

Uzabase (3966)

Fiscal Year (Consolidated)		Sales	OP	RP	NP	EPS	DPS	BPS
(Million Yen)						(Yen)	(Yen)	(Yen)
FY12/2014		1,122	(395)	(395)	(397)	(64.9)	0.0	(25.1)
FY12/2015		1,915	(332)	(338)	110	17.1	0.0	44.7
FY12/2016CoE		3,045	153	117	83	12.6	0.0	-
FY12/2015	YoY	70.5%	-	-	-	-	-	-
FY12/2016CoE	YoY	59.0%	-	-	(24.3%)	-	-	-
Q1 to Q3 (Consolidated)		Sales	OP	RP	NP	EPS	DPS	BPS
(Million Yen)						(Yen)	(Yen)	(Yen)
Q1 to Q3 FY12/2015		1,280	(300)	-	-	-	-	-
Q1 to Q3 FY12/2016		2,178	237	213	181	-	-	-
Q1 to Q3 FY12/2016	YoY	71%	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (14 December 2016)

Business Intelligence to Change Your World

Uzabase, advocating “Business Intelligence to Change Your World”, is to see long-term growth by means of creating new added value with its economic data & information services. Since the release in May 2009, SPEEDA has been adopted by collectively more than 500 institutions with 1,451 IDs based on contract concluded (1,305 in Japan and 146 overseas) as of the end of September 2016. Compared with Bloomberg, etc., this is more competitive in terms of economic data & information associated with Japan and Asia, while offering relatively superior features in terms of a) usability, b) industry-wise analysis, c) consulting services, etc. Meanwhile, this has been adopted mainly by financial-related institutions, consulting firms and accounting firms in the current mainstay market in Japan and there remains huge room to cultivate market in regards to general business firms going forward. On the overseas side, the Company has started with market cultivation in Asia, while just starting with the behemoth market in North America and Europe.


On top of SPEEDA, the Company released NewsPicks in July 2013. DAU (Daily Active User) stood at 510,539 and dues-paying member 26,255 as of the end of September 2016. This is unprecedented news media run by the Company to offer business information, etc. mainly for high-end business person in their thirties or around. Sales are booked by collecting fees from dues-paying member and by gaining ads revenue as operator of Internet media with strengths on business information.

Going forward, the Company is to steadily accumulate stock income on the SPEEDA side, while sales could rise even faster on the NewsPicks side. Meanwhile, the former carries marginal profit ratio of some 85% and 80% for the latter as far as we could see. Thus, operating profit/loss as a whole for the Company is determined by sales, sales mix and extent of expenses stemming from frontloaded investment to a large extent. In Q1 to Q3 FY12/2016, the Company saw operating profit margin of 10.9%, while suggesting future target of more than 30% after the period of frontloaded investment.

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2.0 Company Profile

SPEEDA and NewsPicks

Company Name	Uzabase, Inc. Company Website IR Information (Japanese only) Share Price 
Established	1 April 2008
Listing	21 October 2016: Tokyo Stock Exchange Mothers (Ticker: 3966)
Capital	¥2,560m (As of the end of November 2016)
No. of Shares	6,541,707 shares (As of the end of September 2016)
Main Features	<ul style="list-style-type: none"> ● Running operations to create new added value with economic data & information services domestically in Japan and overseas ● Combining technology innovation with human ingenuity to organize and analyze extensive business information ● Improving productivity and unleashing creativity for business person
Businesses	<ul style="list-style-type: none"> . SPEEDA Business (BtoB) . NewsPicks Business (BtoC)
Top Management	Co-CEO Ryosuke Niino and Yusuke Umeda
Shareholders	Ryosuke Niino 26.2%, Yusuke Umeda 26.2%, Yusuke Inagaki 9.1% (As of the end of June 2016)
Headquarters	Shibuya-ku, Tokyo, JAPAN
No. of Employees	Consolidated: 178 (As of the end of August 2016)

Source: Company Data

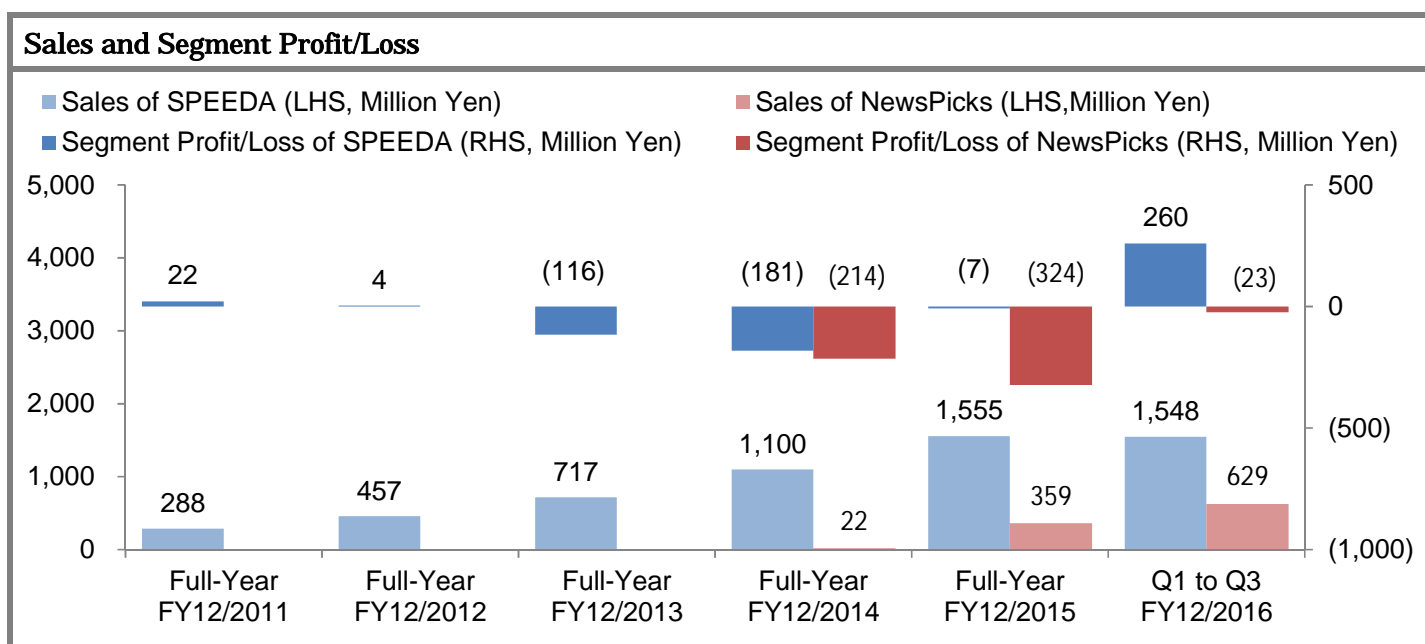
3.0 Recent Trading & Prospects

Q1 to Q3 FY12/2016 Results

In Q1 to Q3 FY12/2016, sales came in at ¥2,178m (up 71% YoY), operating profit ¥237m (versus operating loss of ¥300m during the same period in the previous year) and operating profit margin 10.9% (up 34.3% points). It appears that fixed cost has been more than compensated for by surging sales so successfully. Meanwhile, out of full-year Company forecasts, the Company has achieved 72% in sales and 155% for operating profit.

Superficially, recent trading looks rather weak in terms of sales, but sales are in line according to the Company. For example, progress rate of sales during the same period in the previous year's results was 67%, implying that sales of the Company are increasing fast on a quarter on quarter basis.

Meanwhile, progress rate of more than 100% for operating profit is due mainly to expenses stemming from frontloaded investment having been temporarily below assumption of Company forecasts. Said expenses to drive future growth for the Company could be booked intensively in Q4, according to the Company, comprising "those of new recruitment (ads and fees) to beef up own human resources, of investment in existing human resources in the form of wages, of data procurement (to have fallen short of assumption of Company forecasts as of the end of Q3) and of ads to promote sales". Thus, the Company mentions, "We have not revised up our Company forecasts at this point".



Source: Company Data

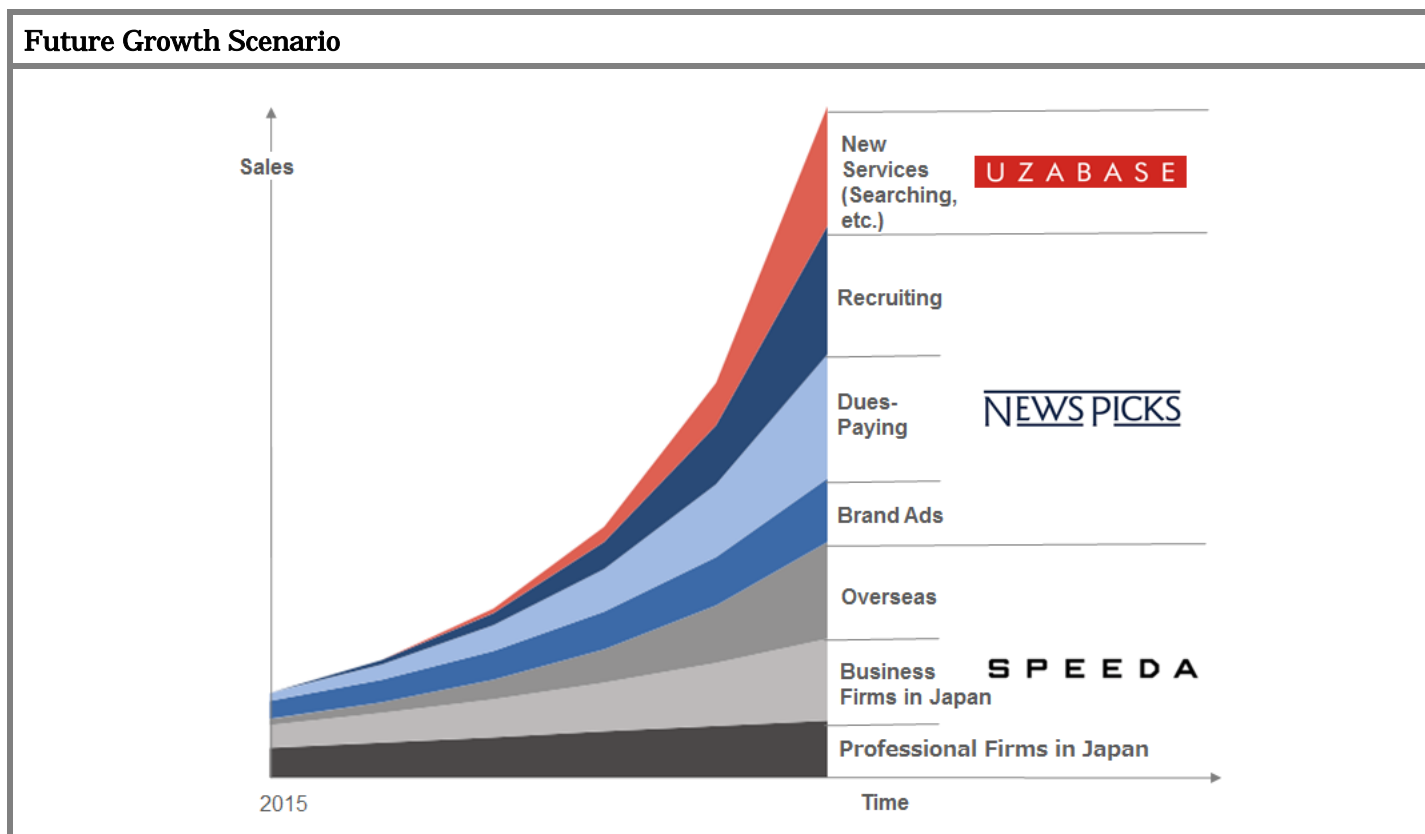
By business segment, the Company saw sales of ¥1,548m (up 41%), segment profit ¥260m and segment profit margin of 16.8% on the SPEEDA side in Q1 to Q3, while sales of ¥629m (up 3.5 times), segment loss of ¥23m and segment profit margin of negative 3.7% for NewsPicks.

On the BtoC side (information of individuals, etc.) represented by Facebook, Twitter, etc., new added value has been created a lot to date in line with technology innovation. Meanwhile, it could be the case that same old situations have been persisting since 20 to 30 years ago on the BtoB side (financial and/or company data) represented by Bloomberg, etc. Now, SPEEDA is starting to change said situations, providing users with unprecedented superior features in a) usability, b) industry-wise analysis, c) consulting services, etc. by means of applying cutting edge technology, etc. Over the past 5 years, the number of IDs based of contract concluded consistently increased, having directly driven sales (as basically sales = the number of IDs based on contract concluded, multiplied by unit price). At the end of the day, this has led to almost breaking even of segment profit/loss for SPEEDA in FY12/2015, which was followed by decent segment profit in Q1 to Q3 FY12/2016.

While SPEEDA basically deals with information on a stock basis, NewsPicks (BtoC) to offer business information as news media deals with that on a flow basis. In regards to sales of NewsPicks, more than 30% are accounted for by those of fees from dues-paying member and the remaining almost 70% are of ads revenue. NewsPicks, posting original contents, etc. on top of general news is surging in terms of DAU (Daily Active User) and the number of dues-paying member, having resulting in almost breaking even in Q1 to Q3.

Long-Term Prospects

FY12/2016 Company forecasts are going for prospective sales of ¥3,045m (up 59.0% YoY), operating profit of ¥153m (versus operating loss of ¥332m in the previous year) and operating profit margin of 5.0% (up 22.4% points), while the Company is going for surging sales going forward. At the same time, the Company is going for operating profit margin of more than 30% but for expenses stemming from frontloaded investment. In regards to FY12/2017, said expenses are likely to remain being booked to a certain extent.



Source: Company Data

In regards to SPEEDA, having accounted for 71.1% of sales as a whole for the Company in Q1 to Q3 FY12/2016, increasing sales to financial professionals in Japan are to persist, while sales to business firms are to increase even faster. Business firms are currently making changeover to adoption and use of SPEEDA from existing subcontracting to consulting firms and/or research firms in a sense, while the Company is so eager to develop new functionality to cope with their needs to accelerate this changeover. On the overseas side, there remains room to cultivate even more.

Meanwhile, the Company is trying to get at sales of NewsPicks, having accounted for the remaining 28.9%, equating to those of SPEEDA as soon as possible. In particular, the Company is looking to surging sales on the advertising side. The bulk of sales on this side are currently accounted for almost all by those of regular brand ads, while ads in the domain of recruiting are to start up on a full-fledged basis in FY12/2017. The Company suggests surging sales upcoming based on contract to share revenue with major recruitment company. This is because of high probability for the operations to cultivate many new excellent candidates who have not been registered anywhere yet for their future carrier change to date out of the core users, i.e. high-end business person in their thirties or around.

The Company is also looking to new services to be generated by fusion between SPEEDA and NewsPicks. For example, it has been attempted so far to set up system to have access to SPEEDA from NewsPicks on the mobile phone as well as that of comprehensive searching based on data of both SPEEDA and NewsPicks, respectively holding strengths on information on a stock basis and on a flow basis. Thus, NewsPicks to have been originally designed for use on the BtoC side is to be used on the BtoB side as well.

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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