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, 2021 [Japanese GAAP]

February 9, 2022

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

Stock exchange listing: Tokyo

Code number: 3966

URL: http://www.uzabase.com

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

Contact: Daisuke Chiba Executive Officer, Chief Financial Officer

Phone: +81-03-4533-1999

Scheduled date of Ordinary General Meeting of Shareholders: March 25, 2022

Scheduled date of filing annual securities report: March 28, 2022

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 9, 2022

(Amounts less than one million yen are rounded down)

1. Consolidated financial results as of and for the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Consolidated operating results

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA*		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of the parent	
Fiscal year ended:	¥Million	%	¥Million	%	¥Million	%	¥Million	%	¥Million	%
December 31, 2021	16,063	16.3	1,904	107.5	1,460	−	1,576	−	589	−
December 31, 2020	13,809	10.3	917	−	104	−	(281)	−	(6,472)	−

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

(Note)
Comprehensive income (loss): Fiscal year ended December 31, 2021: ¥ 874 million [- %]
Fiscal year ended December 31, 2020: ¥ (6,371) million [- %]

	Basic net income (loss) per share	Diluted net income per share	Net income to capital ratio	Ordinary income to total assets ratio	Operating income to net sales ratio
Fiscal year ended:	¥	¥	%	%	%
December 31, 2021	16.07	15.39	9.6	8.7	9.1
December 31, 2020	(186.58)	–	(111.2)	(1.5)	0.8

(For reference)

Equity in earnings (losses) of entities accounted for by the equity method:

Fiscal year ended December 31, 2021: ¥ -

Fiscal year ended December 31, 2020: ¥ -

(Note)

Diluted net income per share for the year ended December 31, 2020 is not disclosed, as it is anti-dilutive, given the Group's net loss position.

(2) Consolidated financial position

	Total assets	Equity	Capital-to-asset ratio*	Equity per share
	¥ Million	¥ Million	%	¥
As of December 31, 2021	20,286	9,970	32.0	176.79
As of December 31, 2020	15,915	7,118	36.3	158.01

*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, 2021: ¥ 6,496 million

As of December 31, 2020: ¥ 5,772 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 year
Fiscal year ended:	¥ Million	¥ Million	¥ Million	¥ Million
December 31, 2021	2,696	(1,066)	1,404	10,613
December 31, 2020	1,026	(2,028)	613	7,513

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, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2022 (Projected)	–	0.00	–	0.00	0.00		–	

3. Consolidated Financial Forecasts for the Fiscal Year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

Under the purpose "Awaken a world of play in business, with our insights." that the Company announced in December 2021, the Group aims to achieve an average sales growth rate of 30% and EBITDA margin of 15% for the year ending December 31, 2025 by merging SaaS and NewsPicks from the year ending December 31, 2022 onward. In the year ending December 31, 2022, as to SaaS business, the Group plans to proactively invest in high-growth products to accomplish both a sustainable sales growth rate of 30% and stable earnings. As to NewsPicks business, with the aim of raising awareness of its services, the Group plans to implement marketing investments in stages while assessing their effectiveness. Based on the above, the Group expects net sales ranging from ¥19,500 to ¥20,000 million, EBITDA ranging from ¥1,000 to ¥1,500 million, and operating income ranging from ¥400 to ¥900 million for the year ending December 31, 2022.

For details, please refer to “1. Qualitative Information on Operating Results, (4) Prospects for the Fiscal Year Ending December 31, 2022.”

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	19,500 to 20,000	–	1,000 to 1,500	–	400 to 900	–	400 to 900	–	–	–	–

(Notes)

1. EBITDA is calculated by adding depreciation, amortization of intangible assets including goodwill, and stock compensation expenses to operating income (loss).

2. Effective from the beginning of the fiscal year ending December 31, 2022, the Company has applied "Accounting Standard for Revenue Recognition" (Statement No. 29 issued by the Accounting Standards Board of Japan). The percentage figures are not presented because the above forecasts have been calculated in accordance with the newly applied accounting standard.

Notes:

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

(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 other than (a) above: Not applicable
(c) Changes in accounting estimates: Not applicable
(d) Restatement: Not applicable

(3) Number of issued shares of outstanding common stock
(a) Number of common stock issued, including treasury stock, as of:
December 31, 2021 36,750,126 shares
December 31, 2020 36,533,502 shares
(b) Number of treasury stock as of:
December 31, 2021 258 shares
December 31, 2020 258 shares
(c) Average number of common stock for the fiscal year ended:
December 31, 2021 36,671,771 shares
December 31, 2020 34,691,090 shares

(For reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results as of and for the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Non-consolidated operating results

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended:	¥Million	%	¥Million	%	¥Million	%	¥Million	%
December 31, 2021	7,893	48.4	717	(34.7)	1,202	(4.4)	491	−
December 31, 2020	5,318	17.4	1,097	54.6	1,258	6.4	(9,051)	−

	Basic net income per share	Diluted net income per share
Fiscal year ended:	¥	¥
December 31, 2021	13.39	12.82
December 31, 2020	(260.93)	−

(2) Non-consolidated financial position

	Total assets	Equity	Capital-to-asset ratio*	Equity per share
	¥ Million	¥ Million	%	¥
As of December 31, 2021	14,747	7,055	47.8	191.73
As of December 31, 2020	12,615	6,517	51.5	177.98

*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, 2021: ¥ 7,046 million
As of December 31, 2020: ¥ 6,502 million

*This financial report is not subject to audit by certified public accountants or audit firms.

*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" 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 on February 9, 2022. 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) Operating Results (from January 1, 2021 to December 31, 2021)

Revenue in the IT service industry in Japan had increased for nine consecutive years and amounted to ¥12.9 trillion in 2020, up 7% year-over-year (source: Survey of Selected Service Industries, the Ministry of Economy, Trade and Industry, Japan [February 2021]). The SaaS (Software as a Service: Web services with a monthly or annual subscription business model) 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, the SaaS market in Japan is expected to grow to approximately ¥1.4 trillion in market size by 2025 (source: 2021 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]).

As to the COVID-19 pandemic, which started around March 2020, the number of people infected temporarily decreased significantly because of the restraint on people's flow based on the state of emergency and semi-emergency spread prevention measures as well as the progress of vaccination. However, the economic condition is still difficult to predict due to the spread of the new variant and other factors.

In the new society coexisting with COVID-19, the Group recognizes that the needs and expectations 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 during the year ended December 31, 2021 ("FY21"). As a result, the Group recorded net sales of ¥16,063 million (up 16.3% year-over-year), EBITDA of ¥1,904 million (up 107.5% year-over-year), operating income of ¥1,460 million (operating income of ¥104 million a year earlier). Ordinary income amounted to ¥1,576 million (ordinary loss of ¥281 million a year earlier). This was mainly attributable to gain on sales of investment securities of ¥303 million that UBV Fund-I Investment Partnership, a consolidated subsidiary of the Company, recorded during the year. Net income attributable to owners of the parent was ¥589 million (net loss attributable to owners of the parent of ¥6,472 million a year earlier). This was primarily due to impairment loss of ¥289 million and provision for loss on facility closure of ¥210 million that were recorded in relation to the decision to close NewsPicks GINZA, a facility of NewsPicks business located in Japan, and income taxes of ¥438 million.

Effective from the fourth quarter period ended December 31, 2021 ("4Q21"), the Group has changed its reportable segments.

Prior to 4Q21, the Group's B2B businesses were classified into two reportable segments, namely, SPEEDA Business and Other B2B businesses (presented as "Other businesses" in and before the year ended December 31, 2020 ("FY20")). Effective from 4Q21, such businesses have been reclassified into a single reportable segment, namely, SaaS business.

Likewise, the Company's consolidated subsidiaries, AlphaDrive Co., Ltd. and AlphaDrive Kochi Co., Ltd., and "NewsPicks Enterprise" and "NewsPicks Learning (for business)" that are operated by NewsPicks, Inc., which had been included in NewsPicks business, have been integrated into "AlphaDrive/NewsPicks" ("AD/NP") and included in SaaS business.

Moreover, SPEEDA Edge, which had been classified in "Other" that was not included in reportable segments, has been reclassified into SaaS business.

The reasons of changing the reportable segments are as follows:
(1) The Group plans to manage SPEEDA Business and Other B2B businesses in a unified manner including cross-selling, as both SPEEDA and Other B2B services are SaaS businesses that utilize common core assets.
(2) AD/NP is an enterprise-focused SaaS solution business that utilizes the NewsPicks platform.
(3) AD/NP, SPEEDA, FORCAS, and INITIAL all utilize the NewsPicks platform, and therefore, including only AD/NP into NewsPicks business does not properly reflect the actual state of the businesses.

Based on the above, the Group reclassified its businesses into two reportable segments, namely, SaaS business and NewsPicks business. The Group withdrew from Quartz business in FY20.

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) SaaS business

SaaS business offers SaaS products that support customers to implement agile management (management that adapts quickly to changes in circumstances from the customer's viewpoints). The Group considers that in order to support customers to realize implementation of agile management, it is necessary to provide business strategies, customer strategies, and organizational strategies. The Group's products designed for these strategies are:

(1) Business strategy:	SPEEDA, INITIAL, and SPEEDA Edge
(2) Customer strategy:	FORCAS and FORCAS Sales
(3) Organizational strategy:	NewsPicks Enterprise and Incubation Suite provided in AD/NP

Since the Group places importance on expansion of recurring revenue, the Group has set ARR (Annual Recurring Revenue that represents the subscription revenue to be earned over the next year, which is equal to 12 times the amount of Monthly Recurring Revenue) as the most important key performance indicator.

Among the multiple products that the Group offers, the main product is SPEEDA, the product that the Group has offered since its establishment. In FY21, SPEEDA business has steadily accumulated new orders in Japan and succeeded in upselling to existing customers by strengthening its operating organization including the customer success team. The Group also has made progress in acquiring new orders in Asian markets, mainly in China, where the impact of the COVID-19 pandemic has calmed down. The average churn rate for the most recent 12 months at the end of the year improved by 0.2% to 1.0% as compared to that at the end of the third quarter period ended September 30, 2021 ("3Q21"); the Group successfully achieved the target set at the beginning of the year. In addition, the Group set the launch of SPEEDA EXPERT RESEARCH as a key investment area and has been reinforcing its human resource especially in marketing and sales functions in 2021. The investments in SPEEDA EXPERT RESEARCH have been proceeding steadily and Flash Opinion, a new feature of SPEEDA which allows users to submit questions to and receive responses from five or more experts within 24 hours, also contributed to expansion of net sales.

FORCAS, which was released in 2017 as a spinout from SPEEDA to support customer strategy, has been adopted by enterprises. In addition, FORCAS Sales, which was released in 2020, has also been adopted by FORCAS customers and is maintaining a high growth rate.

As to AD/NP that supports organizational strategy, NewsPicks Enterprise, a customized NewsPicks for corporate customers that realizes human resource development and organizational revitalization, and Incubation Suite, a comprehensive support product specialized in new business development that combines the necessary supports for new business development into a single platform, have made progress in acquiring new customers and achieved to record a high growth rate.

Based on the above, ARR of SaaS business at the end of FY21 amounted to ¥9,828 million and the growth rate steadily rose to 29.5% year-over-year. Segment sales amounted to ¥10,012 million, up 32.0% year-over-year. In terms of profitability, while SPEEDA, the Group's main product, has achieved a high rate of profitability, FORCAS, FORCAS Sales, NewsPicks Enterprise, Incubation Suite and other products are currently in the red because these products are now in the phase of proactive investments aiming for high growth. As a result, SaaS business recorded segment profit of ¥2,178 million (down 0.8% year-over-year), Direct EBITDA of ¥2,388 million (up 2.1% year-over-year), and Segment EBITDA of ¥1,580 million (down 15.4% year-over-year).

Note that the comparison and analysis discussed above are based on the amounts under the new segmentation (Same applies to NewsPicks business as discussed below).

(b) NewsPicks business

NewsPicks achieved a significant increase in the number of annual subscription users during the second quarter period ended June 30, 2020 ("2Q20"). 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. However, because the effect of the slowdown was temporary, the growth rate has recovered its increasing trend since 3Q21. Despite seasonality of each quarter period, advertisement sales are stably expanding since NewsPicks is establishing its position as a reliable media trusted by business people. On the other hand, the Group proactively invested to develop and strengthen its video content and communities including NewsPicks Expert and to improve marketing.

As a result, ARR of NewsPicks business at the end of FY21 amounted to ¥2,583 million, up 2.6% year-over-year, and segment net sales for FY21 amounted to ¥6,106 million, up 15.5% year-over-year. NewsPicks business recorded segment profit of ¥846 million (up 4.9% year-over-year), Direct EBITDA of ¥980 million (up 8.0% year-over-year), and Segment EBITDA of ¥488 million (down 15.6% year-over-year).

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

(Total assets)

Total assets stood at ¥20,286 million, ¥4,371 million more than the previous year-end, due mainly to increase in cash and deposits by ¥3,028 million and increase in investment securities by ¥1,386 million.

(Total liabilities)

Total liabilities stood at ¥10,316 million, ¥1,519 million more than the previous year-end, due mainly to increase in unearned revenue by ¥821 million because of the expansion of SaaS business and increase in income taxes payable by ¥240 million.

(Equity)

Equity stood at ¥9,970 million, ¥2,851 million more than the previous year-end, due mainly to increase in retained earnings by ¥589 million resulting from net income attributable to owners of the parent for the year and increase in noncontrolling interests by ¥2,133 million attributable to proceeds from external investors in the venture capital business.

(3) Cash Flows (from January 1, 2021 to December 31, 2021)

Cash and cash equivalents as of December 31, 2021 stood at ¥10,613 million, ¥3,100 million more than the previous year-end. Cash flows for FY21 are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities for FY21 was ¥2,696 million (¥1,026 million for FY20). The major components of cash flows from operating activities were income before income taxes of ¥1,214 million, increase in unearned revenue by ¥815 million because of the expansion of SaaS business, depreciation and amortization of ¥349 million, and impairment loss of ¥289 million.

(Cash flows from investing activities)

Net cash used in investing activities for FY21 was ¥1,066 million (¥2,028 million for FY20). The major components of cash flows from investing activities were purchase of investment securities of ¥968 million in relation to the investments conducted in the venture capital business and investments made for the purpose of business alliances that the Company has invested as a minority shareholder, purchases of intangible assets of ¥396 million, and proceeds from sales of investment securities of ¥356 million recorded in the venture capital business.

(Cash flows from financing activities)

Net cash provided by financing activities for FY21 was ¥1,404 million (¥613 million for FY20). The major components of cash flows from financing activities were proceeds from limited partners of the venture capital business of ¥ 1,735 million, proceeds from long-term bank loans of ¥800 million, and repayments of long-term bank loans of ¥990 million.

(4) Prospects for the Fiscal Year Ending December 31, 2022

Since its establishment, the Company had been committed to its mission "We guide business people to insights that change the world." On December 16, 2021, the Company announced that the Company's approach has shifted from the mission to a purpose "Awaken a world of play in business, with our insights." The Company defines "a world of play in business" as a world of harmony among societal, business, and individual purposes and is aspiring to realize it with the power of a fusion of business insights, people and technologies. In order to realize "a world of play in business," the Company believes that it is necessary to promote changes in both business and individual. For that reason, the Group provides corporate customers with its SaaS products that support implementation of agile management (management that adapts quickly to changes in circumstances from the customer's viewpoints) and, to individuals, the Group also provides NewsPicks that aims to allow people to enjoy business and take actions. From 2022 onward, the Group will work toward this purpose by merging SaaS and NewsPicks.

With this background, the Group expects a growth rate of 30% or higher in SaaS business for the year ending December 31, 2022 ("FY22"); however, the Group also plans to proactively invest in high-growth products such as SPEEDA EXPERT RESEARCH, FORCAS, FORCAS Sales, and organizational strategy products provided by AD/NP. The Group has implemented portfolio management for each product of SaaS business and will accomplish both a continuous high growth and stable earnings. The Group also expects NewsPicks business to grow continuously; however, the growth rate was slowing down in FY21. The Group sees low customer awareness of the service as the main reason for the slowdown in the growth rate. However, the Company believes that NewsPicks has created a favorable condition to be successful even with large-scale marketing investments because: the video content that the Group has been focusing on since 2018 has been enriched, and the ratio of paying users acquired via video has exceeded 30%; and the measures to reduce the churn rate that the Group has been focusing on since 2019 have been steadily making satisfactory achievements. Therefore, the Group plans to implement marketing investments to raise awareness of NewsPicks in stages in 2022. The marketing investment is subject to the condition that LTV (Life Time Value: a metric to determine the total revenue that a customer will generate for a business throughout the relationship) clearly exceeds the customer acquisition costs. The results will be assessed every few months to determine whether to continue the investments or not.

Taking into account the growth rate of each business and circumstances of the new businesses as mentioned above, with a view to provide more useful and reasonable information to investors, the Company decided to present its forecasted amounts for FY22 in a range. For consolidated forecasts for FY22, the Company expects net sales ranging from ¥19,500 million to ¥20,000 million based on the estimated degree of the growth of the Group's services. As to profitability, the Company considers that it will depend on the implementation of the marketing investments in NewsPicks and expects EBITDA ranging from ¥1,000 million to ¥1,500 million, operating income ranging from ¥400 million to ¥900 million, ordinary income ranging from ¥400 million to ¥900 million. The Company expects to record net income attributable to owners of the parent; however, considering the fluctuation in each line item of profitability, a specific amount is not presented. The Company will disclose it as soon as it is precisely estimated.

The Company has decided to incorporate stock-based compensation into its compensation system. EBITDA for FY22 and thereafter will be presented after eliminating the impact of stock compensation expenses and the same applies to the forecast of EBITDA above. (EBITDA is calculated by adding depreciation, amortization of intangible assets including goodwill, and stock compensation expenses to operating income (loss).)

Effective from the beginning of FY22, the Company has applied "Accounting Standard for Revenue Recognition" (Statement No. 29 issued by the Accounting Standards Board of Japan). The percentage figures are not presented because the above forecasts have been calculated in accordance with the newly applied accounting standard.

2. Basic approach to the selection of accounting standards

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	7,584	10,613
Trade notes and accounts receivable	984	1,147
Other current assets	676	586
Allowance for doubtful accounts	(19)	(9)
Total current assets	9,226	12,337
Non-current assets		
Property and equipment		
Buildings	557	273
Accumulated depreciation	(164)	(203)
Buildings, net	392	70
Tools, furniture and fixtures	432	474
Accumulated depreciation	(273)	(336)
Tools, furniture and fixtures, net	159	137
Other, net	3	63
Total property and equipment	554	271
Intangible assets		
Goodwill	811	718
Other	402	700
Total intangible assets	1,214	1,418
Investments and other assets		
Investment securities	1,219	2,605
Deferred tax assets	3,226	3,217
Other	385	382
Total investments and other assets	4,831	6,206
Total non-current assets	6,600	7,896
Deferred assets	87	52
Total assets	15,915	20,286

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Trade accounts payable	370	484
Current portion of bonds	102	102
Current portion of long-term bank loans	761	1,218
Income taxes payable	141	381
Accrued bonuses	246	272
Provision for facility closure	—	194
Unearned revenue	1,962	2,784
Other current liabilities	1,638	2,026
Total current liabilities	5,222	7,464
Non-current liabilities		
Bonds	174	72
Long-term bank loans	3,270	2,622
Other	129	157
Total non-current liabilities	3,573	2,852
Total liabilities	8,796	10,316
Equity		
Shareholders' equity		
Common stock	7,170	7,188
Capital surplus	6,105	6,124
Accumulated deficit	(7,478)	(6,889)
Treasury stock	(0)	(0)
Total shareholders' equity	5,796	6,422
Accumulated other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(2)	26
Foreign currency translation adjustments	(21)	47
Total accumulated other comprehensive loss	(23)	74
Stock acquisition rights	14	9
Noncontrolling interests	1,330	3,464
Total equity	7,118	9,970
Total liabilities and equity	15,915	20,286

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

Consolidated Statement of Income

(Millions of Yen)

	Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)	Year Ended December 31, 2021 (from January 1, 2021 to December 31, 2021)
Net sales	13,809	16,063
Cost of sales	6,216	6,283
Gross profit	7,592	9,780
Selling, general and administrative expenses	7,488	8,319
Operating income	104	1,460
Non-operating income		
Interest income	7	4
Gain on sale of investment securities	—	303
Other	26	46
Total non-operating income	34	355
Non-operating expenses		
Interest expenses	88	20
Loss on write-down of investment securities	70	55
Amortization of stock issue costs	17	35
Investment partnership management fees	66	101
Other	177	26
Total non-operating expenses	420	239
Ordinary income (loss)	(281)	1,576
Extraordinary gains		
Gain on step acquisitions	104	—
Gain on revaluation of investment securities	—	149
Other	—	1
Total extraordinary gains	104	151
Extraordinary losses		
Impairment losses	7,810	289
Loss on sales of a subsidiary's stock	1,042	—
Business restructuring expenses	279	—
Provision for loss on facility closure	—	210
Other	57	12
Total extraordinary losses	9,189	512
Income (loss) before income taxes	(9,366)	1,214
Income taxes - current	232	389
Income taxes - deferred	(3,004)	49
Total income taxes	(2,771)	438
Net income (loss)	(6,594)	776
Net income (loss) attributable to noncontrolling interests	(122)	187
Net income (loss) attributable to owners of the parent	(6,472)	589

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)	Year Ended December 31, 2021 (from January 1, 2021 to December 31, 2021)
Net income (loss)	(6,594)	776
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	(1)	28
Foreign currency translation adjustments	225	69
Total other comprehensive income	223	98
Comprehensive income (loss)	(6,371)	874
Total comprehensive income (loss) attributable to:		
Owners of the parent	(6,244)	406
Noncontrolling interests	(127)	468

(3) Consolidated Statement of Change in Equity

Year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Stock acquisition rights	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury stock	Total shareholders' equity	Unrealized gain/loss on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the year	4,096	3,029	(1,006)	(0)	6,118	(0)	(246)	(247)	10	1,249	7,131
Changes during the year											
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
Net income (loss) attributable to owners of the parent			(6,472)		(6,472)						(6,472)
Change in the parent's ownership interest due to transactions with noncontrolling interests		1			1						1
Net changes in items other than shareholders' equity						(1)	225	223	4	81	308
Total changes during the year	3,074	3,076	(6,472)	—	(322)	(1)	225	223	4	81	(13)
Balance at the end of the year	7,170	6,105	(7,478)	(0)	5,796	(2)	(21)	(23)	14	1,330	7,118

Year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Stock acquisition rights	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Treasury stock	Total shareholders' equity	Unrealized gain/loss on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the year	7,170	6,105	(7,478)	(0)	5,796	(2)	(21)	(23)	14	1,330	7,118
Changes during the year											
Issuance of new shares					—						—
Issuance of new shares – exercise of share acquisition rights	17	17			35						35
Net income (loss) attributable to owners of the parent			589		589						589
Change in the parent's ownership interest due to transactions with noncontrolling interests		1			1						1
Net changes in items other than shareholders' equity						28	69	98	(5)	2,133	2,226
Total changes during the year	17	18	589	—	625	28	69	98	(5)	2,133	2,851
Balance at the end of the year	7,188	6,124	(6,889)	(0)	6,422	26	47	74	9	3,464	9,970

(4) Consolidated Statement of Cash Flows

(Millions of Yen)

	Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)	Year Ended December 31, 2021 (from January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Income (loss) before income taxes	(9,366)	1,214
Depreciation and amortization	280	349
Impairment loss	7,810	289
Amortization of goodwill	533	93
Gain on sale of investment securities	—	(303)
Gain on step acquisitions	(104)	—
Loss on sale of a subsidiary's stock	1,042	—
Provision for loss on facility closure	—	210
Decrease (increase) in trade notes and accounts receivable	612	(149)
Increase in other payables	76	144
Increase in unearned revenue	754	815
Other	471	68
Subtotal	2,109	2,733
Interest and dividends received	7	3
Interest paid	(88)	(20)
Income taxes paid	(1,001)	(246)
Income taxes refunded	—	226
Cash flows from operating activities	1,026	2,696
Cash flows from investing activities		
Payments into time deposits	(672)	—
Proceeds from withdrawal from time deposits	600	72
Purchases of property and equipment	(404)	(126)
Purchases of intangible assets	(330)	(396)
Purchases of investment securities	(604)	(968)
Proceeds from sale of investment securities	—	356
Payments for purchase of newly-consolidated subsidiaries' stock	(170)	—
Payments for sale of a subsidiary's stock resulting in a change in the scope of consolidation	(451)	—
Other	6	(3)
Cash flows from investing activities	(2,028)	(1,066)
Cash flows from financing activities		
Proceeds from long-term loans	1,500	800
Repayments of long-term loans	(7,037)	(990)
Payments for redemption of bonds	(102)	(102)
Proceeds from issuance of new shares	6,043	31
Proceeds from limited partners of investment partnership	210	1,735
Other	(0)	(70)
Cash flows from financing activities	613	1,404
Foreign currency translation adjustments on cash and cash equivalents	(53)	65
Net increase (decrease) in cash and cash equivalents	(441)	3,100
Cash and cash equivalents, beginning of year	7,954	7,513
Cash and cash equivalents, end of year	7,513	10,613

(5) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
Not applicable

(Segment Information)
1. Overview of reportable segments

(1) Method of determining reportable segments
The reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate their performance. The Group classifies its businesses into two reportable segments based on the characteristics of the services, namely, SaaS business and NewsPicks Business.

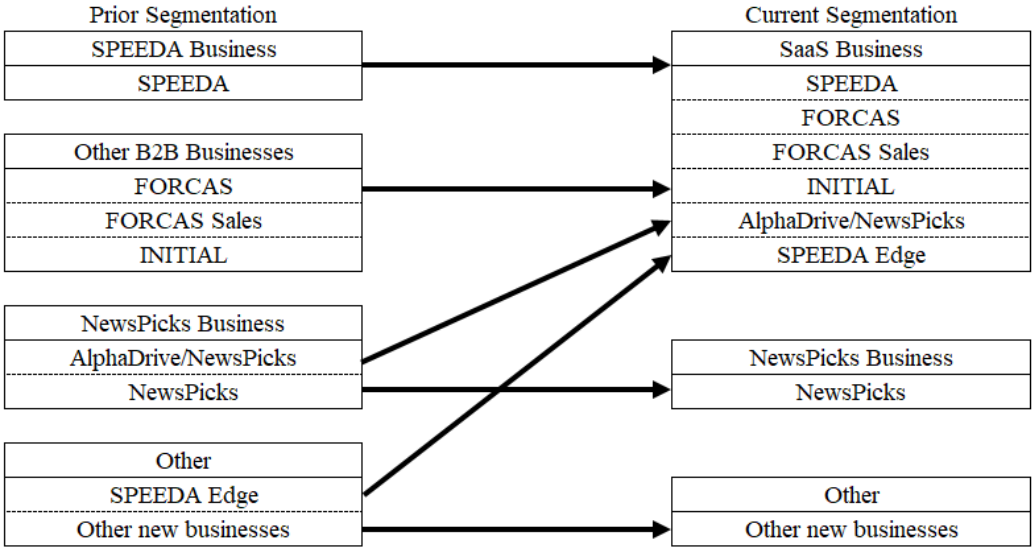
(2) Description of products and services of each reportable segment
SaaS business is comprised of the following products and services: (a) SPEEDA, a web-based platform that supports business strategies of customers by providing information to be utilized in business and industry analysis, such as financial data, intellectual property data, statistical data, and analysis reports, mainly to financial institutions, corporate entities, universities and research institutions, (b) INITIAL, a platform that supports business strategies of customers by utilizing its database of startup entities in Japan, (c) FORCAS, a platform that supports customer strategies of customers by assisting business-to-business marketing activities, and (d) NewsPicks Enterprise, NewsPicks Learning (for business), and Incubation Suite, products that support organizational strategies of customers. The 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 each SaaS product.

NewsPicks business provides a business news platform with social networking features, which enables one-stop view of economic news from various media and articles that the Group has edited and created. Users can read comments from professionals, upload their own comments, and share the news in NewsPicks. Revenue generated from NewsPicks business mainly comprises fixed monthly payment from users and sales of advertisement.

(3) Changes in reportable segments
Effective from 4Q21, as a result of reviewing the Group's performance management segmentation considering the current operating conditions, the former reportable segments, namely, SPEEDA business, NewsPicks business, and Other B2B business, have been reclassified into two reportable segments, namely, SaaS business and NewsPicks business.

(a) SPEEDA business and Other B2B business have been integrated into SaaS business because they are SaaS businesses that utilize common core assets and the Group plans to manage these businesses in a unified manner including cross-selling.
(b) AD/NP, which had been included in NewsPicks business, has been included in SaaS business considering the nature of the business because AD/NP is an enterprise-focused SaaS solution business that utilize the NewsPicks platform, which SPEEDA, FORCAS, and INITIAL also utilize.
(c) SPEEDA Edge, which had been classified in "Other," has been reclassified into SaaS business from the perspective of management.

The following table illustrates the change in the reportable segments.



Segment information for FY20 has been restated and presented in accordance with the current segmentation.
The Group withdrew from Quartz business in FY20. The reportable segment "Other businesses" was renamed "Other B2B Businesses" in the first quarter period ended March 31, 2021.

2. Determination of net sales and profit or loss by reportable segment
Segment profit is determined based on operating income. Intersegment sales and transfers are determined based on prevailing market prices.

3. Net sales and profit (loss) by reportable segment

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

(Millions of Yen)

	Reportable Segments				Other (Note 1)	Total	Reconciliation (Note 2)	Consolidated (Note 3)
	SaaS Business	NewsPicks Business	Quartz Business	Total				
Net Sales:								
Sales to external customers	7,579	5,257	972	13,809	—	13,809	—	13,809
Intersegment sales or transfers	5	31	0	37	—	37	(37)	—
Subtotal	7,585	5,288	972	13,846	—	13,846	(37)	13,809
Segment profit (loss)	2,195	807	(1,961)	1,041	(3)	1,037	(932)	104
Other items:								
Depreciation and amortization	63	100	41	205	—	205	74	280
Amortization of goodwill	80	—	452	533	—	533	—	533

(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 ¥3 million of eliminations of intersegment transactions and ¥(936) 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 consolidated statement of income.

4. Segment assets are not presented because the Group does not allocate its assets to reportable segments.

5. Effective from the first quarter period ended March 31, 2020, 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. Direct EBITDA and Segment EBITDA in each reportable segment are as follows:

	SaaS Business	NewsPicks Business	Quartz Business	Other	Reconciliation	Total
Segment profit (loss)	2,195	807	(1,961)	(3)	(932)	104
Depreciation and amortization	63	100	41	—	74	280
Amortization of goodwill	80	—	452	—	—	533
Direct EBITDA (Note 6)	2,339	907	(1,466)	(3)	(858)	917
Allocation of company-wide expenses (Note 7)	(472)	(329)	(60)	—	862	—
Segment EBITDA (Note 7)	1,866	578	(1,527)	(3)	3	917

6. 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.

7. 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 year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of Yen)

	Reportable Segments			Other (Note 1)	Total	Reconciliation (Note 2)	Consolidated (Note 3)
	SaaS Business	NewsPicks Business	Total				
Net Sales:							
Sales to external customers	10,008	6,054	16,063	—	16,063	—	16,063
Intersegment sales or transfers	3	51	55	—	55	(55)	—
Subtotal	10,012	6,106	16,118	—	16,118	(55)	16,063
Segment profit (loss)	2,178	846	3,025	(163)	2,861	(1,400)	1,460
Other items:							
Depreciation and amortization	115	134	249	—	249	99	349
Amortization of goodwill	93	—	93	—	93	—	93

(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 ¥(1,400) 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 consolidated statement of income.

4. Segment assets are not presented because the Group does not allocate its assets to reportable segments.

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

	SaaS Business	NewsPicks Business	Other	Reconciliation	Total
Segment profit (loss)	2,178	846	(163)	(1,400)	1,460
Depreciation and amortization	115	134	—	99	349
Amortization of goodwill	93	—	—	—	93
Direct EBITDA (Note 6)	2,388	980	(163)	(1,300)	1,904
Allocation of company-wide expenses (Note 7)	(807)	(492)	—	1,300	—
Segment EBITDA (Note 7)	1,580	488	(163)	0	1,904

6. 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.

7. 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.

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

4. Impairment loss on non-current assets by reportable segment

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

(Millions of yen)

	SaaS Business	NewsPicks Business	Quartz Business	Other	Reconciliation	Total
Impairment loss	—	—	7,810	—	—	7,810

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

For the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	SaaS Business	NewsPicks Business	Other	Reconciliation	Total
Impairment loss	—	289	—	—	289

(Note) The Group recorded an impairment loss for certain non-current assets in relation to the decision to close NewsPicks GINZA, a facility of NewsPicks business located in Japan.

5. Amortization and remaining balance of goodwill by reportable segment

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

(Millions of yen)

	SaaS Business	NewsPicks Business	Quartz Business	Other	Reconciliation	Total
Amortization of goodwill	80	—	452	—	—	533
Remaining balance	811	—	—	—	—	811

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

For the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	SaaS Business	NewsPicks Business	Other	Reconciliation	Total
Amortization of goodwill	93	—	—	—	93
Remaining balance	718	—	—	—	718

(Per-share information)

	Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)	Year Ended December 31, 2021 (from January 1, 2021 to December 31, 2021)
Equity per share (Yen)	158.01	176.79
Net income (loss) per share (Yen)	(186.58)	16.07
Diluted net income per share (Yen)	—	15.39

(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 income (loss) per share and diluted net income per share is as follows.

	Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)	Year Ended December 31, 2021 (from January 1, 2021 to December 31, 2021)
Net income (loss) per share		
Net income (loss) attributable to owners of the parent (Millions of yen)	(6,472)	589
Net income (loss) not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) used in the calculation of basic earnings per share (Millions of yen)	(6,472)	589
Weighted-average number of common stock (shares)	34,691,090	36,671,771
Diluted net income per share		
Adjustments on net income for the year	—	—
Increase in the number of common stock—Stock options (shares)	1,211,375	1,619,682
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted net income per share	Stock Options: #13, #14, #15, #16, #17, #20, #22, #24, and #27	—

(Significant subsequent events)
Not applicable