Q&A for 1Q 2022

UZABASE

Q. The top-line growth rate of the SaaS segment is not reaching 30%. What are the prospects of achieving top-line growth of 30% on a consolidated basis?

The top-line growth rate of the SaaS segment is already close to 30%, and we aim to achieve this target by increasing the proportion of new businesses with high growth rates. As for the NewsPicks business, we recognize that acceleration of growth is needed, which we aim to achieve by implementing multiple measures, such as expanding the value of video content and launching a TV commercial campaign in Q2.

Q. Given the consolidated profit in Q1, is there a possibility that the full-year profit will go beyond the upper bound of your current forecast? If not, does that mean that the profitability of the business in the remaining quarters will be low, or even see losses in some quarters?

Since our plan is to invest into marketing for the NewsPicks business starting from Q2, we expect to land within our outlook on a full-year basis. As these marketing investments will take place from Q2 onwards, we expect to report lower profits in the following quarters compared to Q1. At this time, we cannot comment on whether there will be quarterly losses, as it depends on the progress of marketing investments for NewsPicks.

Q. Will the depreciation of the Japanese yen and other economic trends impact business going forward?

Since our overseas business accounts for a share of about 5% of the total (both in terms of net sales and expenses), yen depreciation is not expected to have any major impact. However, measures on the customer side, such as reducing investments, may have a negative impact on the advertising revenue of NewsPicks and/or increase the churn rate of the SaaS businesses. As such, we will be monitoring the activity of our customers, while focusing on delivering value to our customers as a must-have service.

Q&A for 1Q 2022

Q. SPEEDA's churn rate has improved even further—can we assume that this trend will continue?

The churn rate can change according to our target customer segment at the time. When we attempt to deliver new value to new customer segments, we tend to see higher growth rates as well as churn rates. In any situation, however, we believe that having a churn rate of less than 1.0% is a condition for having sustainable, continuous growth, so our policy is to keep it below 1.0%..

Q. What are the factors behind the decline in NewsPicks' Advertising sales, and what is the outlook going forward?

While customer inquiries are strong, our capacity for production is falling short. We are also undergoing a transition to position video advertisements as our main offering, and we were not able to generate sufficient revenue in Q1. By boosting production capacity and building a team fully capable of selling video advertisements, we believe we can turn more inquiries into actual revenue and put the advertising business on a growth track.

Q. What are the factors behind such a significant decline in NewsPicks' Publishing sales?

This is due to the smaller number of books published this year, as well as the fact that *The Future Is Faster Than You Think*, published at the end of 2020, was a major hit contributing to high sales in Q1 2021 and ranking first in Toyo Keizai's Best Books of 2021.

Q. NewsPicks TV commercials have been running since April. How has the response been so far?

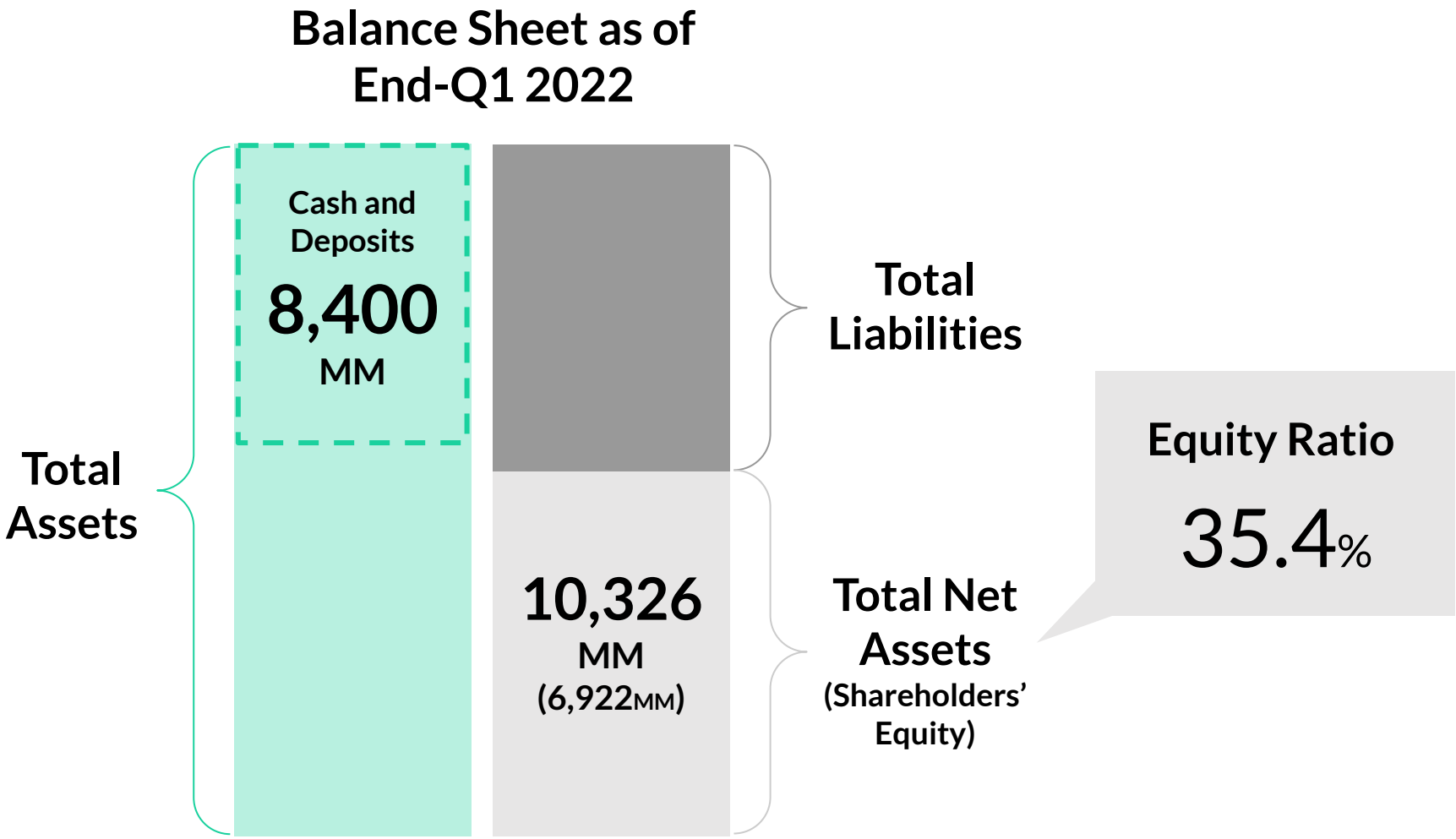
We have been monitoring the outcome and making several adjustments in terms of commercial slots and creative content in April. We are searching for a winning pattern and will share details at the next financial results briefing for Q2.

Q. Uzabase's stock price is falling. Does this have any impact on your financial position?

As of the end of Q1 2022, we have a plentiful cash position, and an overall healthy financial position as demonstrated by the equity ratio and other metrics. We have been consistently profitable as a company, and there is no problem in profitability going forward. This year, we expect the EBITDA to decline due to increased investments for business growth, but excluding the marketing investment of NewsPicks, this year's EBITDA would be close to our historical high. Profits are expected to return to an uptrend from next year onwards. Please refer to the next pages for the details.

Clarification on Financial Safety of Uzabase

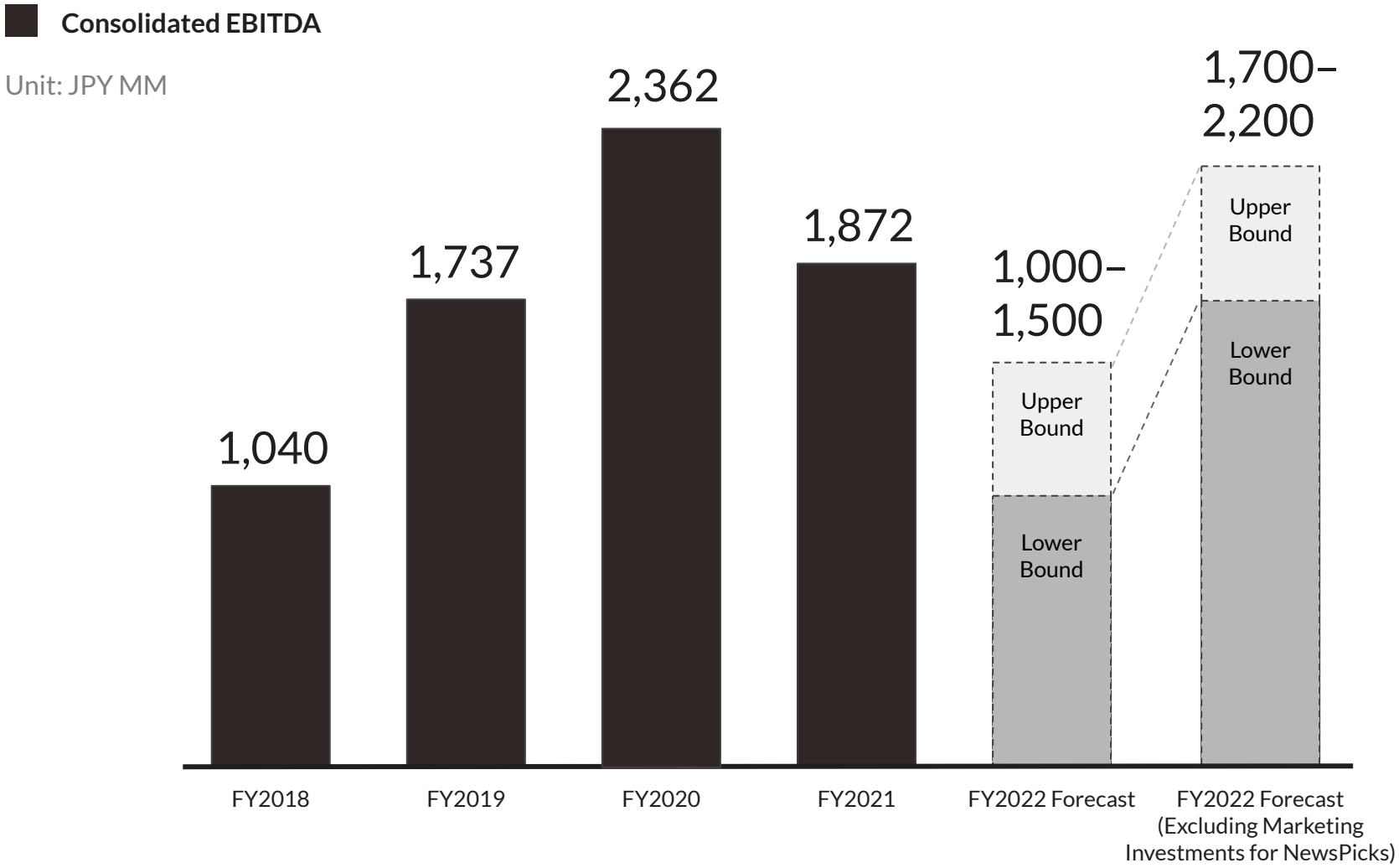
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Consolidated EBITDA

EBITDA in FY2021 and FY2022 will temporarily decrease amid active investments into business growth, but it is expected to rebound to an uptrend in 2023 onwards.

With marketing investments for NewsPicks excluded, EBITDA is approaching record-high levels.



1. Consolidated EBITDA up to Q4 FY2020 excludes Quartz and is calculated as Consolidated EBITDA minus EBITDA for Quartz.
2. FY2018 figures are based on the previous accounting standards, while the newly changed standards are applied retroactively to consolidated EBITDA for FY2019–2021.