflated due to the multiple business portfolios that have arisen. I hope you will understand that we may revise this figure to 20% direct EBITDA based on future trends.

I would like to explain the profit margin policy in the new guidance that will be released around February 2022 during the full-year presentation next year. If there are any changes, we would be happy to explain them to you in detail at that time.

Sakuma: Next question.

At last year's financial results briefing, you mentioned that you were planning a feature that would allow users to monetize their own knowledge on NewsPicks and to have their own community. What is the status of that?

Sakamoto will reply.

Sakamoto: Yes, as I mentioned earlier, we are moving forward with development for the second half of this fiscal year.

Sakuma: Next question.

You mentioned JPY20 billion in Japan at the [inaudible] general meeting of FORCAS, but it seems like a low figure. Is it correct to assume that FORCA's sales ceiling is JPY20 billion?

I'll give you my answer. I was thinking of 2 things. First of all, the JPY20 billion figure suggests a very high growth rate. The ADN market is still small in scale, but it is growing faster than SFA and MA, and the growth rate of MA and SFA is still very high, so this figure of JPY20 billion will continue to increase.

Also, as I mentioned earlier, it’s important to consider targeting. We are thinking of providing various ways to provide value based on targeting through customer analysis. If you add up the surrounding fields, this will be higher than JPY20 billion. It allows us to find new value in these areas. We would also like to release products that can aim for that [inaudible]. One of them is FORCAS Sales.

Next.

What is the status of the strategic investment of JPY1.6 billion that you made at the beginning of the fiscal year, and what is the investment rate?

I can't give you specific numbers, but as . Inagaki has explained, we're doing well. However, our original plan was to invest unevenly in the second quarter and beyond, and we hope to steadily complete this investment in the future.

Next question.

Please tell us about the activities of Umeda and how he is contributing to your company. Although the scale could not be called small, I still don't understand the idea that the founders would pull out because of the failure of one business. I also wondered if it wasn’t because he wanted to do something else.

I will let Inagaki answer this question.

Inagaki: I met with Umeda at the Board meeting today. The fact that someone like him, who launched Uzabase and ran it for 13 years, is now on the advisory side is working very strongly for us. It's still a subjective perspective that I hadn't noticed. In the Governance Advice section of the website, they ask questions that make us think, and they also give us specific suggestions for improvement.

The traditional form of management is undergoing further change. Of course, we have had a lot of work done by people with [inaudible]. I think it will be possible to create a system that can raise the stage of Uzabase to by having people who were originally involved in the business in such a position, and then having further

discussions from an objective viewpoint to improve the management itself. While I fully understand the points you have made, I would like to continue discussing with the management team, including . Umeda, to continue to improve the management.

Sakuma: Next question.

SPEEDA's churn rate is difficult to see because it is a 12-month average, but is there a trend toward improvement when viewed on a monthly basis?

I'll give you my answer. I am also keeping an eye on this. However, it is a situation where there is variability due to seasonality. Our definition of churn rate is the ratio of churn to R at the end of the month, before averaging over 12 months. That would make it quite seasonal.

For example, at the start of a new term in April, we have many contracts every year. Churn happens at this time. This would affect the numbers even given a constant rate. As I mentioned earlier, the average churn rate for the previous 12 months is large, but if you look at it over a 12-month period, you can see the overall trend.

To put it a bit more clearly, there is still a lot of variability, and we haven't gotten to the point where there is a clear improvement. But in the future, towards the end of the year, we have a sense that we can improve that.

Next question.

Sales for NewsPicks' other businesses have doubled compared to the same period last year. Which of your segments, such as publishing, new school, and consulting, has shown particular growth?

Sakamoto.

Sakamoto: Yes, all of the 3 projects you pointed out are growing, but the growth of the New School project, which was not there last year, is reflected in the figures this time.

Sakuma: Next question.

Is it correct to assume that quarterly sales in the Expert Research business will increase each quarter?

Yes, I have an image of this sort of increase. As I mentioned earlier, the model we are aiming for is to get regular sales from existing customers and to expand on that, so in that way it is quite similar to a subscription model. Therefore, I have an image of the sales forecast where there is a base of sales that does not go down significantly. Further sales accumulate as the number of customers increases and use becomes more widespread. That's it in terms of the business model.

Next question.

What competition is there for each business, what are its weaknesses compared to the competition, and how can these weaknesses be improved?

Indeed. It would be very difficult to talk about all of our businesses, so I would like to talk about SPEEDA and NewsPicks first.

In terms of SPEEDA, competitors are global players such as FactSet and Capital IQ. As a weakness, I would say the buy side, in other words, data such as stock prices and indices that are close to real time. We don't focus on capturing the buy-side market, for example, where the data is very important.

However, in the future, of course, we will work on that market as we greatly expand SPEEDA, with the goal of changing the world with economic information. At that time, we would like to make sure that we improve the weak point that is this real-time market data. This is an area that requires a lot of investment.

Sakamoto will talk about NewsPicks.

Sakamoto: Yes. As for the NewsPicks business, in terms of large domestic companies, I would say Nikkei is a benchmark or reference. I think there are two major areas of weakness.

One is the amount of content. The other is the web version. NewsPicks has the reporters. So, compared to the Nikkei Shimbun, we don't have the human resources to compete with their network of over 1,000 reporters, so as I mentioned earlier, we need to create a system where users can voluntarily create content and monetize it. In that way, we can improve NewsPicks by creating a system where new content is created within NewsPicks itself.

The other is the web version. NewsPicks has an overwhelmingly strong app, while the web numbers are not that good. We are currently developing a web-based career service called JobPicks, and based on the knowledge we gained from that, we are now improving the main NewsPicks website. It's going to take some time, but we're going to make steady improvements.

Sakuma: Next question.

Please tell us about the [inaudible] experts of your company's high-asset corporate data, and if there are any positive changes in search in terms of quantity, quality, monetization, and so on.

I'm sorry. It's not something that changes a lot with [inaudible] in regards to the original content of the company data, so that is something for it's the newer, more expert MIMIR. Expert Research has been launched on the SPEEDA side, but we are also collaborating with NewsPicks, and the number of experts via NewsPicks is gradually increasing under the name of NewsPicks Experts.

If you look at NewsPicks, I don't think it appears every time, but there is a corner like an expert question and answer, and if you become an expert there, you can do these things in the same mechanism as the flash opinion of SPEEDA, and you can earn money by doing so. This is very similar to the comments on NewsPicks, so we will promote that and increase the number of experts via NewsPicks. We have not yet achieved any significant results in this area, but we are thinking that there will be changes.

The next 2 questions are both related to the NewsPicks business, so I will start with Sakamoto's answer.

Is it safe to assume that the NewsPicks business with NTT DoCoMo could generate more revenue than the current paid subscription sales?

Can you tell us about the conditions with respect to AlphaDrive and what kind of activities are taking place?

Sakamoto: Yes, I will answer here. Of course, we don't expect to immediately surpass current paid billing sales right after starting. In order to make a solid contribution to the business, we are currently discussing how we can best grow the business, including the DOCOMO and regional parts. We are now working on the release of this product in the second half of the year, and we will report on it in the second quarter or later, as soon as the form is finalized.

AlphaDrive is currently engaged in the consulting business and the sale of a system called Incubation Tweed, which can be used by large companies to start up new businesses. Both of these are growing strongly.

In addition to that, we will cross-sell NewsPicks to companies that have implemented AlphaDrive and AlphaDrive's consulting services. We also offer AlphaDrive's consulting services as part of a set to companies that have the corporate version of NewsPicks. This has been quite successful. In that sense, we are working very closely with the NewsPicks business to improve the current situation and figures. That's all.

Moderator: Thank you very much for your questions. Thank you for your time. This concludes the briefing on the financial results for the first quarter of 2021 of Uzabase Inc.

If you have any additional questions or other inquiries, please contact us at the email address IR@uzabase.com. The report of today's financial results briefing will be released at a later date.

Thank you very much for taking time out of your busy schedule to attend today's meeting.

Company Representative: Thank you very much.

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