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Consolidated Financial Results for the Six Months Ended June 30, 2021 [Japanese GAAP]

August 5, 2021

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

Stock exchange listing: Tokyo

Code number: 3966

URL: http://www.uzabase.com

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

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Scheduled date of filing quarterly securities report: August 5, 2021

Scheduled date of commencing dividend payments: Not applicable

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

Scheduled date of quarterly financial results briefing session: August 5, 2021

(Amounts less than one million yen are rounded down)

1. Consolidated financial results as of and for the six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)

(1) Consolidated operating results

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA*		Operating income (loss)		Ordinary income (loss)		Income (loss) attributable to owners of the parent	
Six months ended:	¥Million	%	¥Million	%	¥Million	%	¥Million	%	¥Million	%
June 30, 2021	7,863	23.8	1,434	−	1,231	−	1,141	−	743	−
June 30, 2020	6,354	12.2	(104)	−	(551)	−	(665)	−	(1,110)	−

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

(Notes)

Comprehensive income (loss): Six months ended June 30, 2021: ¥ 732 million [- %]
Six months ended June 30, 2020: ¥ (1,327) million [- %]

	Basic net income (loss) per share	Diluted net income per share
Six months ended:	¥	¥
June 30, 2021	20.29	19.76
June 30, 2020	(33.36)	–

(Note)
Diluted net income per share for the six months ended June 30, 2020 is not disclosed, as it is anti-dilutive, given the Group's net loss position.

(2) Consolidated financial position

	Total assets	Equity	Capital-to-asset ratio*
	¥ Million	¥ Million	%
As of June 30, 2021	17,770	8,460	37.0
As of December 31, 2020	15,915	7,118	36.3

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

(For reference)
Capital: As of June 30, 2021: ¥ 6,569 million
As of December 31, 2020: ¥ 5,772 million

2. Dividends

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

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

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

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

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating income		Ordinary income		Profit attributable to owners of the parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	15,600	13.0	1,800	96.1	1,380	–	1,240	–	690	–	18.84

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

Notes

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

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

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

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

June 30, 2021	36,680,022 shares
December 31, 2020	36,533,502 shares

(b) Number of treasury stock as of:

June 30, 2021	258 shares
December 31, 2020	258 shares

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

June 30, 2021	36,633,335 shares
June 30, 2020	33,298,397 shares

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

*Explanation regarding the appropriate use of earnings forecasts and other special notes

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

1. Qualitative Information on Quarterly Operating Results

(1) Operating Results (from January 1, 2021 to June 30, 2021)

Revenue in the IT service industry in Japan had increased for nine consecutive years and amounted to ¥12.9 trillion in 2020, up 7% year-over-year (source: Survey of Selected Service Industries, the Ministry of Economy, Trade and Industry, Japan [February 2021]). The SaaS (Software as a Service) market in Japan also recorded a compound annual growth rate of 13%, whereas DX (Digital Transformation) initiatives are accelerating towards 2025 and the needs for transition from packaged software to SaaS are increasing in various business categories. In addition, work from home is becoming more widespread due to the impact of COVID-19 and small-to-medium-sized companies, which used to be reluctant to make IT investments, are now adopting software. As a result, SaaS market in Japan is expected to grow to approximately ¥1.1 trillion in market size by 2024 (source: 2020 New Market of Software Business, Fuji Chimera Research Institute, Inc.). Personal smartphone ownership rate reached 69.3% in 2020, up by 1.7 percentage points year-over-year (source: Communications Usage Trend Survey, Ministry of Internal Affairs and Communications, Japan [June 18, 2021]). Furthermore, the market size of the internet advertisement exceeded ¥2 trillion for the first time in 2019 and reached ¥2.2 trillion in 2020, an increase by 5.9% year-over-year, overtaking the TV media advertisement (source: 2020 Advertising Expenditures in Japan, DENTSU INC. [February 25, 2021]).

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

In the new society coexisting with COVID-19, the Group recognizes that the needs and expectation for the Group's services, such as introduction of cloud services and high-quality media content, are expected to increase even further. Under such circumstances, the Group's businesses were continuously expanding in the six months ended June 30, 2021 ("1H21").

SPEEDA business has steadily accumulated the number of new IDs and succeeded in upselling to existing customers. As a result, the year-over-year growth rate of MRR (Monthly Recurring Revenue, which does not include any one-off payments by customers such as initial costs) at the end of 1H21 was 17.8%, which recovered from that a year earlier.

NewsPicks achieved a significant increase in the number of paid subscribers and expansion of MRR resulting from the Group's efforts to provide a large amount of quality information related to COVID-19 in a speedy and timely manner during the second quarter period ended June 30, 2020 ("2Q20"). However, in reaction to the significant increase in 2Q20, the growth rate of the number of paying users slowed down in the second quarter period ended June 30, 2021 ("2Q21"). On the other hand, the subscription business for corporate customers that the Group has been focusing on since 2019 are robust. As a result, MRR at the end of 2Q21 increased by 10.0% year-over-year. Advertisement sales, which recorded the highest ever in the fourth quarter period ended December 31, 2020 ("4Q20"), have kept the momentum to expand.

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

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

As a result, for 1H21, the Group recorded net sales of ¥7,863 million (up 23.8% year-over-year), EBITDA of ¥1,434 million (negative EBITDA of ¥104 million a year earlier), operating income of ¥1,231 million (operating loss of ¥551 million a year earlier), and ordinary income of ¥1,141 million (ordinary loss of ¥665 million a year earlier). Net income attributable to owners of the parent for 1H21 was ¥743 million (Net loss attributable to owners of the parent of ¥1,110 million a year earlier), primarily due to ¥439 million of income taxes.

Operating results in each reportable segment are presented as follows.

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

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

・Direct Costs: corporate costs that are directly attributable to the service and business of each reportable segment

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

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

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

(a) SPEEDA business

SPEEDA business has steadily accumulated new IDs in Japan and succeeded in upselling to existing customers. The Group also has made progress in acquiring new IDs in Asian markets, mainly in China, where the impact of the COVID-19 pandemic has calmed down. The churn rate for the most recent 12 months remained flat. In 2Q20, the Group converted Mimir Inc., an associated company of the Company, to a wholly owned subsidiary and has been working on integration of SPEEDA and Mimir's expert research business. The Group has set the launch of the expert research business as a key investment area and has been reinforcing its human resource especially in marketing and sales persons in 2021.

In such a situation, MRR at the end of 2Q21 amounted to ¥512 million, up 17.8% year-over-year, which recovered from that a year earlier. Since the launch of the expert research business has been running smoothly, segment sales amounted to ¥3,256 million, up 23.1% year-over-year, which means that the growth rate is on a recovery trend as well. As to the line items of profitability, because of the investments in the expert research business and recruitment cost for sales expansion in the following years, the Group recorded segment income of ¥1,293 million (up 9.7% year-over-year), Direct EBITDA of ¥1,337 million (up 11.6% year-over-year), and Segment EBITDA of ¥1,137 million (up 8.4% year-over-year).

(b) NewsPicks business

NewsPicks achieved a significant increase in the number of paid subscribers and expansion of MRR resulting from the Group's efforts to provide a large amount of quality information related to COVID-19 in a speedy and timely manner during 2Q20. However, in reaction to the significant increase in 2Q20, the growth rate of the number of paying users slowed down in 2Q21. On the other hand, the subscription business for corporate customers that the Group has been focusing on since 2019 are robust. As a result, MRR at the end of 2Q21 amounted to ¥252 million, an increase of 10.0% year-over-year. Advertisement sales, which recorded the highest ever in 4Q20, maintained the momentum in 2Q21 because of the sales driven by video advertisement that the Group has been focusing on since 2018. In addition, publishing business and NewSchool business, which the Group launched in 2019 and 2020 respectively, have contributed to the increase in sales as well.

As a result, segment net sales of NewsPicks business amounted to ¥3,710 million for 1H21, a significant increase of 47.5% year-over-year. The Group recorded segment income of ¥540 million (up 203.2% year-over-year), Direct EBITDA of ¥642 million (up 185.5% year-over-year), and Segment EBITDA of ¥414 million (up 400.5% year-over-year). This was mainly attributable to the advertisement sales that continued strong performance.

(c) Other B2B businesses

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

Despite the investments in FORCAS Sales, not only INITIAL but also FORCAS successfully recorded net profit that contributed to recording a positive segment EBITDA for 2Q21.

As a result, segment net sales of Other B2B businesses amounted to ¥925 million for 1H21, up 39.2% year-over-year. The Group recorded segment income of ¥41 million (up 12.7% year-over-year), Direct EBITDA of ¥59 million (up 20.8% year-over-year), and Segment EBITDA of ¥2 million (down 76.8% year-over-year).

(Note) Effective from the first quarter period ended March 31, 2021 ("1Q21"), the reportable segment "Other businesses" was renamed "Other B2B Businesses." This change does not have any effect on the Group's segment information as it was just a change of the name of the reportable segment.

(2) Financial Position (as of and for the six months ended June 30, 2021)

(a) Total assets, total liabilities and equity

(Total assets)

Total assets stood at ¥17,770 million, ¥1,855 million more than the previous year-end, due mainly to increase in cash and deposits by ¥1,694 million.

(Total liabilities)

Total liabilities stood at ¥9,309 million, ¥512 million more than the previous year-end, due mainly to a combined effect of increase in unearned revenue by ¥934 million, increase in income taxes payable by ¥269 million, and decrease in long-term bank loans by ¥639 million.

(Equity)

Equity stood at ¥8,460 million, ¥1,342 million more than the previous year-end, due mainly to (1) increase in retained earnings by ¥743 million resulting from net income attributable to owners of the parent for1H21 and (2) increase in noncontrolling interests by ¥550 million attributable to proceeds from external investors paid into a fund managed by UB Ventures, Inc., a consolidated subsidiary of the Company.

(b) Cash flows

Cash and cash equivalents stood at ¥9,202 million, ¥1,689 million more than the previous year-end. The details are summarized as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,057 million (¥265 million a year earlier). The major components were income before income taxes of ¥1,141 million and increase in advance received of ¥929 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥571 million (¥931 million a year earlier). The major components were (1) purchases of investment securities of ¥352 million, which were attributable to investments in Only Story Inc. ("OSI") conducted by the Company to be a noncontrolling shareholder of OSI and investments in securities conducted by a fund managed by UB Ventures, Inc., and (2) purchases of intangible assets in relation to product development of ¥139 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥171 million (¥722 million a year earlier). The major components were (1) proceeds from limited partners of investment partnership of ¥585 million, which were paid into a fund managed by UB Ventures, Inc. and (2) repayments of long-term bank loans of ¥380 million.

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

MRR, the key performance indicator of the Group, steadily expanded in1H21. EBITDA and other line items of profitability have also been robust. Considering the investment plan for future growth to be achieved in the following fiscal years that the Group has been focusing on, the Company has assumed that the forecasts for the year ending December 31, 2021 announced on February 10, 2021 do not need to be modified at the time of this announcement.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	7,584	9,278
Trade notes and accounts receivable	984	1,067
Other current assets	676	520
Allowance for doubtful accounts	(19)	(17)
Total current assets	9,226	10,850
Non-current assets		
Property and equipment	554	521
Intangible assets		
Goodwill	811	764
Other	402	500
Total intangible assets	1,214	1,265
Investments and other assets		
Deferred tax assets	3,226	3,127
Other	1,605	1,935
Total investments and other assets	4,831	5,063
Total non-current assets	6,600	6,850
Deferred assets	87	70
Total assets	15,915	17,770

(Millions of Yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Trade accounts payable	370	354
Current portion of bonds	102	102
Current portion of long-term bank loans	761	1,020
Income taxes payable	141	410
Accrued bonuses	246	249
Unearned revenue	1,962	2,897
Other current liabilities	1,638	1,388
Total current liabilities	5,222	6,422
Non-current liabilities		
Bonds	174	123
Long-term bank loans	3,270	2,630
Other	129	133
Total non-current liabilities	3,573	2,887
Total liabilities	8,796	9,309
Equity		
Shareholders' equity		
Common stock	7,170	7,181
Capital surplus	6,105	6,116
Accumulated deficit	(7,478)	(6,735)
Treasury stock	(0)	(0)
Total shareholders' equity	5,796	6,562
Accumulated other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(2)	0
Foreign currency translation adjustments	(21)	6
Total accumulated other comprehensive loss	(23)	6
Stock acquisition rights	14	10
Noncontrolling interests	1,330	1,881
Total equity	7,118	8,460
Total liabilities and equity	15,915	17,770

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

Quarterly Consolidated Statements of Income

(Millions of Yen)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2021
Net sales	6,354	7,863
Cost of sales	3,127	2,964
Gross profit	3,226	4,899
Selling, general and administrative expenses	3,778	3,667
Operating income (loss)	(551)	1,231
Non-operating income		
Interest income	4	2
Gain on foreign exchange	–	7
Subsidy income	3	11
Other	16	12
Total non-operating income	24	34
Non-operating expenses		
Interest expenses	60	9
Loss on write-down of investment securities	–	45
Loss on foreign exchange	33	–
Investment partnership management fees	31	38
Other	12	31
Total non-operating expenses	138	124
Ordinary income (loss)	(665)	1,141
Extraordinary gains		
Gain on step acquisitions	104	–
Total extraordinary gain	104	–
Extraordinary losses		
Business restructuring expenses	283	–
Total extraordinary losses	283	–
Income (loss) before income taxes	(844)	1,141
Income taxes - current	252	340
Income taxes - deferred	64	98
Total income taxes	317	439
Net income (loss)	(1,161)	702
Net loss attributable to noncontrolling interests	(50)	(41)
Net income (loss) attributable to owners of the parent	(1,110)	743

Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2021
Net income (loss)	(1,161)	702
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(0)	2
Foreign currency translation adjustments	(165)	28
Total other comprehensive income (loss)	(165)	30
Comprehensive income (loss)	(1,327)	732
Total comprehensive income (loss) attributable to:		
Owners of the parent	(1,275)	767
Noncontrolling interests	(51)	(34)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2021
Cash flows from operating activities		
Income (loss) before income taxes	(844)	1,141
Depreciation and amortization	109	156
Amortization of goodwill	337	46
Gain on step acquisitions	(104)	–
Decrease (increase) in trade notes and accounts receivable	635	(75)
Decrease in other payables	(80)	(203)
Increase in unearned revenue	488	929
Increase in advances received	672	85
Decrease in consumption taxes payable	(50)	(114)
Other	(192)	3
Subtotal	972	1,970
Interest and dividends received	4	2
Interest paid	(60)	(9)
Income taxes paid	(650)	(132)
Income taxes refunded	–	226
Cash flows from operating activities	265	2,057
Cash flows from investing activities		
Purchases of property and equipment	(241)	(79)
Purchases of intangible assets	(122)	(139)
Purchases of investment securities	(400)	(352)
Payment for purchase of newly-consolidated subsidiaries' stock	(170)	–
Other	3	1
Cash flows from investing activities	(931)	(571)
Cash flows from financing activities		
Repayments of long-term loans	(453)	(380)
Payments for redemption of bonds	(51)	(51)
Proceeds from issuance of new shares	1,017	19
Proceeds from limited partners of investment partnership	210	585
Other	(0)	(0)
Cash flows from financing activities	722	171
Foreign currency translation adjustments on cash and cash equivalents	(26)	31
Net increase in cash and cash equivalents	29	1,689
Cash and cash equivalents, beginning of period	7,954	7,513
Cash and cash equivalents, end of period	7,983	9,202

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumptions)
Not applicable

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

(Segment Information)
For the six months ended June 30, 2020 (January 1, 2020 to June 30, 2020)
1) Net sales and operating profit (loss) by reportable segment

(Millions of Yen)

	Reportable Segments					Other (Note 1)	Total	Reconciliation (Note 2)	Consolidated (Note 3)
	SPEEDA Business	NewsPicks Business	Quartz Business	Other B2B Businesses	Total				
Net Sales:									
Sales to external customers	2,638	2,511	544	660	6,354	−	6,354	−	6,354
Intersegment sales or transfers	6	4	0	4	16	−	16	(16)	−
subtotal	2,644	2,516	544	665	6,370	−	6,370	(16)	6,354
Segment profit (loss)	1,179	178	(1,518)	36	(124)	(32)	(156)	(395)	(551)

(Notes)

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

2. Reconciliations of segment profit or loss mainly consisted of ¥0 million of eliminations of intersegment transactions and ¥(396) million of corporate expenses that primarily consisted of general and administrative expenses that are not allocable to the reportable segments.

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

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

	SPEEDA Business	NewsPicks Business	Quartz Business	Other B2B Businesses	Other	Reconciliation	Total
Segment profit (loss)	1,179	178	(1,518)	36	(32)	(395)	(551)
Depreciation and amortization	13	26	28	6	−	35	109
Amortization of goodwill	6	20	304	6	−	−	337
Direct EBITDA (Note 5)	1,199	225	(1,185)	49	(32)	(359)	(104)
Allocation of company-wide expenses (Note 6)	(149)	(142)	(30)	(37)	−	360	−
Segment EBITDA (Note 6)	1,049	82	(1,216)	11	(32)	0	(104)

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

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

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

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

For the six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)

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

(Millions of Yen)

	Reportable Segments				Other (Note 1)	Total	Reconciliation (Note 2)	Consolidated (Note 3)
	SPEEDA Business	NewsPicks Business	Other B2B Businesses	Total				
Net Sales:								
Sales to external customers	3,243	3,695	921	7,860	3	7,863	−	7,863
Intersegment sales or transfers	12	15	4	32	−	32	(32)	−
subtotal	3,256	3,710	925	7,892	3	7,895	(32)	7,863
Segment profit (loss)	1,293	540	41	1,875	(123)	1,752	(520)	1,231

(Notes)

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

2. Reconciliations of segment profit or loss mainly consisted of ¥0 million of eliminations of intersegment transactions and ¥(520) million of corporate expenses that primarily consisted of general and administrative expenses that are not allocable to the reportable segments.

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

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

	SPEEDA Business	NewsPicks Business	Other B2B Businesses	Other	Reconciliation	Total
Segment profit (loss)	1,293	540	41	(123)	(520)	1,231
Depreciation and amortization	24	81	12	3	35	156
Amortization of goodwill	19	20	6	−	−	46
Direct EBITDA (Note 5)	1,337	642	59	(120)	(485)	1,434
Allocation of company-wide expenses (Note 6)	(200)	(228)	(56)	−	485	−
Segment EBITDA (Note 6)	1,137	414	2	(120)	0	1,434

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

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

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

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

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

2) Change in reportable segments

Effective from the first quarter period in the current fiscal year, the reportable segment "Other businesses" was renamed "Other B2B Businesses." This change does not have any effect on the Group's segment information as it was just a change of the name of the reportable segment. The segment information for the six months ended June 30, 2020 as disclosed in the preceding page have been retrospectively adjusted to reflect this change.

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

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