UZABASE

Uzabase, Inc.

Q1 FY2022 Financial Results Briefing

May 13, 2022

Event Summary

[Company Name]	Uzabase, Inc.
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[Event Name]	Q1 FY2022 Financial Results Briefing
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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	4

Yusuke Inagaki	Co-CEO/CTO
Taira Sakuma	Co-CEO
Daisuke Chiba	CFO
Shingo Taguchi	FORCAS CEO

Presentation

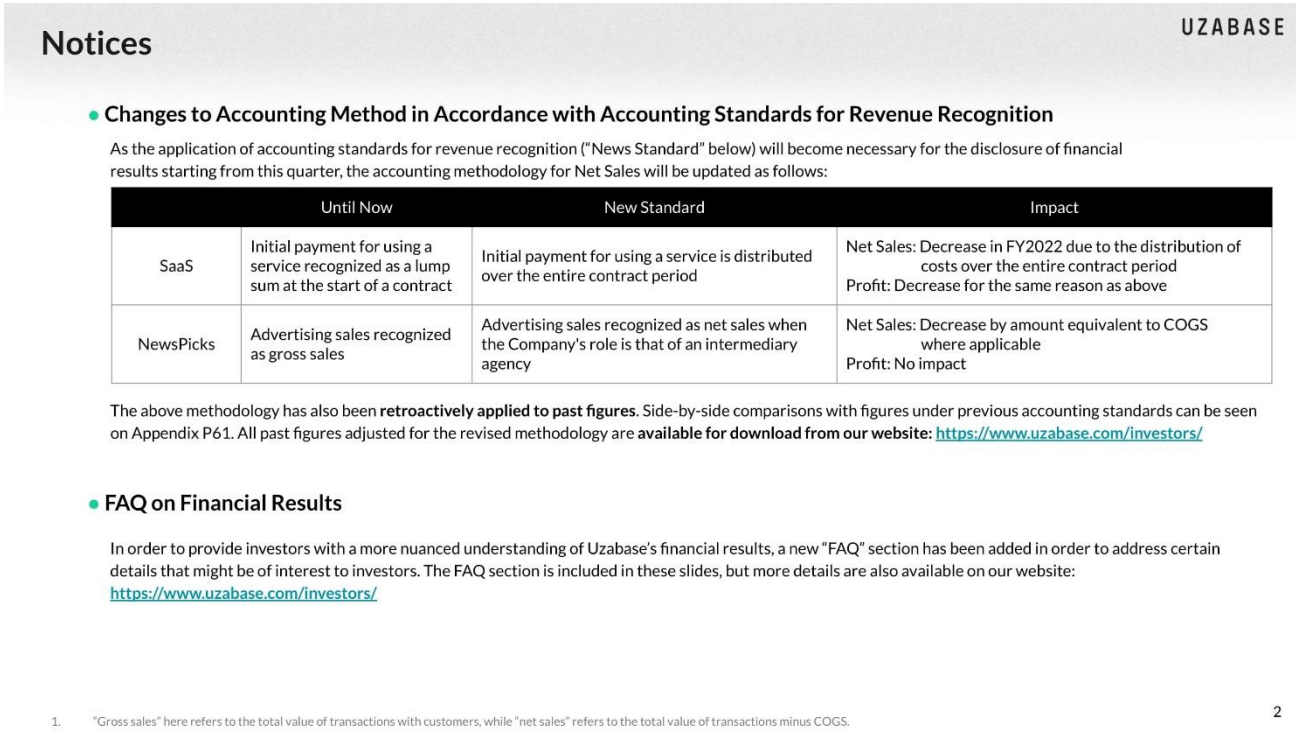
Sakuma: I'd like to give some remarks regarding the stock price. Currently, our stock price has been declining continuously, and we apologize for the inconvenience this is causing. However, as we will explain in the presentation materials, as Uzabase, our financial position is robust, and our businesses are performing well.

The Uzabase Group has a policy of unfailing business management. If we see a tendency of continuing losses in a certain business, as we did in Quartz, we will withdraw from such a business to maintain a highly sustainable business structure. We believe that is the way to achieve our purpose and serve our stakeholders, including our shareholders and users.

As of the end of Q1, our cash position is at JPY8.4 billion, and our net asset balance is JPY10.3 billion with an equity ratio of 35%, which is very robust.

We also have a high cash-generating capability. In the first quarter, we have achieved an EBITDA of JPY650 million, and we have been generally achieving an EBITDA of about JPY2 billion on a full-year basis between 2019 and last year when excluding the past Quartz business. Therefore we do not have any worries around cash or equity. We definitely do not need to engage in fundraising that will erode shareholder value.

We value both our top line and profits. For this year, we are running TV commercials for NewsPicks, which is a major investment for us and will result in a temporary decline in EBITDA. However, from next year onwards, we will be sure to steadily keep increasing the EBITDA going forward.



Notices

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- **Changes to Accounting Method in Accordance with Accounting Standards for Revenue Recognition**

As the application of accounting standards for revenue recognition ("News Standard" below) will become necessary for the disclosure of financial results starting from this quarter, the accounting methodology for Net Sales will be updated as follows:

	Until Now	New Standard	Impact
SaaS	Initial payment for using a service recognized as a lump sum at the start of a contract	Initial payment for using a service is distributed over the entire contract period	Net Sales: Decrease in FY2022 due to the distribution of costs over the entire contract period Profit: Decrease for the same reason as above
NewsPicks	Advertising sales recognized as gross sales	Advertising sales recognized as net sales when the Company's role is that of an intermediary agency	Net Sales: Decrease by amount equivalent to COGS where applicable Profit: No impact

The above methodology has also been **retroactively applied to past figures**. Side-by-side comparisons with figures under previous accounting standards can be seen on Appendix P61. All past figures adjusted for the revised methodology are **available for download from our website:** https://www.uzabase.com/investors/

- **FAQ on Financial Results**

In order to provide investors with a more nuanced understanding of Uzabase's financial results, a new "FAQ" section has been added in order to address certain details that might be of interest to investors. The FAQ section is included in these slides, but more details are also available on our website: https://www.uzabase.com/investors/

1. "Gross sales" here refers to the total value of transactions with customers, while "net sales" refers to the total value of transactions minus COGS.

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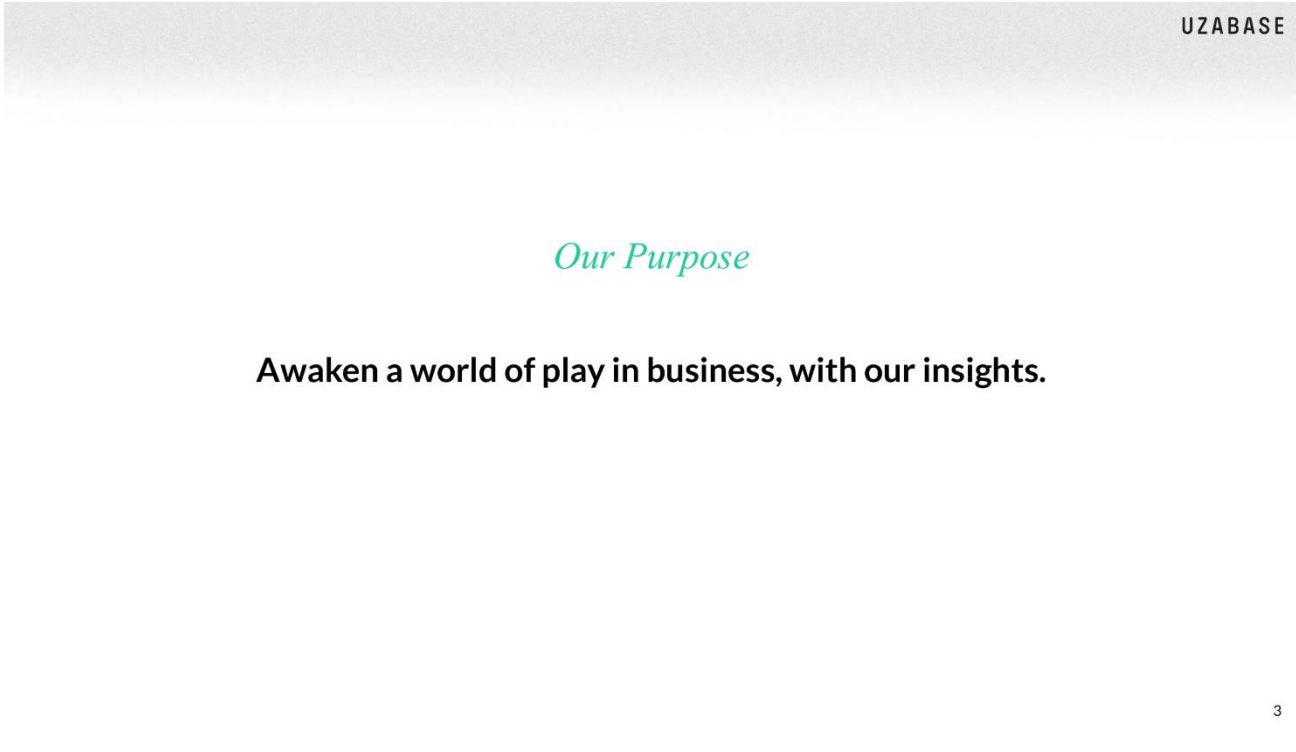
Next, I would like to go on to our presentation slides.

In the beginning, I would like to touch upon the premise of this presentation. We have made changes in the accounting method in accordance with accounting standards for revenue recognition.

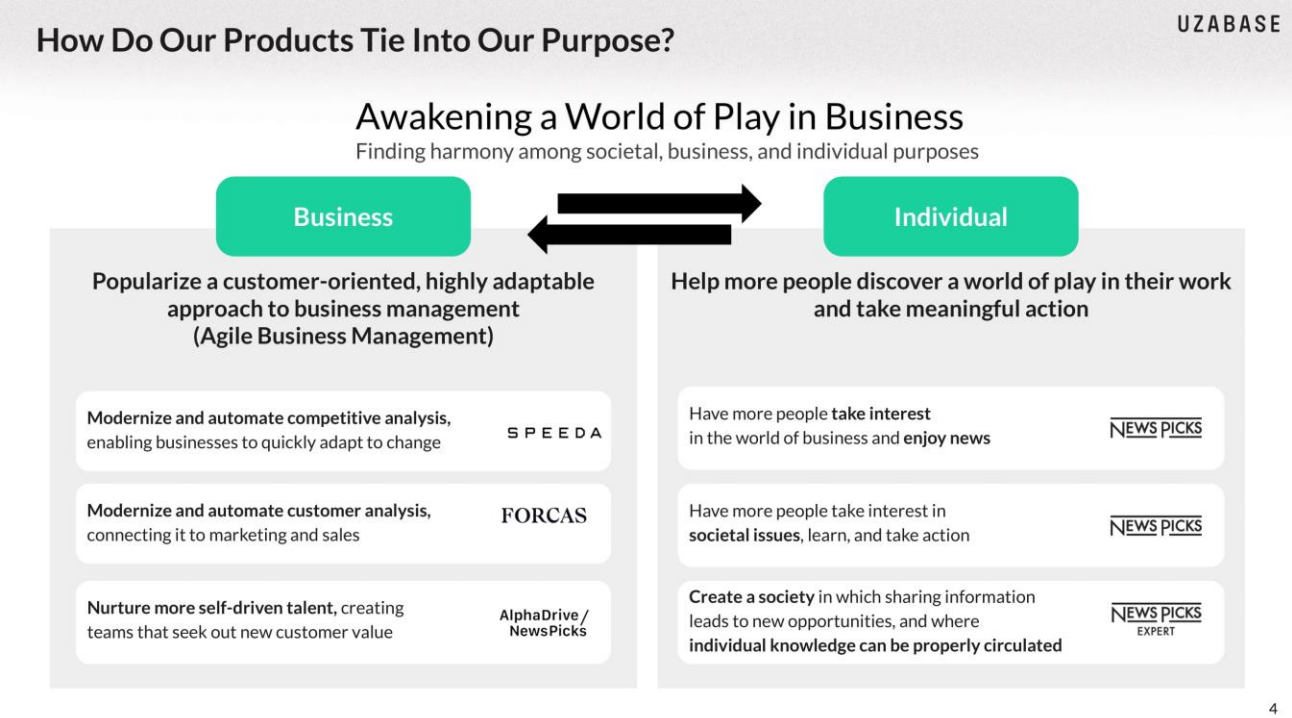
In the SaaS business, the recognition of initial payment has been changed from lump sum at the time of contract signing to distribution over the entire contract period. And for the NewsPicks business, the advertising sales used to be recognized as gross sales. This is newly recognized as net sales that excludes transactions where the Company services as an intermediary agency.

For the SaaS business, the impact is minor. For the NewsPicks business, there will be a slight decline in the top line, although the profit will not be affected.

For past figures, upon this change, we have applied this new standard to our historical results. So, you can see the comparison from past performance in our appendix.



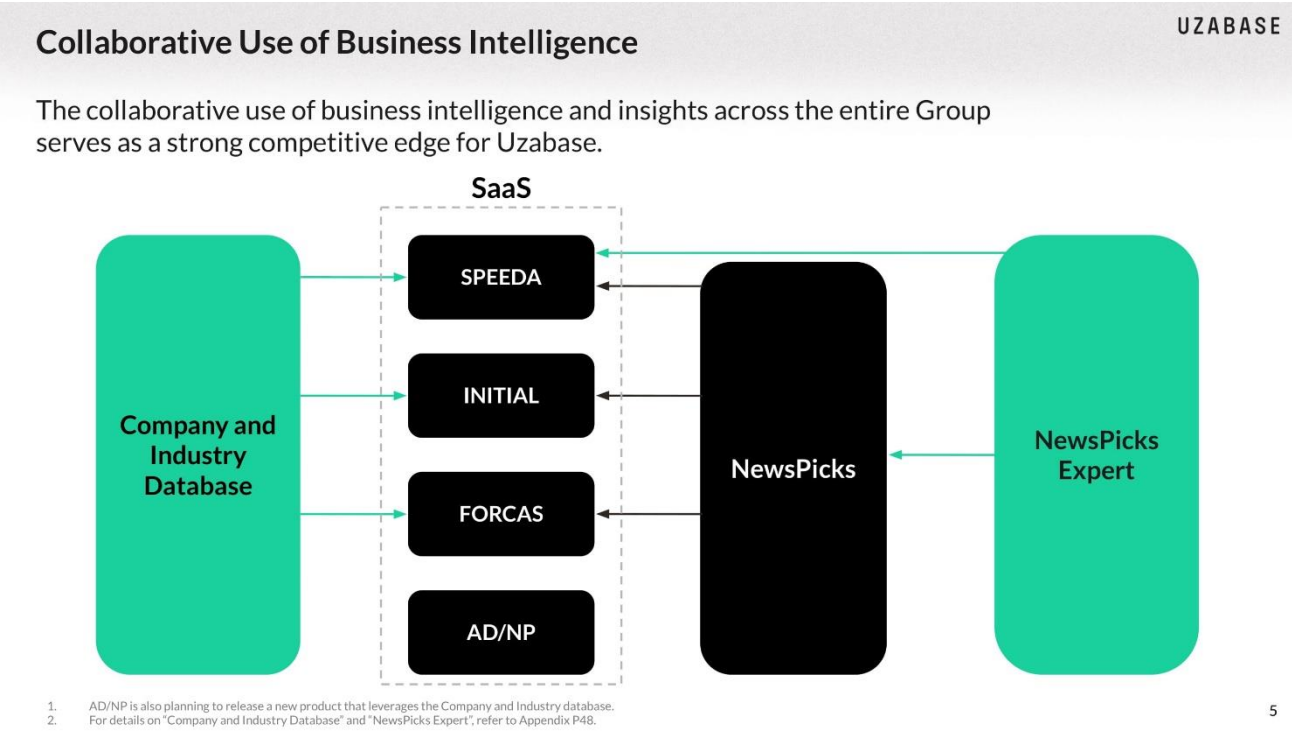
Last year, we have set our purpose, “awakening a world of play in business, with our insights.” This is the purpose of operating our businesses.



In terms of how our products tie into our purpose, we have businesses that help companies adopt agile business management. Based on feedback from our users, we are feeling that we are increasingly becoming a provider of essential tools for business development and evolvement.

For individuals, we are helping more people discover a world of play, or enjoyment, in their work and take meaningful action to solve social issues. That is how we operate the NewsPicks and NewsPicks Expert businesses.

When we say “awaken a world of play in business,” we are providing both B2B and B2C service, and we believe they are becoming indispensable products for the Japanese economy. Over the long term, we would like to provide this value to the worldwide market.



Our uniqueness is to harness the power of quantity and quality of business intelligence, economic information.

This vast amount of economic information is utilized in different forms of our businesses and provided in the optimal format for our customers. Especially in the SaaS business, we have a shared industry database that is used across different businesses. NewsPicks news content is also fed into the SaaS services to be provided to our B2B users.

NewsPicks Expert is a service to harness the power of human insights and knowledge. This is used in the topics function of NewsPicks, as well as SPEEDA Expert Research. SPEEDA is evolving into a product that is not only for quantitative research but also provides access to human expertise.

With the shared asset of economic information, we construct our business model. By doing this, we can make efficient investments in continuously improving the quantity and quality of economic information to create valuable services to our customers.

Uzabase published its Integrated Report on April 14 in Japanese, with the release of the English version scheduled for May.

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The Report provides details on the initiatives connected with each Material Issue (announced on February 9, 2022), while also disclosing concrete data on personnel, governance structure, and other topics.



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Next, I would like to touch upon materiality and major policies for 2022 and their progress.

Material issues are the important issues that we have identified and decided to tackle towards achieving our purpose. In the previous financial briefing, we have touched upon the content. On April 15, we issued our very first integrated report.

Sustainability: Uzabase's Initiatives to Address Material Issues

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Material Issue			Main Initiatives
Social	1	Circulating Human Knowledge	• Held an exclusive event for 230 experts, "Expert Awards 2021", to promote further interaction among experts and presented awards to 14 of our most knowledgeable experts • Saw an increase in number of people involved and projects undertaken via the in-house side job system "DIVE"
	2	"We Need What You Bring"	• Released the HR Handbook describing the HR principles and benefits at Uzabase, and the Maternity & Paternity Leave Handbook (Japanese only) • In commemoration of International Women's Day on March 8, launched "NewsPicks for WE", a special project focusing on career empowerment for women (February 21 to April 7)
	3	A World of Play in Business, for Everyone	• Held the Re:gion × TOHOKU conference in February on the topic of creating businesses that bring economic growth to regional areas in Japan • Launched "Cross-Border Piazza" via NewsPicks Education, creating a virtual space for students from different schools and regions to learn together
	4	Becoming a Technology Company	• In addition to his role as Co-CEO, Yusuke Inagaki was appointed as CTO of the entire Uzabase Group, launching a new project under the banner of "Play Engineering"
Governance	5	Sustainable Management of Data and Content	• Revised the Information Security Policy in line with Uzabase Group's shift from Mission to Purpose • Revised Uzabase Group's Privacy Policy in compliance with amendments to Japan's Act on the Protection of Personal Information
	6	New Business Model Fusing SaaS and Media	• Launched "NewsPicks Stage." (Japanese only), an online service producing original programming on business topics that is interconnected with SaaS, on January 19, with the aim of boosting marketing effectiveness for SaaS • Development for shared login using NewsPicks ID on SPEEDA has progressed; plan to issue NewsPicks IDs for all new SPEEDA accounts
Environment	7	Addressing Climate Change	• Distributing original content (30+) related to climate change issues via NewsPicks • Focusing on sustainability as a key area for SPEEDA's development and continuously releasing new content on topics such as "Climate Tech: CCUS" and "Explaining Mandatory Climate-Related Disclosures (TCFD Requirements)"

1. All figures and other information presented above cover the period of January 1, 2022 to May 12, 2022.

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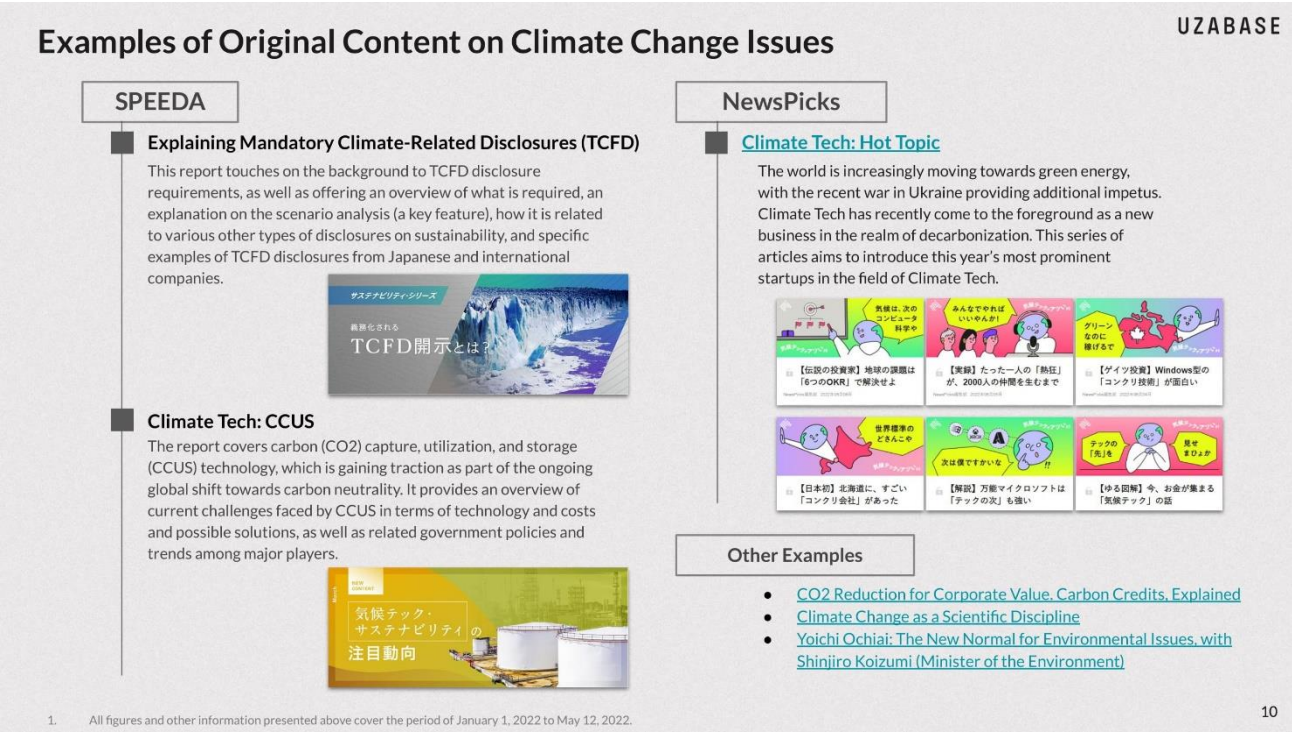
This shows which social issues that we are focused on as priority issues. We are now able to communicate the intention behind them and also specific activities that are provided in detail.

I would really like you to look at this report. You can download this report from our IR page in our corporate website. I am looking forward to your looking into this integrated report for a deeper understanding of our vision.

From this financial reporting, we will be touching upon the material issues or priority issues, and we will share the progress of our activities. We have identified seven material issues. There are multiple ongoing activities. I would like to touch upon several of them.

First, number two “we need what you bring” represents our stance to promote a society where unique talent can flourish freely. For example, in NewsPicks, we created NewsPicks for WE tag to promote gender diversity over International Women’s Day. Also, we are spreading the fun of business to students, and we are creating Cross-Border Piazza in order to have students from different schools get together to learn about the economy in NewsPicks Education.

About addressing climate change, number seven, we are detailing this on the next slide.



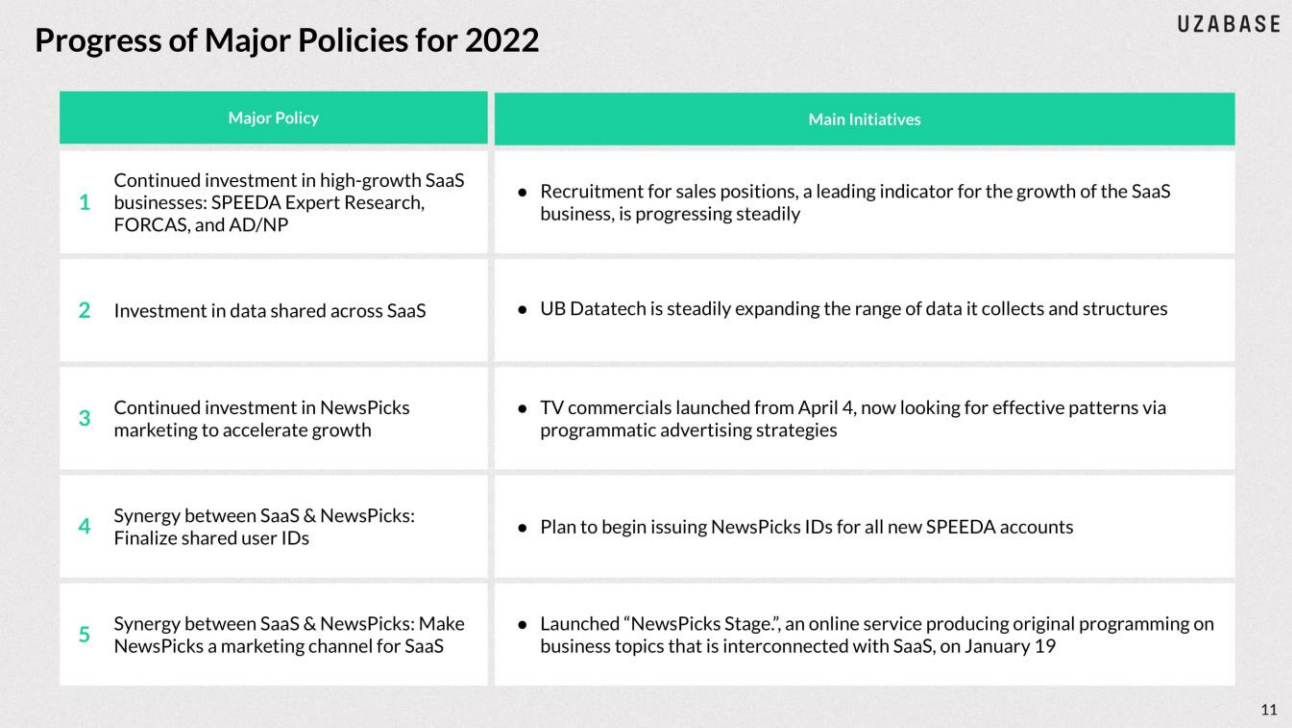
As an operator of media and business intelligence platforms, we are promoting an accurate understanding of climate issues, and we believe this is our social responsibility.

On the right, we have updated a series of articles related to Climate Tech. This is a complicated issue that is difficult to understand. As you can see in the image, for Climate Tech, we are taking different ways of expression to intrigue different users and raise their interest.

On the left, with SPEEDA, we are providing more practical information on how to respond, for example, to mandatory disclosures like TCFD and what are the Climate Tech trends and players that should be followed. We provide this kind of information to our B2B users.

Setting aside where this directly relates to materiality, given the current situation with Russia and Ukraine, we believe that providing accurate information as much as possible is our responsibility as an operator of a business media platform.

On NewsPicks, we have created a Ukraine tab and we are distributing a high number of articles related to the crisis. With SaaS, we are also providing a number of articles related to the crisis on SPEEDA.



Through these activities, we believe that we are establishing ourselves as services that are indispensable for Japan.

This year, in 2022, we have set five major policies. For the high-growth SaaS businesses, SPEEDA Expert Research, FORCAS, and AD/NP, we will be making major investments. This is making progress well on plan. The content of investment is largely about recruiting people.

In the SaaS businesses, we are accepting and nurturing a diverse range of talent. From last year, we have been putting major efforts in sales enablement. Thanks to this, we have been able to capture different talent and nurture them, for example as sales people. We are making good progress on this.

Number two, investment in data shared across SaaS, we have established UB Datatech last year, and this is operating quite well. UB Datatech is steadily expanding the range of data generation.

The number three point has to do with NewsPicks marketing, which is executed in phases. Specifically, this is about TV commercials. We started broadcasting NewsPicks' TV commercial on April 4. We have studied the results and reaction to search for effective patterns. We have stopped our commercial on air before the Golden Week holidays in early May. We are now analyzing the effective patterns, and we will restart with the enhanced engagement in June to further identify the winning pattern.

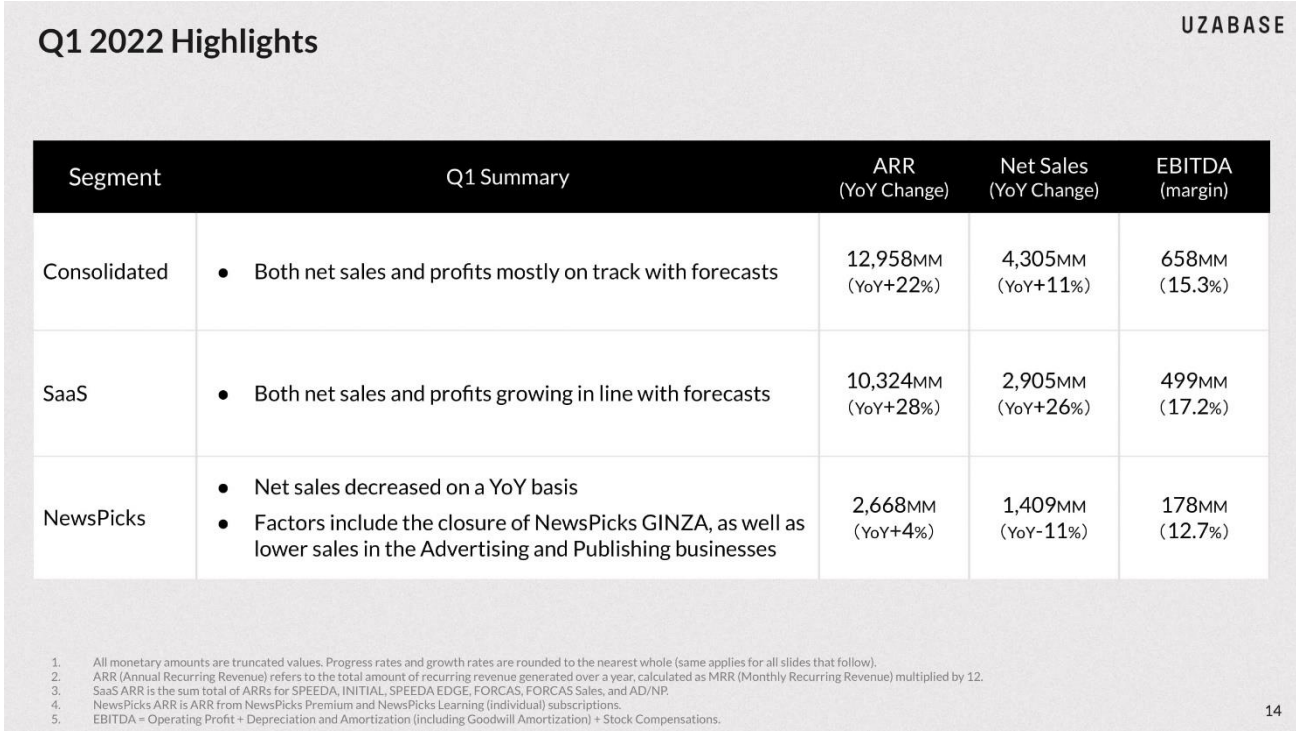
The fourth point and the fifth point have to do with SaaS and NewsPicks collaboration. The fourth, synergy between SaaS and NewsPicks, it's moving smoothly. The SaaS development that we need In order to use NewsPicks ID for SPEEDA is moving on smoothly.

At the end of this quarter, towards SPEEDA users, we'll be able to roll out the use of NewsPicks IDs. This will create an established common touch point and thus, kind of a habituary use of NewsPicks.

Number five, synergy between SaaS and NewsPicks to make NewsPicks a major marketing channel for SaaS. This initiative involves NewsPicks Stage, our original online program platform, which started already on January 19 and has been receiving a positive reaction. We will continue this engagement. We are confident that this is benefiting us for the strategy.

So basically, it's a collaboration of all the assets and resources that we have in order to leverage fully of what's available to us to bring additional value to our customers, and it's moving on smoothly.

Now our CFO, Chiba, will explain the financial results for the first quarter 2022.

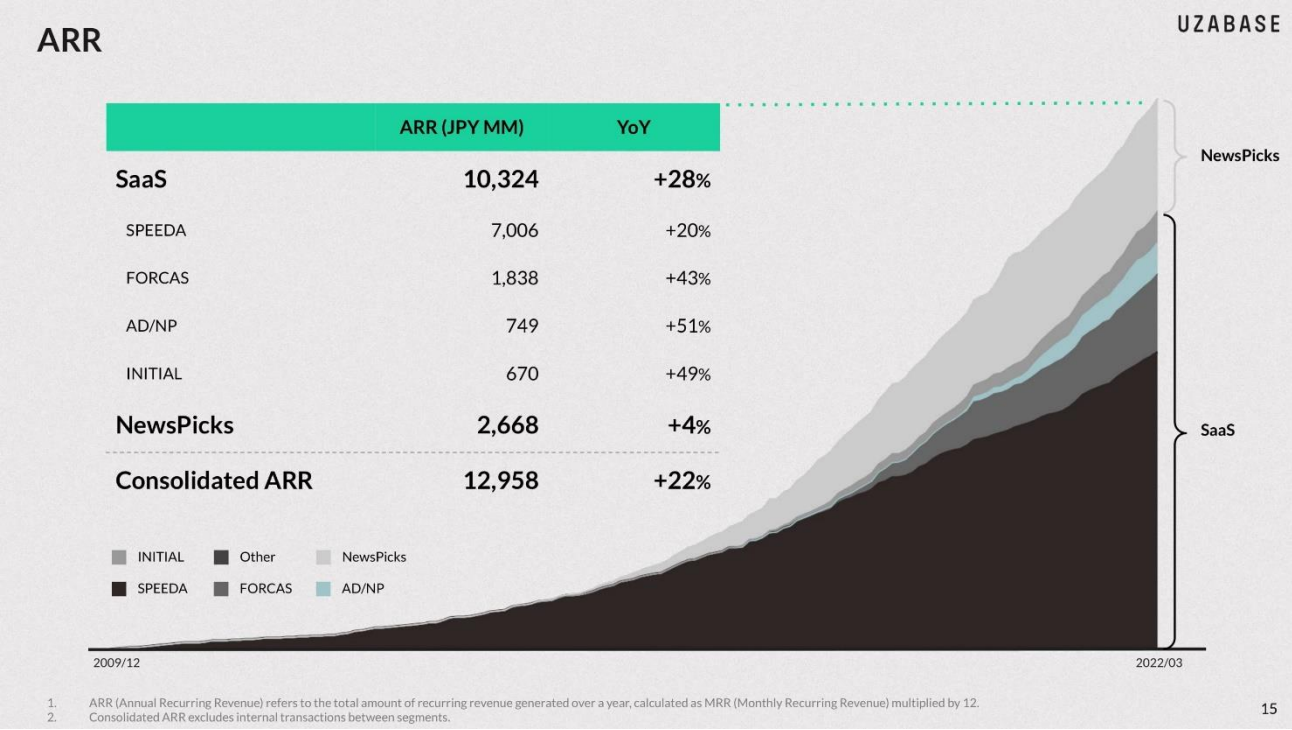


Chiba: This is Chiba, CFO. I will explain this section. As highlights of the consolidated results, both net sales and profits have landed on track with forecast.

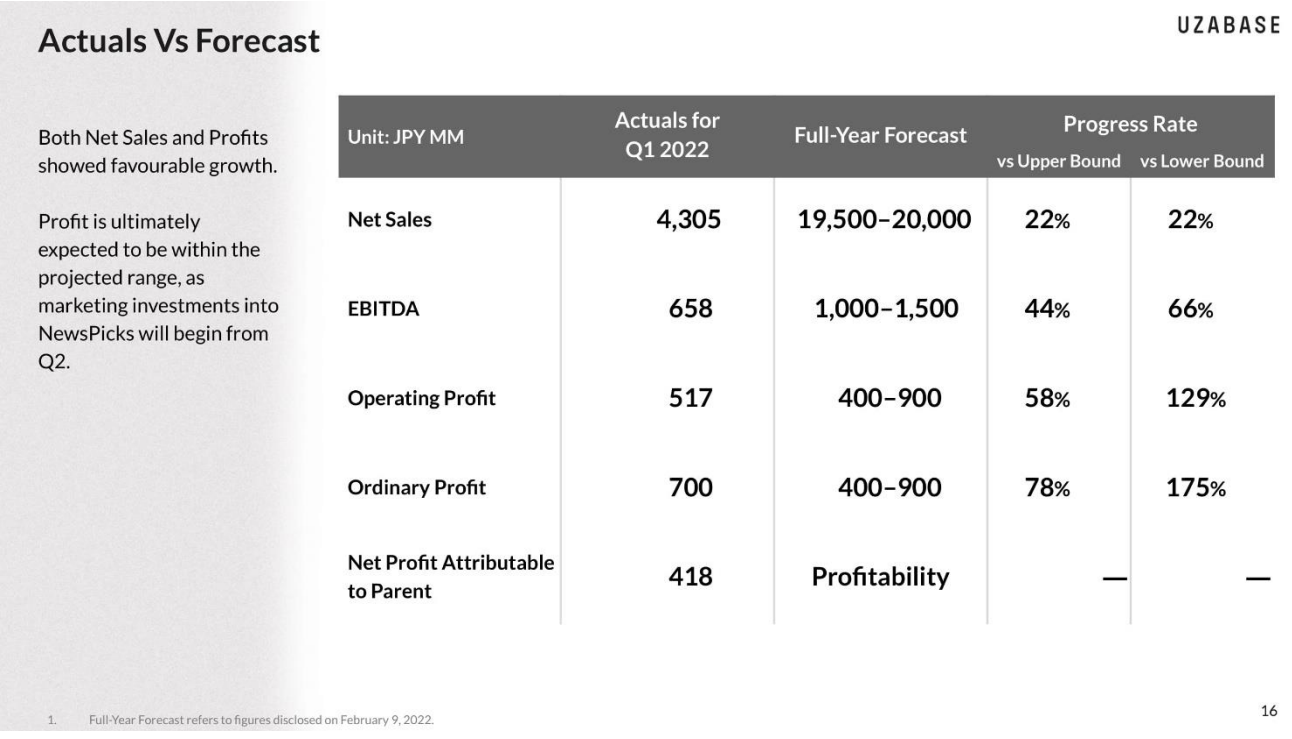
As for SaaS, net sales is 2.9 billion yen, up 26% YoY. EBITDA came out to be JPY499 million after investment in high growth businesses.

With regards to the NewsPicks business, we have withdrawn from NewsPicks GINZA as we made the announcement last year. At the same time, there were lower sales in the advertising and publishing business, and thus, net sales landed down 11% YoY at JPY1.4 billion. However, EBITDA was JPY178 million as a result of effective cost control.

Consolidated ARR was JPY12.95 billion, almost JPY13 billion, up 22% YoY. Altogether, consolidated sales were JPY4.3 billion, up 11% YoY; EBITDA was 650 million yen for an EBITDA margin of over 15%.



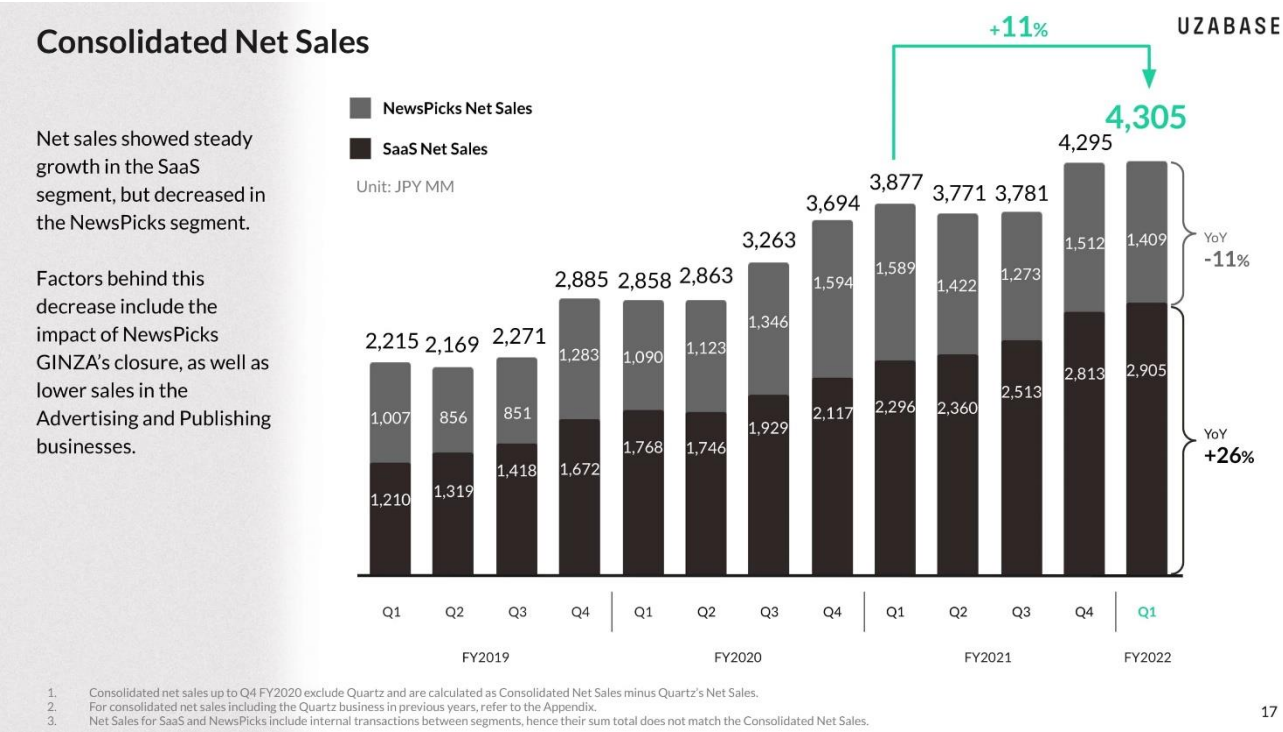
Next is ARR, our top priority KPI. You can see the trend here. As you see here, it's JPY13 billion in size now. Looking at FORCAS, AD/NP and INITIAL, all of those businesses are growing by over 40%, which very much are strong engines for the results.



Next, I'd like to talk about actual versus forecast. Our business model basically sees cumulative results. As you see, as in a typical financial year, you can see that our position as of now is quite smoothly on track.

EBITDA progress is more advanced than net sales progress. This is also typical of our business. As Sakuma mentioned, we are planning for large-scale marketing investments for NewsPicks from the second quarter. So

overall, we expect to land towards the plan that we have announced at the beginning of the fiscal year. We are on track in that sense as well.



Now let me talk about consolidated net sales.

I will repeat that regarding SaaS business, everything is moving smoothly. With regard to NewsPicks, there was a withdrawal in some parts of the business and decline in advertising and publishing sales. Group consolidated net sales is flat against the previous quarter and up 11% YoY.

Consolidated EBITDA

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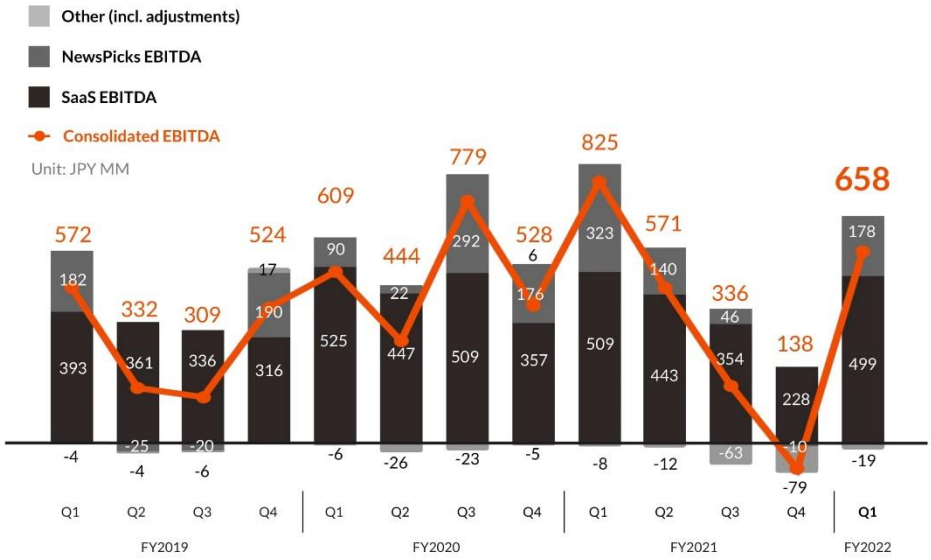
In accordance our Major Policies for 2022, investments were made into high-growth businesses in the SaaS segment, but profitability nevertheless rebounded significantly on a QoQ basis.



1. Consolidated EBITDA up to Q4 FY2020 excludes Quartz and is calculated as Consolidated EBITDA minus EBITDA for Quartz.
2. For consolidated EBITDA including the Quartz business in previous years, refer to the Appendix.
3. Other (incl. adjustments) refers to business segments outside of SaaS and NewsPicks, such as new businesses administered by Corporate, as well as SG&A costs related to the entire Uzabase Group and not attributable to any particular business, and eliminations of internal transactions.

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Looking at consolidated EBITDA, based upon the major policies that we have enacted, we will continue to invest in areas where we see strong growth potentials. Looking at EBITDA, you see it's down YoY but recovering from the previous quarter at 60 million yen.

As Sakuma explained earlier, we are generating profit while we make necessary investment based on our policy, and we believe everything is under control.

SaaS Segment: Q1 FY2022 Highlights

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Category		Q1 Summary	ARR (YoY Change)	Net Sales (YoY Change)	EBITDA (margin)
SaaS		• ARR, net sales, and profits growing as planned.	10,324MM (YoY+28%)	2,905MM (YoY+26%)	499MM (17.2%)
SPEEDA		• Maintaining stable growth rate and high profitability.	7,006MM (YoY+20%)	1,949MM (YoY+23%)	629MM (32.3%)
INITIAL		• High growth rate paired with increased profitability.	670MM (YoY+49%)	170MM (YoY+41%)	43MM (25.4%)
High-Growth Businesses Targeted for Investment	SPEEDA EXPERT RESEARCH	• Maintained high growth rate. Hiring also progressing steadily.	—	—	—
	FORCAS	• Maintained high growth rate. FORCAS Sales performing favorably.	1,838MM (YoY+43%)	454MM (YoY+42%)	-14MM (—)
	AD/NP	• Maintained high ARR growth rate. • Lower net sales growth due to seasonality effects on non-ARR sales, in line with forecasts.	749MM (YoY+51%)	329MM (YoY+16%)	-81MM (—)

1. Figures for SPEEDA include SPEEDA EXPERT RESEARCH.
2. EBITDA growth rate omitted for businesses with negative EBITDA reported in this quarter or the same quarter of the previous year.

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Now I would like to talk about the highlights for the SaaS business and NewsPicks business, respectively.

In the SaaS business segment, we have different products that we manage under our portfolio policy. First, we have two main categories: businesses with stable growth and high profitability, and those with high growth in the investment phase. You can each business's position in this diagram. SPEEDA and INITIAL are plotted as high profitability businesses, while SPEEDA Expert Research, FORCAS, and AD/NP are positioned as high growth investment businesses. FORCAS will be explained in detail by CEO Taguchi in the latter part of this presentation.

SaaS Business: Product Portfolio Management Policy

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We will develop a series of new businesses that leverage our core business intelligence assets to achieve sustained high growth and stable earnings as a SaaS business.

In FY2022, we will continue our selective investments into SPEEDA Expert Research, FORCAS, and AD/NP.

	Business Launch	High Growth Phase	Stable Growth Phase
Growth Rate Reference	**50%** or more	Around **40%**	Up to **30%**
Profitability Reference	**Still unprofitable or breaking even**	**0–20%**	**20–35%**
Business Strategy Field	SPEEDA Expert Research SPEEDA EDGE	INITIAL	SPEEDA (excl. Expert Research)
Customer Strategy Field	FORCAS		
Organizational Strategy Field	AD/NP		

1. "Growth Rate" refers to net sales growth rate; "Profitability" refers to EBITDA margin.

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This is the portfolio that we have strategically set forth and we are executing smoothly. You can refer to each detailed numbers on this page.

ARR

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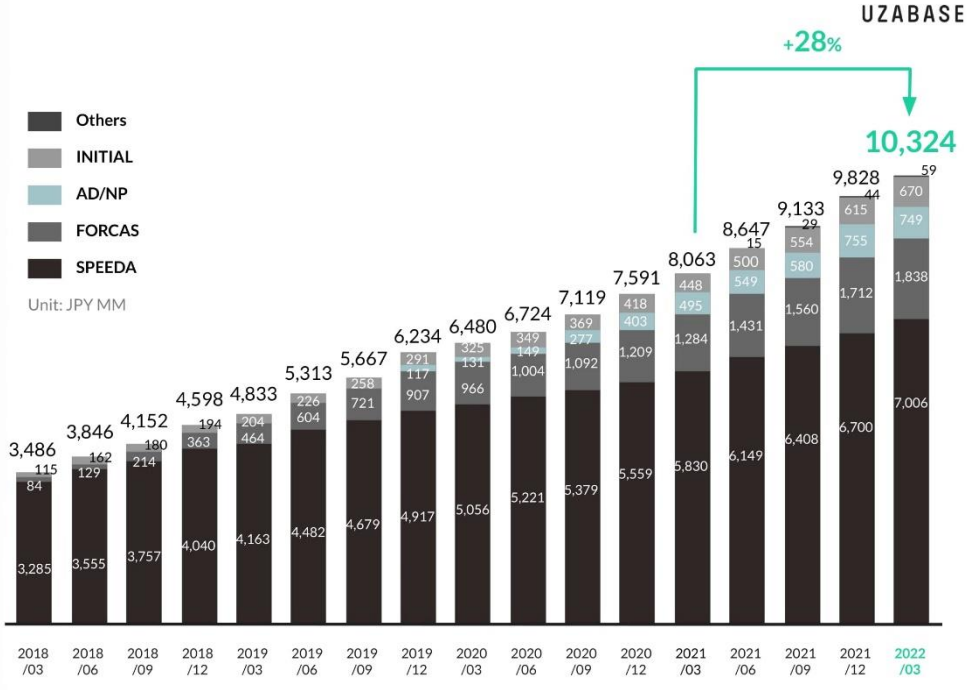
ARR in the SaaS segment increased by 28% YoY.

FORCAS, AD/NP, and INITIAL all maintained growth exceeding 40% YoY.



1. ARR (Annual Recurring Revenue) refers to the total amount of recurring revenue generated over a year, calculated as MRR (Monthly Recurring Revenue) multiplied by 12.

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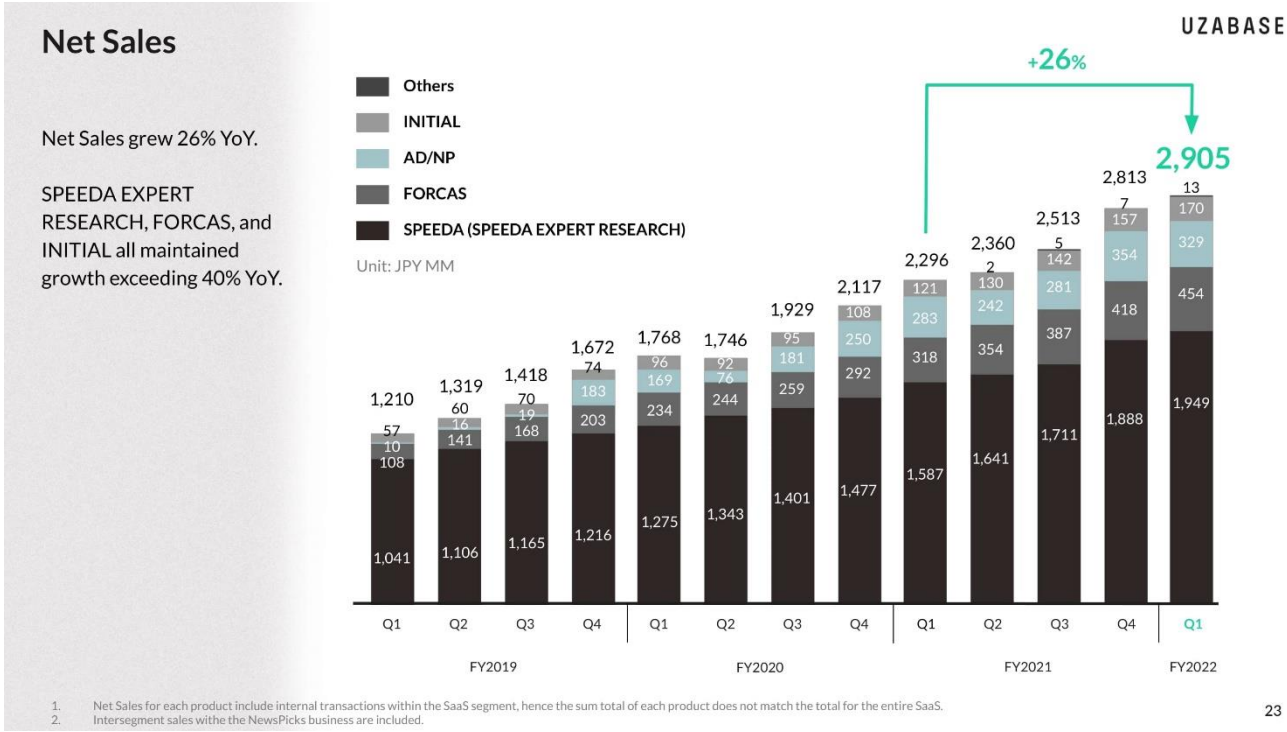
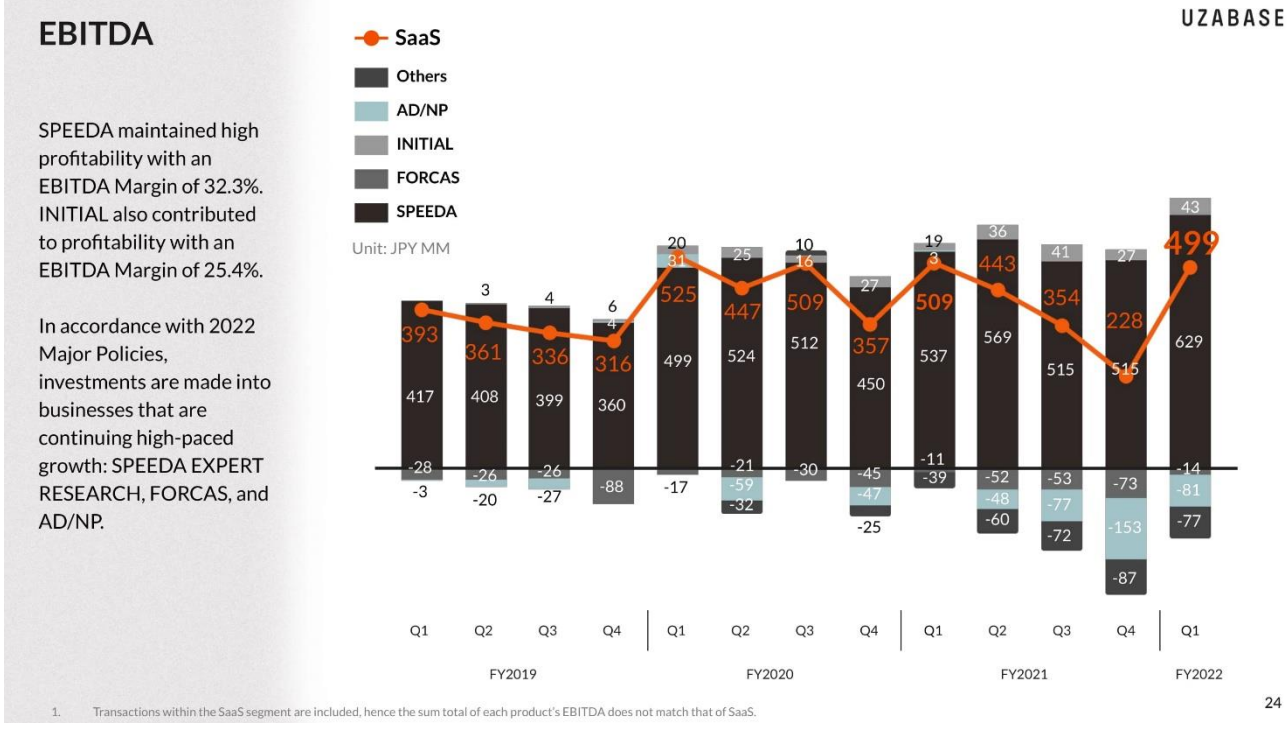
Now let me talk about the ARR. It's currently at JPY10.3 billion. The SaaS portion alone is expanding over the JPY10 billion mark. In addition to the high growth businesses FORCAS and AD/NP, INITIAL is already profitable while exerting 40% growth. All in all, ARR growth is quite smooth.



Looking at the next slide is net sales for SaaS business.

The difference between ARR and net sales is that there are some one-off sales included in net sales, such as initial payments at the start of a contract and consulting revenue. It was JPY2.9 billion, up 26% YoY.



Let me talk about EBITDA and the quarterly trend. You can see the businesses with figures above the threshold line are generating profit. SPEEDA and INITIAL are contributing to profits as we make investments in the three businesses shown below them. I'd like you to understand that they are well under control based on our portfolio policy.

NewsPicks Segment: Q1 FY2022 Highlights

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Business	Q1 Summary	ARR (YoY Change)	Net Sales (YoY Change)	EBITDA (margin)
NewsPicks	• Sales down on a YoY basis. • Factors behind the decline include lower sales in Advertising and Other businesses	2,668MM (YoY+4%)	1,409MM (YoY-11%)	178MM (12.7%)
Paid Subscriptions	• Due to the popularity of original programming (video content) and other factors, growth in paid subscriptions contributed to higher ARR.	2,668MM (YoY+4%)	611MM (YoY+5%)	—
Advertising	• Sales were down due to delays in hiring for the teams involved in video advertising sales and advertorial production. • Demand for advertising continued to be strong, and enhancement of team structure is expected to drive recovery in sales.	—	708MM (YoY-4%)	—
Other	• The Other business saw a significant decrease in sales due to the closure of NewsPicks GINZA and lower sales in the Publishing business (a bestseller published last year significantly boosted sales in Q1 2021).	—	88MM (YoY-67%)	—

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Up to here is SaaS. Now let me talk about Highlights for NewsPicks. This page is a summary of NewsPicks highlights. As we explained in the consolidated highlights, the withdrawal from GINZA venue and factors surrounding Publishing business has affected NewsPicks results. But when it comes to paid subscription, which directly leads to ARR, we have seen record-high level growth, which is the plus factor.

ARR

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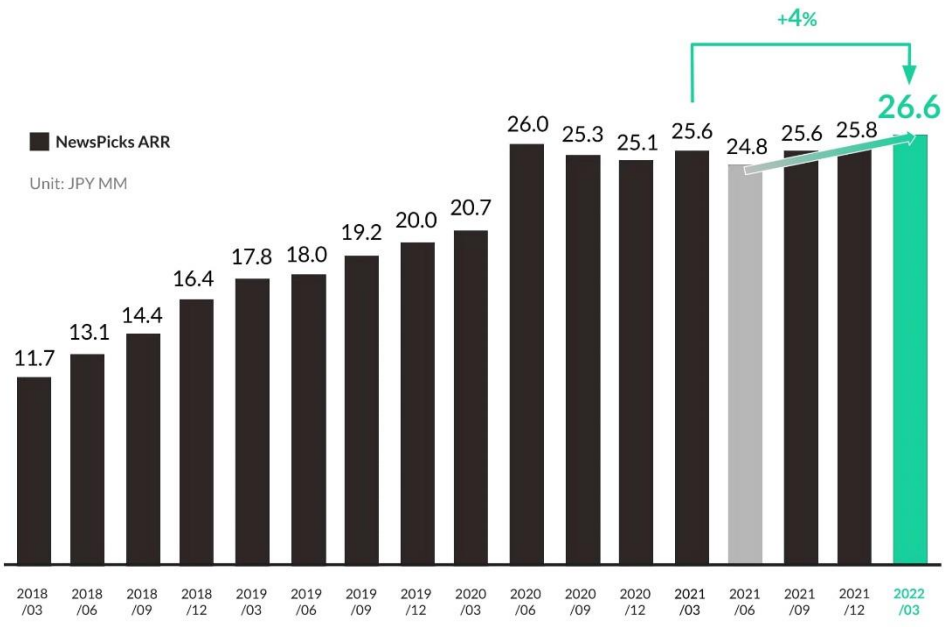
After bottoming out in Q2 of the last year (June 2021), ARR continued its net growth.

ARR has also recovered to 26.6 billion, thus exceeding the previous record set in 2Q 2020 (June) which at the time was driven by the surge in demand for quality business news following the declaration of the first State of Emergency in Japan.



1. ARR (Annual Recurring Revenue) refers to the total amount of recurring revenue generated over a year, calculated as MRR (Monthly Recurring Revenue) multiplied by 12.

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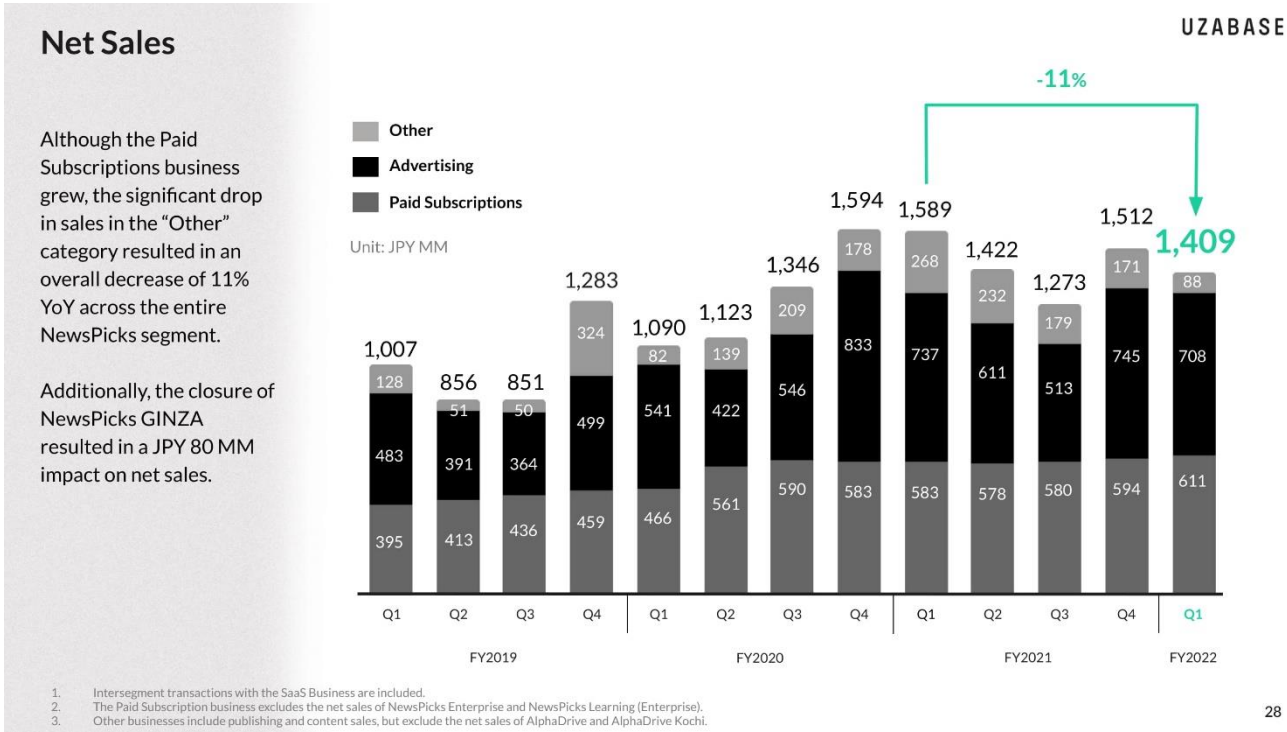
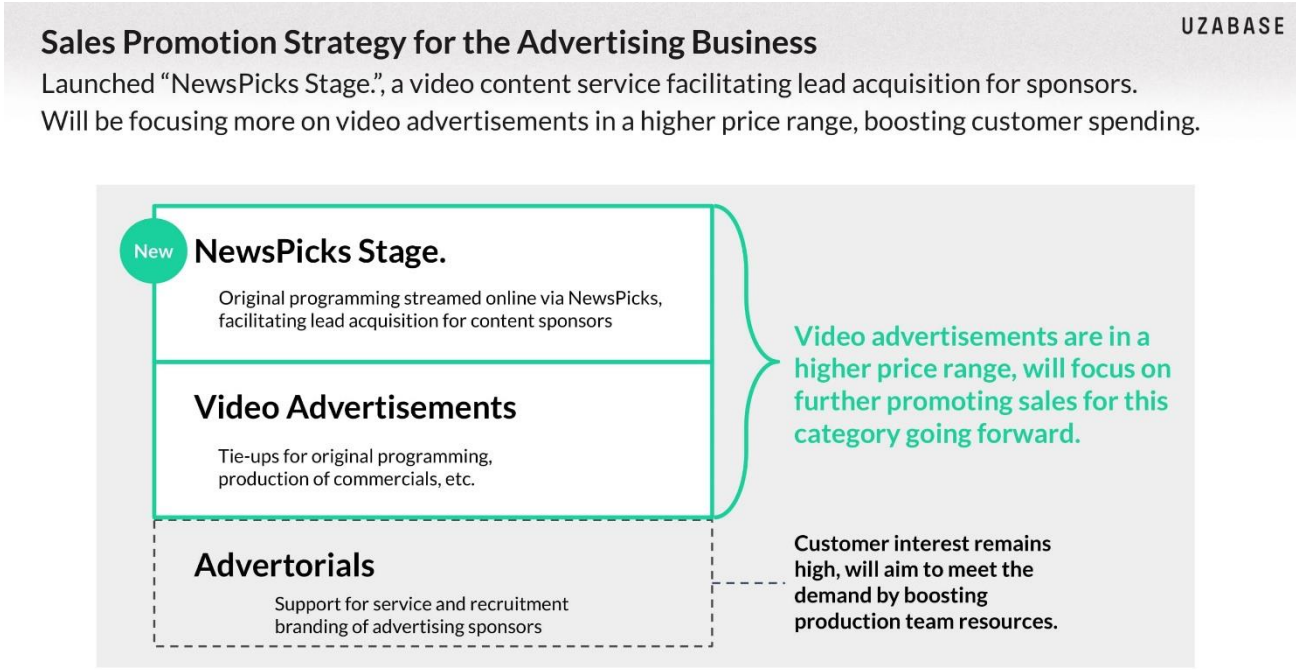
The next is ARR. During the time the first state of emergency was announced in Japan, which was June 2020, we captured a large audience. However, there was a gradual decline from there, which bottomed out in Q2 2021.

In this quarter, we have exceeded JPY26 million to achieve a record-high ARR, above the level we peaked at during the state of emergency.

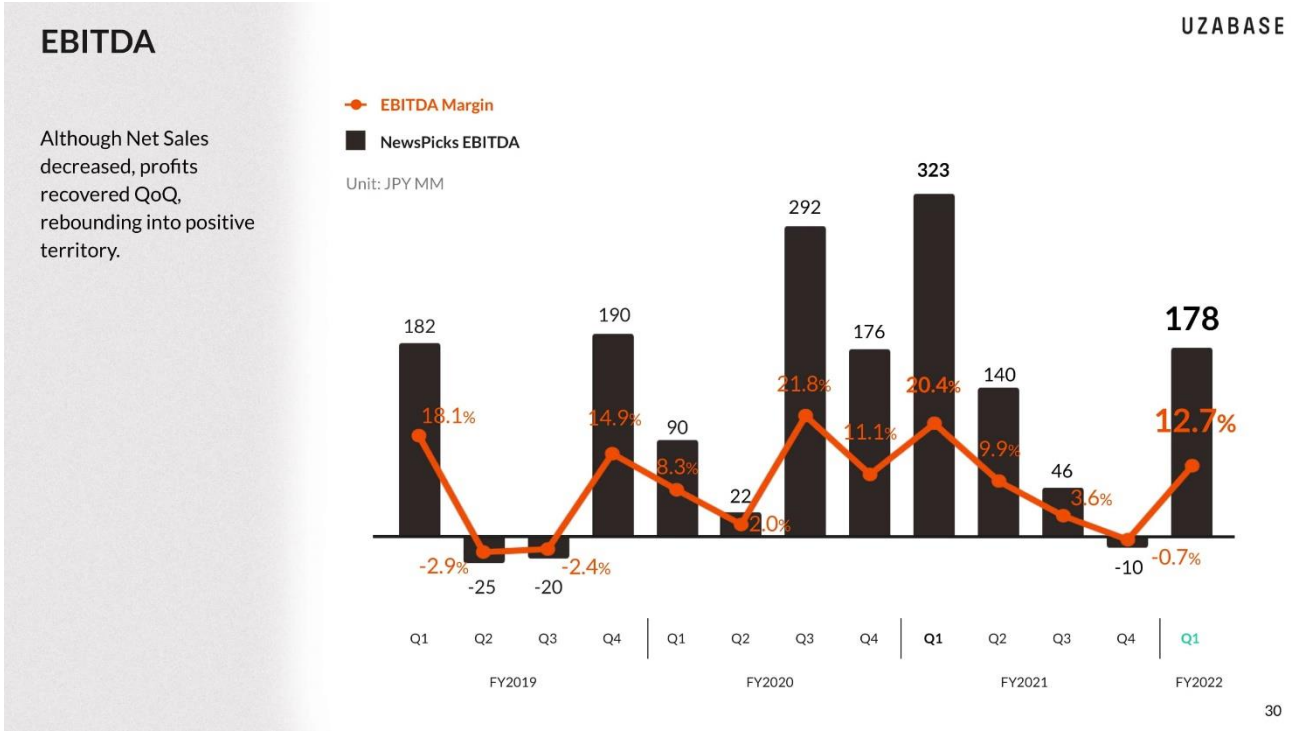


Next is net sales. The basis if paid subscription revenue, on top of which you see the advertising and other revenues, which are going through some ups and downs. The reason revenue growth turned negative was the decline in advertising and other revenues.

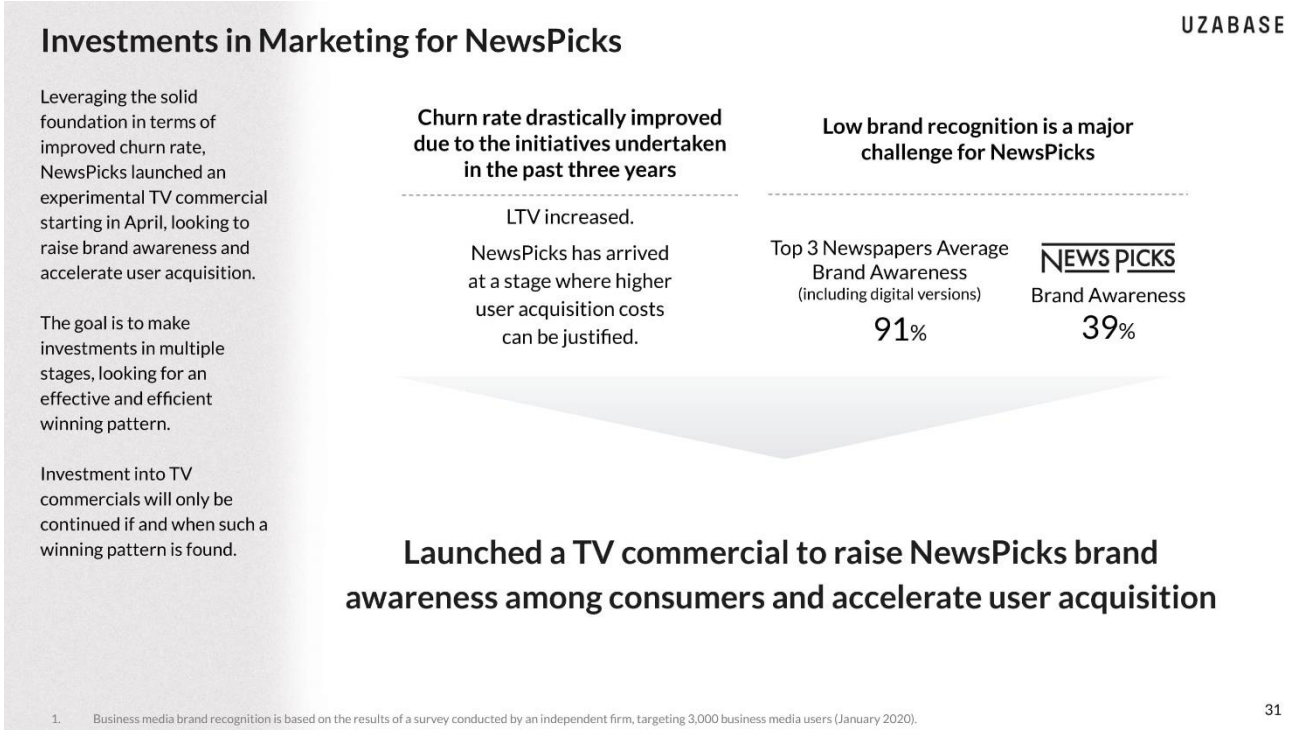


As to how we overcome this issue, please take a look at this page.

From Q3, we will be increasing our focus on video advertisements, which basically have high unit prices. We talked about the synergy earlier. On NewsPicks, we provide online video content. For the sponsors of such video content, we are offering video advertisement opportunities. This is a new engagement called NewsPicks Stage, and it's all done on the platform of NewsPicks. It's a new type of advertisement that we will be offering. We still continue to receive ample inquiries for article advertisement. We will manage these two formats to raise momentum for the advertising business from the third quarter.



The next slide is about EBITDA. As for NewsPicks, we manage our profit numbers over the full year. There are fluctuations as we made reinvestments in Q3 and Q4 from the highly profitable Q1 and Q2 last year. The first quarter landed positive, and we will manage the numbers with discipline regarding the marketing investments to be executed from Q2 this year.

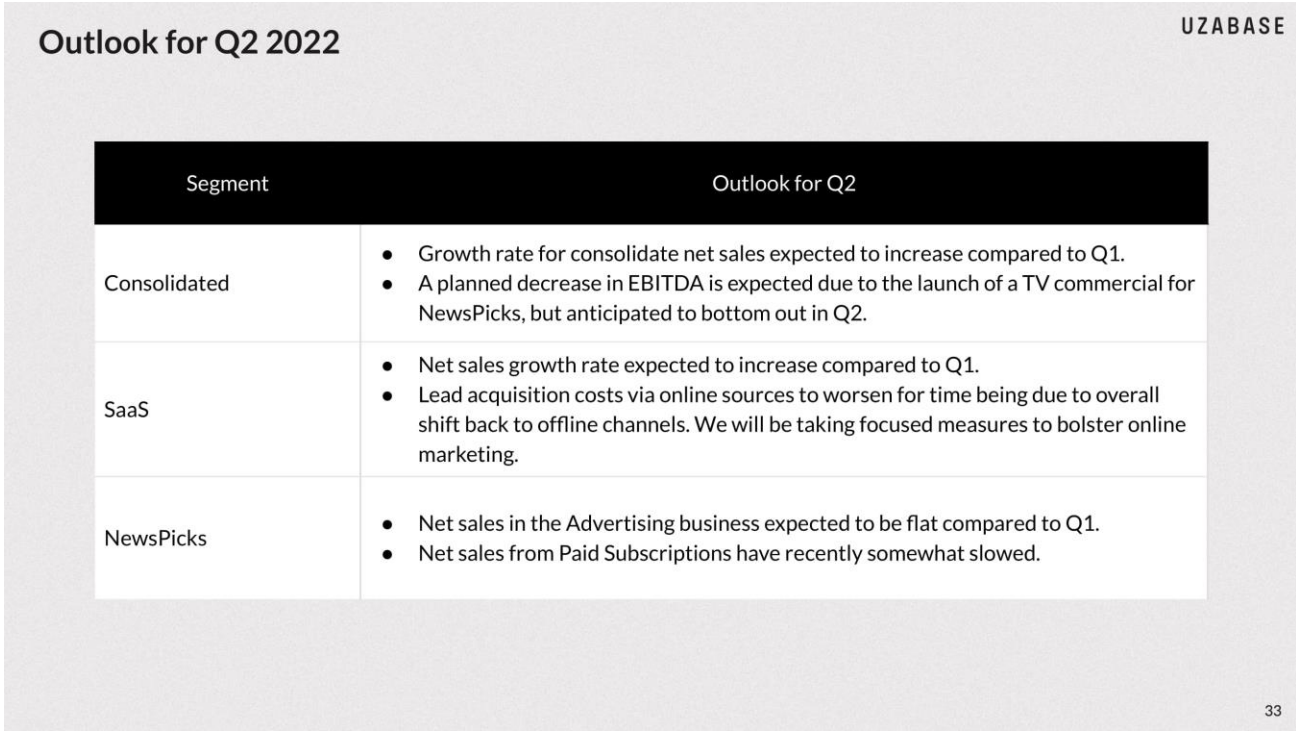


Lastly, I'd like to talk about investment in marketing for NewsPicks and what decisions we have made. From April 4, as Sakuma mentioned, we started broadcasting the TV commercial. This slide explains the background and reasons why we decided to do this.

We have done different engagements in the past in several years, and we have been able to lower the churn rate and increase LTV. Therefore, we are able to justify marketing methods that involve high acquisition costs considering the return on investment.

On the other hand, looking at NewsPicks, the low brand recognition is one of the issues that we need to tackle. We wanted to see a balance between LTV and CPA that supports measures to boost recognition, even at a certain cost. That's in the background of our decision to launch TV commercials.

Of course, the customer acquisition costs are assumptions, and we assume that unexpected outcomes might happen as we execute the plan. This is a process where we need to engage in PDCA and make sure that we analyze the reaction and then make any improvements as necessary. It will be done swiftly with a sense of discipline. I look forward to giving you the update of our measures in the financial briefing for Q2 results.



The next portion is the last section that I will be explaining, which is the outlook for the second quarter. In addition, we prepared an FAQ material that may answer some of your questions.

Q&A for Q1 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.

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Q&A for Q1 2022

UZABASE

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 advertising time 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?

Please refer to the slides that follow for a detailed answer.

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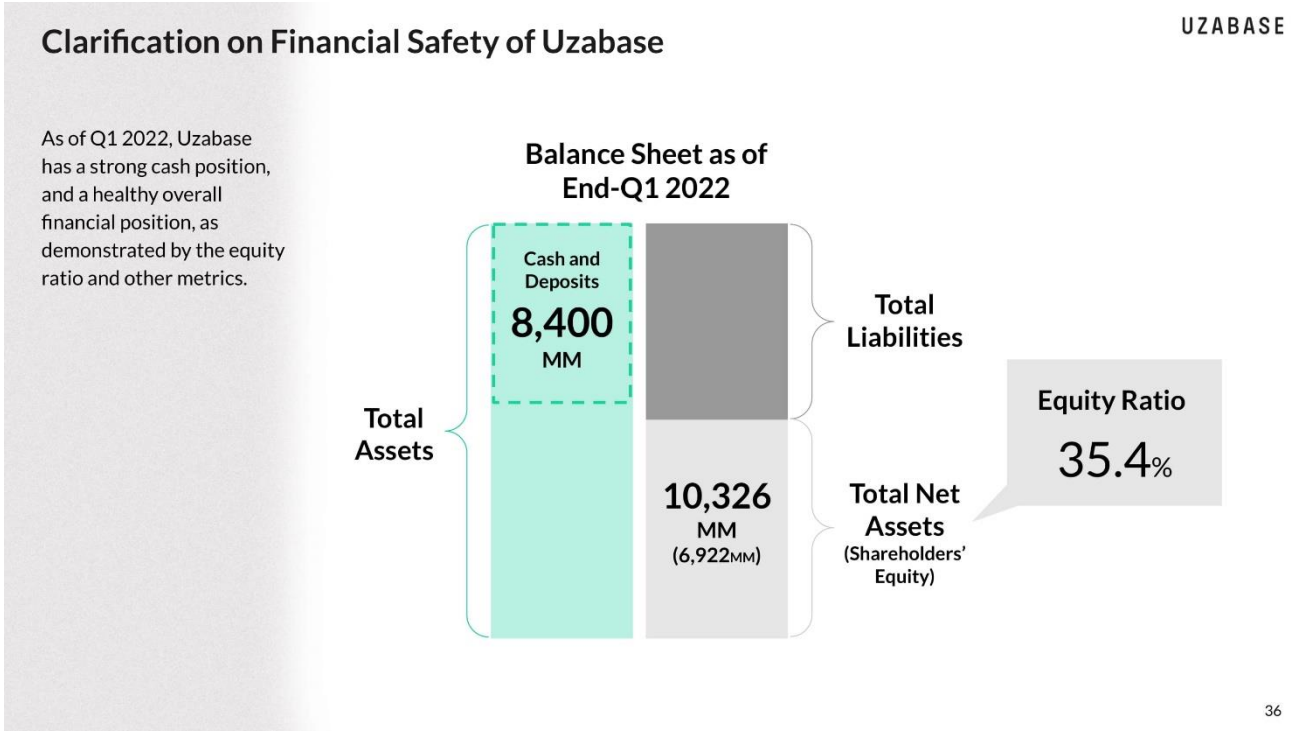
The Q2 outlook is described here. The growth rate of consolidated net sales is expected to increase from Q1. EBITDA is expected to decrease due to costs related to NewsPicks commercials.

Please refer to the slide for the main points regarding the SaaS and NewsPicks businesses.

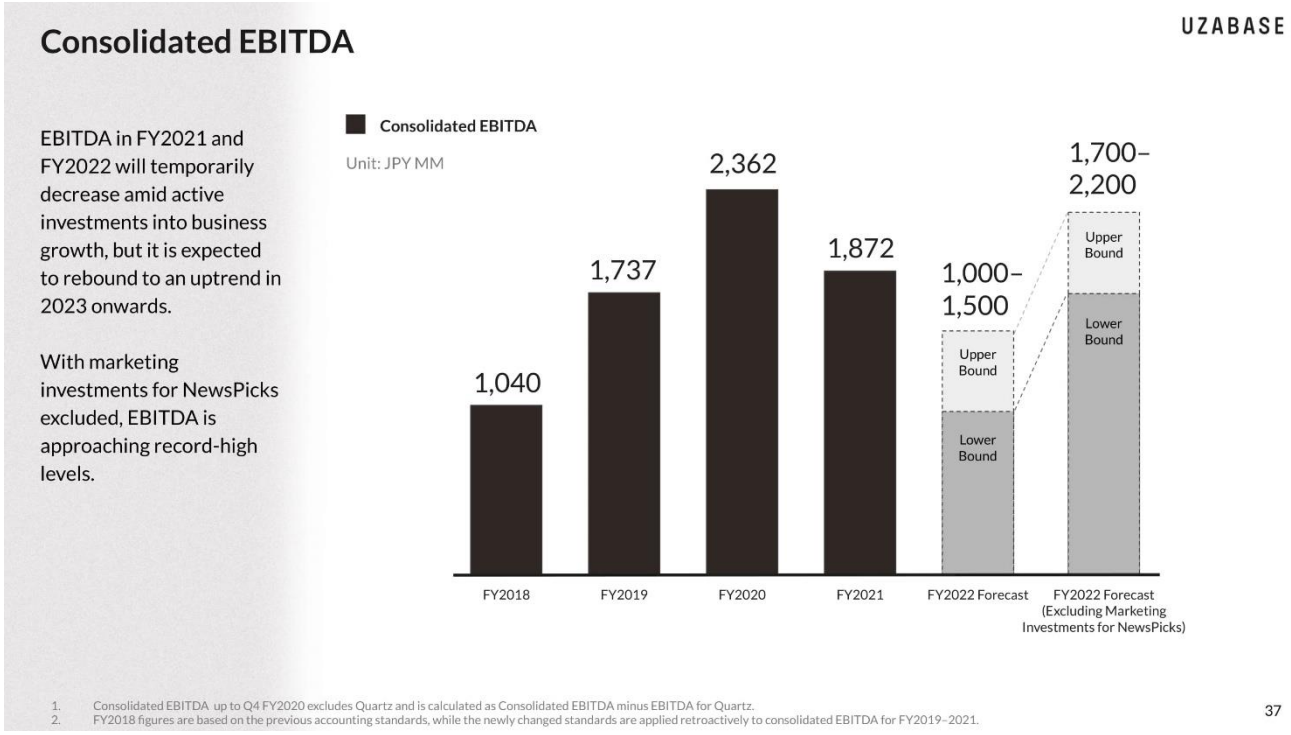


We have two slides that are dedicated to showing frequently asked questions and answers.

Lastly, about the financial stability of health of our company, we have prepared two more slides. In terms of the current situation, there has been a high volatility in the external environment.

Our top priority in the financial position is our cash position. As of the end of the first quarter, our group holds cash worth JPY8.4 billion. Given our business model and cash flow, we deem this a healthy level.

After withdrawing from the Quartz business, we have maintained the goodwill amount at JPY700 million and equity ratio of 35%. We do not recognize any serious issues in terms of our financial position.

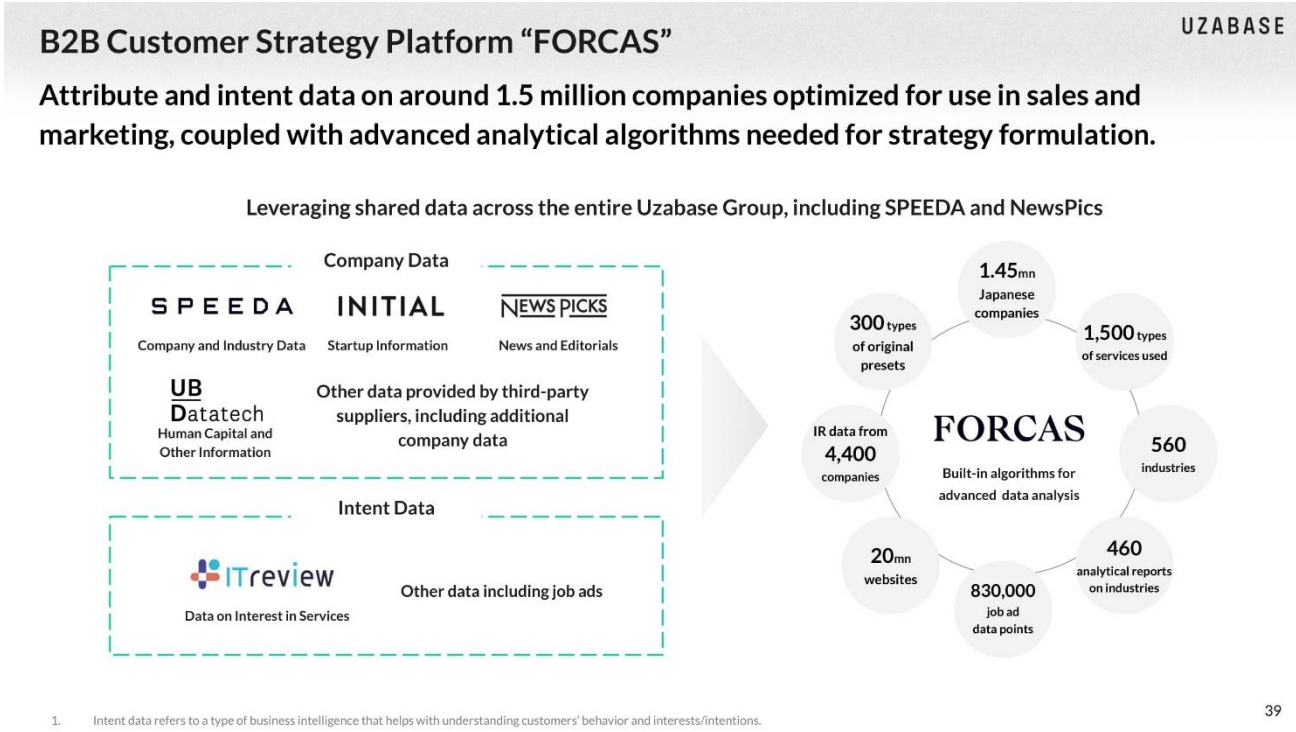


We have been also prioritizing the balance between top-line growth and profit. EBITDA has been generated in the range of around JPY2 billion.

For this year and the previous year, we have prioritized top-line growth. The profit level has been lower than JPY2 billion, but we are aiming to keep increasing the profit from next year onwards, for which we have a range of businesses that are highly and stably profitable. There is an elevated level of uncertainty in the environment, but we don't have any serious concerns regarding our financial stability.

Lastly, from Taguchi CEO of FORCAS, there will be a presentation about the FORCAS business.

Taguchi: Nice to meet you. This is Taguchi, CEO of FORCAS. I joined Uzabase in 2016. For one year, I worked in SPEEDA Sales before becoming one of the founding members of FORCAS and launching the team to drive sales. From last April, I am serving as CEO of the FORCAS business.



Today, I would like to talk about how the FORCAS business serves what kind of customers and what kind of value it provides, which are shown from the next slide.

FORCAS is a product that has the vision of spreading co-creation with our customers. This is a customer strategy platform, and the core asset of FORCAS, which is the database, is detailed in this slide. After explaining about this, I would like to explain what kind of values that we are providing through this data.

FORCAS covers data of about 1.5 million companies optimized for sales and marketing. It also contains what is called intent data, which provides insights like customer behavior that can help users identify customer needs.

Corporate data is shared with other products of the Uzabase Group, including SPEEDA, INITIAL, and NewsPicks, as Sakuma mentioned earlier.

On top of that, for sales and marketing, there are necessary or optimal data or services that we connect with through our partnerships in order to create a robust database.

In addition to this, FORCAS is unique in having coverage of intent data, which shows customer behavior that provides insight into their needs.

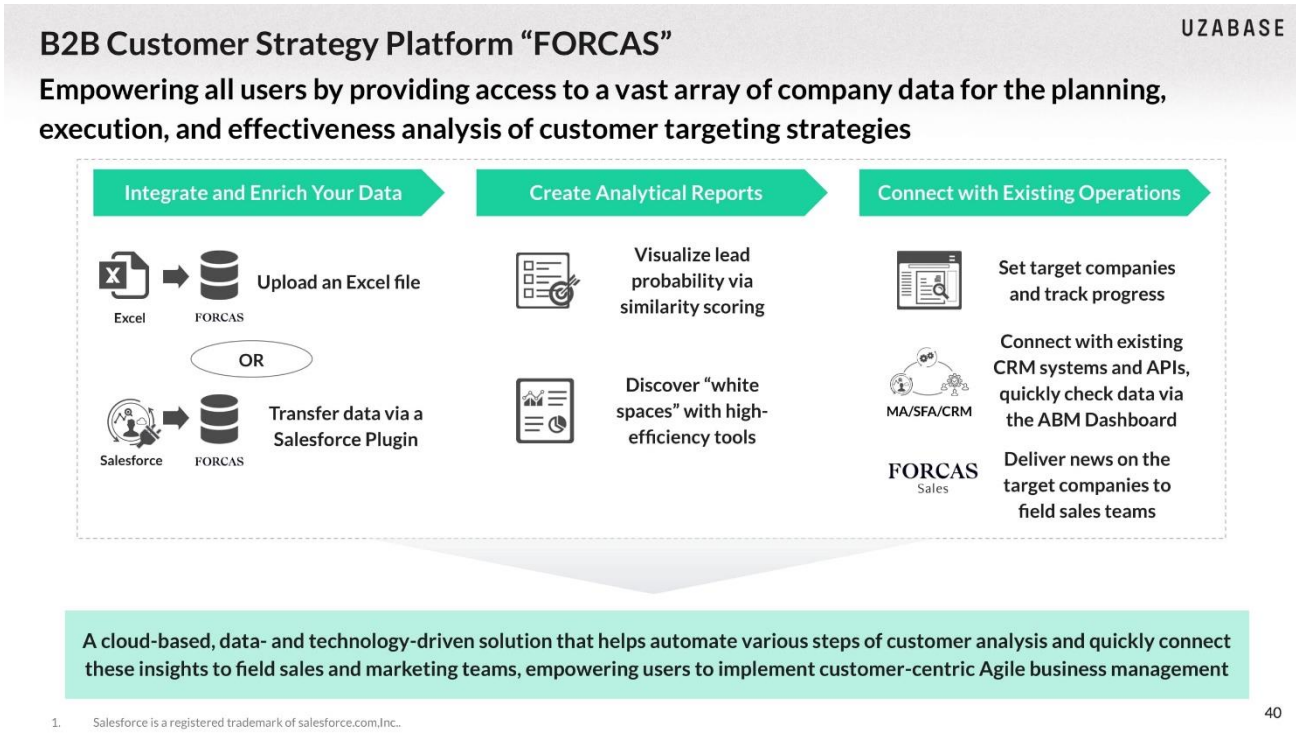
Among intent data in particular, for example we have recruitment information. For example, if a company is very active in hiring new graduates or looking for sales personnel. We have the policy of further strengthening this kind of data, and we have a new partnership with ITreview, which was announced in March this year. This is a corporate service reviewing platform provided by ITcrowd.

By doing this, users become able to utilize the intent data from ITreview in setting customer strategies and enhancing targeting activities. For example, with certain services like Salesforce, you can search if there are people in certain companies that are searching about Salesforce on ITreview, and you can use that information in your own targeting.

Essentially, this means FORCAS will tell you which companies are interested in which kind of services. This is extremely important insight when setting a customer strategy. This function is currently under development, and we are probably able to finalize the development by the end of June.

Once this update is done, for example, you can see the companies that are highly interested in Salesforce in the past six months, and you can further narrow down to factors like “achieving high growth in the real estate industry and actively hiring.” You can very easily identify such a company with those characteristics in FORCAS.

FORCAS is optimized for sales and marketing, and it has a highly advanced and broad database, which is one of the largest in Japan. And on top of this, this huge amount of data can be easily utilized in your workflow. To do this, we have differential technologies and algorithms that will help usability. That is another uniqueness of FORCAS.



This slide shows how you can utilize FORCAS in your process. Using FORCAS, you can identify the characteristics of your current customer companies, and then you can make that the basis of your targeting strategy. FORCAS will strongly support that process from planning and execution to measuring outcomes. I'd like to elaborate on this provides value in the working process.

First, a company analyzes customers, but this is possible only through integrated and consistent customer data. For example, if there is a company who took your order, if you had negotiations with them, or if they had an inquiry, that kind of information can be put together and integrated.

But especially for companies in Japan, there are different ways of writing a company name, so the names are not consistent across your data set. But in order to integrate that information, it typically involves very labor-intensive and troublesome work.

This is not the only step before highly advanced analysis becomes possible. You have to connect this data to information about the companies’ characteristics. You have to prepare those features or maybe purchase them from a service provider. Also, you have to link them case by case. That is another load of work. But if you use FORCAS, this kind of work is very highly automated.

For example, if a company has an Excel file to manage their orders or negotiations, it can be uploaded via drag & drop into FORCAS, and FORCAS algorithm integrates that data. Once the data is integrated, the optimized data of different companies can be all connected to your existing data.

For Salesforce users, we provide Salesforce Plug-in. Only two clicks are needed to send Salesforce information into FORCAS. And then, you can use FORCAS algorithm to integrate the data and also automatically identify certain characteristics of the companies.

As the next step, there will be the analysis of the customer companies. In this phase, FORCAS has the technology called analytic algorithm that enables analysis without troublesome Excel work or high analytics literacy. By combining your data with the vast amount of data contained in FORCAS, you can quickly make an analysis very easily, and you can see the trends and common features of companies and what kind of companies share those trends and are worth targeting.

For example, you can identify the industries and segments where you tend to succeed in taking orders. Also, you can automatically find white spaces: the segments where you haven't really reached out but have potential to succeed in having business.

In the workplace process, we provide UI that enables speedy access. For example, you can just click and set a target company out of the 1.5 million companies FORCAS covers, and you can see the progress that your company is making towards them.

Also, through API integration with marketing automation tools and CRM systems, you can send certain e-mails to your target companies, or you can set a priority for your target companies to make calls and arrange meetings. You can do that very speedily.

And also, we provide a function called the ABM Dashboard. Without complicated settings, you will be able to make detailed analysis of your measures towards your target companies.

Two years ago, we released FORCAS Sales, which is specifically for sales activities. If you use this alongside FORCAS, you can also be updated real time on your target customers' information and news when you're out in the field and doing sales activities.

Based on customer data, users will be able to identify their customers' trends and what kind of companies should be targets. And then, you can create a positive cycle where you plan your strategy, execute them, and make improvements based on the outcomes.

The workflow will be improved and streamlined in this way. This enables different divisions to take highly efficient and effective business actions, which materializes in the value of driving business growth and assisting agile management.



This is a customer news case. At Fujitsu Japan, FORCAS is being used in the sales strategy division. The users are people who stand in between and connect management and sales teams.

Fujitsu Japan has been engaging in digital marketing, but the major policy was to take a large volume of measures and try to capture as many inquiries as possible to lead to sales activities.

But considering future growth, they were thinking that they have to reconsider their stance of focusing on quantity. They were thinking of a need for using data and technology that will set a more efficient way of marketing. And they were looking for a tool that can support this, and they chose FORCAS as a result.

After actual use, they have said that they were able to identify new markets and leads in a data-driven manner. And the sales and marketing teams are able to collaborate to target new leads. Essentially, FORCAS is helping the sales and marketing process to be further digitalized.

As is the case with Fujitsu Japan, we are seeing an increasing number of companies that are using FORCAS to drive digital transformation of sales and marketing. But we are also seeing a new movement from last year.

We are seeing an increasing number of service development, product development, customer success, and management strategy divisions also using FORCAS.

We would like to capture the needs of those customers as well so that we can further drive customer-oriented agile management.

Question & Answer

Q1. The management policy seems to be abruptly changing from around last year. You were saying that overall top-line growth of 30% was your target up to last quarter, but is it correct to understand that the 30% growth target is now limited to the SaaS business?"

Sakuma: Our policy has not been changed at all. The co-CEO structure with Inagaki and myself has been adopted from the beginning of last year. At that time, we committed to 30% growth over the long term. This year, our outlook is a range between JPY19.5 billion to JPY20 billion. This does not reach 30%, but we maintain the target of top-line overall growth of 30% by 2025. So that has not changed.

Q2: "External Director Umeda seems to be reducing his stake in the company. Is that because there is a lower expectation for growth?"

Sakuma: This is about personal decisions, so it's difficult for me to answer, but I'm not aware of any recent reduction in his stake, so this must be about what was happening some time ago.

Umeda remains fully committed to the management of Uzabase as part-time director. He has participated in the Board Meeting preceding this financial results briefing. At the Meeting, we have discussed with Umeda at length about this time's results and strategies going forward. I personally do not think that Umeda's expectation is wavering in any way regarding the growth potential of Uzabase.

Q3: In the Q2 outlook, it's concerning that you mentioned that businesses are shifting offline and lead acquisition ratio is declining for SaaS. Is this a clear trend happening over the industry? And does this impact growth and profitability of your SaaS business going forward?"

Sakuma: This might be just a general view, but online marketing on a macro basis has been worsening largely from last year. With stricter regulation of user tracking on iOS for increased privacy protection, it is becoming difficult to optimize algorithms on Google and Facebook.

For B2B in particular, we believe online marketing efficiency is being impacted by the shift to offline measures.

That said, during the pandemic when we became completely unable to engage in offline marketing, we quickly shifted to online marketing to keep increasing sales. This time, there is not only offline shift, but the global macro environment has been largely disrupted, and it's extremely difficult to look into the future, but we are in a position to speedily adapt to these changes to generate growth.

Q4: Please tell us the reason why AD/NP ARR is not showing growth QoQ.

Sakuma: AlphaDrive/NewsPicks operates a service with high unit prices targeting large enterprises. Its service provides comprehensive support for large companies to drive new business development and organizational reform. This means that it caters to a relatively small number of companies, and the unit price is high. And the majority of those large enterprises end their fiscal years in March.

As a result, we see a kind of cyclical seasonality in which churn tends to happen at the end of March, and new customers tend to come onboard in April, although it can also be in December or other months. We already have visibility for April results, and looking March and April performance together, we are well on track to keep growing.

Q5: About the NewsPicks Advertising business, in the second half of 2020 and first half of 2021, you were seeing high growth, but you weren't mentioning the risk of the shortage of capacity hindering growth. Can you explain about the difference from that time?

Sakuma: This is a bit complicated, but at this timing last year, we received a very large order for video advertising, and that was the main source of advertising revenue for that period. That order was dropped this year, and we are filling that gap with new advertising including article-type advertisements. Therefore we have a different approach towards capacity as the weight of video has decreased temporarily as we increased the weight for articles.

Q6: Given the fact that technology advances very quickly, I understand that you need to hire capable personnel. But since this results in higher labor costs, I don't think the business model often explained for SaaS businesses, where you're supposed to keep growing profit once you get over the breakeven point, makes logical sense. An increase in expenses would push up your breakeven pint, so it doesn't seem possible that you just keep growing profits.

Sakuma: I think the simple answer is what we are doing with SPEEDA, which has over 30% in EBITDA margin. As Chiba explained, we have the SaaS portfolio management policy, where profitability of the business is expected to become higher as the product matures and growth slows to a stable level. The validity of this is proven by the performance of SPEEDA.

Moreover, our businesses center on SaaS products that share the corporate database with SPEEDA. So we are able to increase profits through the same structure. As for this quarter's performance, the SaaS business had an EBITDA margin of 17%, topline growth of 26%, and ARR growth of 28%, which exceeds the Rule of 40 (*) threshold. We do believe that we can maintain growth as we keep increasing profits.

*Rule of 40: The theory that a SaaS business is performing well if its topline growth rate and EBITDA margin add up to over 40%.

Q7: In the beginning, you mentioned stable management, but this seems to have a different impression from your commitment to 30% growth. I believe that you will aim for both stable management and 30% growth, but I think larger returns are the result of taking bigger risks. I would like to know more about how you maintain that balance.

Sakuma: I think this overlaps with my answer to the first question. We continue committed to achieving 30% top-line growth. But stable management is the basis for us to aim for high growth.

Currently, there is a lot of disruption in the macro environment, so a stable and lean financial structure is necessary so that whatever the global situation, we will remain capable of delivering value to our customers while generating profits. Because of this increased disruption and uncertainty, I think the importance of stability has increased. We will be watching economic trends and especially the trends of our customers closely to inform our businesses decisions.

Q8: With regard to overall EBITDA, if you were to achieve increase from next fiscal year, what would be the changes of the environment compared to the fiscal year ending December 2022? As you required upfront investment so far, wouldn't you need new investments in the coming year? What would be your margin target and milestones towards next fiscal year?

Sakuma: In Uzabase's long-term strategy, our target EBITDA margin is 15% by 2025.

In terms of difference between this fiscal year and next fiscal year, we are making investments in NewsPicks' TV Commercial. We will take disciplined steps in investing and determining the outcome before deciding

whether or not to continue. Even when we find a successful pattern that we should continue investing in, our policy for NewsPicks is to generate profits in the next fiscal year onwards.

As I mentioned earlier, the SaaS business had an EBITDA margin of 17% in the first quarter. Regarding NewsPicks, we will make sure to be profitable next fiscal year. That constructs the idea for the EBIDTA of next fiscal year.

Q9: Regarding FORCAS, marketing tools like this seem to be easier for the customer to cancel or switch to another service. So, the switching costs doesn't seem to be high. But if this does not apply for FORCAS, please tell me the reason.

Taguchi: I agree that for marketing tools in general, the churn rates tend to be relatively high. But in terms of the reason that doesn't apply to FORCAS, I think this question is whether we are a must-have tool for our customers.

There are two factors. The first is that FORCAS is typically used in combination with other systems in our customers' business flow. Therefore it is deeply intertwined with the customers' work process.

The other factor is the high demand for labor-intensive and manual kind of work, such as integrating company names and attaching related data, to be solved by technology. Such workloads of the customers can be replaced by FORCAS, and that is regarded as a high value and benefit. I believe that drives up the switching cost, or lowers the churn rate or becomes a reason that this tool is compelling enough for the customer to keep using.

Sakuma: I'd like to add a comment. Since FORCAS is a marketing service, providing real value such as an increase in sales as a result of using FORCAS is the best way to raise the switching cost or reduce the risk of churning.

Q10: You said that revenue of NewsPicks decreased as a result of delay in hiring. How do you plan to resolve this?"

Sakuma: We're already into the second quarter, and some positions in the NewsPicks advertising business have been filled already. But the same time, it takes time for use to ensure high quality in articles and video contents, as well as sales people capable of delivering solid value to the customers. As Chiba explained regarding the outlook for the second quarter, as for NewsPicks, this recovery is still yet to come in terms of some of the gaps that we still have in terms of staff members and capable production people, and advertising revenue is expected to be at the same level as in Q1.

We are proceeding with hiring, and hope to see the positive impacts in the third and fourth quarters.

Moderator: Thank you very much for so many questions. I would like to now announce the closure of this financial results briefing for the first quarter of 2022 for Uzabase. Thank you very much for your participation.

[END]

Document Notes

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