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ZUU

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Executive summary

Business overview

ZUU Co., Ltd. runs ZUU Online, a site targeting individuals with financial assets of more than JPY30mn. The site contains financial and economic news and feature columns (information the company considers useful for investing). The company provides information about crowdfunding products, investment consulting services, and products targeting high-net-worth individuals. ZUU also sells MP Cloud (a content management system it developed for ZUU Online) to financial institutions.

Kazumasa Tomita, ZUU's CEO, founded the company in March 2013. Before that, Mr. Tomita worked at Nomura Securities Co., Ltd. (the core company of Nomura Holdings, Inc., TSE1: 8604), where he gained experience in asset management services targeting business owners and other high-net-worth individuals. In FY03/21, the company generated revenue of JPY2.8bn (+51.0% YoY) and operating profit of JPY14mn (operating loss of JPY107mn in FY03/20). From FY03/22, the company has designated its service categories as "retail fintech" (targeting individuals) and "corporate fintech" (targeting businesses and company owners). In Q1 FY03/22, retail fintech produced revenue of JPY627mn and operating profit of JPY288mn, while corporate fintech generated JPY142mn in revenue and an operating loss of JPY26mn (comparable figures not disclosed for Q1 FY03/21).

Retail fintech: The company produces revenue in four ways (from largest to smallest). The first is advertising revenue from customer referrals (performance-based advertising). Second, the company sells MP Cloud (a content management system for websites) to financial institutions and earns listing fees from virtual stores operating on ZUU Online. The third source of revenue is advisory/matching commissions, and the fourth is membership fees. Customers in the first category are mainly financial institutions (securities, credit card, and FX companies). In the second category, customers include banks and other financial institutions, as well as non-financial institutions, such as NTT Docomo Inc. (Nippon Telegraph and Telephone Corporation, TSE1: 9432). Customers in the third category are high-net-worth individuals that use ZUU Online. In the fourth category, customers are ZUU Online users.

In Q1 FY03/22, monthly unique users (UUs) of the company's media platform (including ZUU Online) totaled 14.8mn (CAGR of 96.6% from FY03/14 to FY03/21), members (paying plus non-paying) numbered 149,000 (CAGR of 78.1% from Q1 FY03/20 to Q1 FY03/22), and ARPU was JPY2,600 (CAGR of 14.0% over the same period).

The rise in ARPU was due mostly to increases in per-customer revenue from referrals and advertising. Revenue from customer referrals is a product of the number of unique users, the conversion rate, and amount per customer referral. To increase the conversion rate, the company publishes articles by experts (to boost the site's credibility) and maintains constant control over the information it provides. It controls information by adjusting screen layouts, ad space, and the information it sends users. Advertising revenue is a product of the number of impressions (number of times an ad is shown) or page views times unit advertising fees. ZUU provides MP Cloud to other companies, and some content is shared. The content is linked through a single sign-on (logon with a single ID and password allows access to multiple web services and applications). The company explains that mutual customer referrals help boost the number of page views.

According to the company, the value of online transactions in the finance-related sector (investment trusts, life insurance, home loans, and real estate) exceeds that of consumer goods (clothing, food, and the like). Accordingly, ZUU can command higher rates from its advertisers than would be possible for ads for consumer goods.

Corporate fintech: ZUU generates revenue through organizational consulting (PDCA and other corporate services) and the generation of funds through crowdfunding.

PDCA services (PDCA Cloud and PDCA Engineering) target the CEOs and owners of small and medium-sized companies. PDCA Cloud uses cloud computing to make the PDCA process visible in management and sales. PDCA Engineering is a type of business/organizational consulting that leverages the Onisoku PDCA approach. "Onisoku," which means "very fast," is a term coined by CEO Kazumasa Tomita. Onisoku PDCA refers to high-speed application of the PDCA cycle. A book about this approach, Onisoku PDCA, was published in October 2016.

The company uses The Owner, a media platform for providing information to company owners, to attract potential customers and sell PDCA services. In Q1 FY03/22, The Owner generated 2.6mn monthly page views (+168.3% YoY). Members totaled 21,500 (+860.0% YoY) and total company owner leads came to 12,000 (+200.0% YoY).

Average revenue per account (ARPA) was JPY4.4mn (+6.3% YoY). ARPA is revenue from corporate fintech divided by the number of revenue-generating customers. CAGR was 18.2% from Q1 FY03/20 to Q1 FY03/22. PDCA Engineering is the largest component of ARPA, followed by equity-type crowdfunding. Other components are PDCA Cloud, loan-type crowdfunding, M&A brokerage, and matching. ARPA is growing thanks to an expanded service lineup, starting with PDCA Cloud and PDCA Engineering and extending to IPO and IR support.

In corporate fintech, the company generated an operating loss because expenses (for marketing and to hire the IT personnel to develop services) precede the acquisition of customers for PDCA services and crowdfunding. According to the company, it takes 4.2 months to recover costs. (This figure is calculated as LTV per month of JPY430,000 divided by customer acquisition cost of JPY1.8mn. LTV per month is average annual revenue from a corporate fintech client during the year after customer acquisition, divided by 12.)

Earnings trends

In FY03/21 revenue was JPY2.8bn (+51.0% YoY), operating profit was JPY14mn (JPY107mn operating loss in FY03/20), recurring profit was JPY8mn (JPY125mn recurring loss in FY03/20), and net loss attributable to owners of the parent was JPY300mn (JPY93mn net loss in FY03/20). In the Fintech Platform business, revenue and profit rose due to an increase in visitor numbers. In the Crowdfunding business, the loss expanded because of time needed to integrate subsidiaries before they commence full-fledged operations, upfront costs to revamp services, and project delays.

The company's FY03/22 forecast (revised on February 14, 2022) projects revenue of JPY3.4bn (+20.1% YoY), operating loss of JPY293mn (versus operating profit of JPY14mn in FY03/21), recurring loss of JPY291mn (versus ordinary profit of JPY8mn in FY03/21), and net loss attributable to owners of the parent of JPY237mn (versus net loss of JPY300mn in FY03/21).

The company has no formal medium-term management plan. However, the company has said it plans to build an investor user base on a media platform, centered on ZUU Online, that it will use to match users with financial products and services. ZUU also intends to expand its asset consulting and product offerings, such as crowdfunding product guides and matching with independent financial advisors.

Strengths and weaknesses

Strengths:

- ▶ The company has a strong sense of awareness of its role in helping financial institutions use IT to attract customers. ZUU offers a more extensive service lineup than competitors that focus specifically on media operation.
- ▶ ZUU has more users and members than other finance-focused media and is the first choice for financial institutions aiming to attract customers over the internet.
- ▶ ZUU uses MP Cloud to configure media for other companies. These media are then linked to ZUU's own to generate mutual customer referrals and increase access and member numbers.

Weaknesses:

- ▶ Most ARPU from the media platform comes from customer referrals and advertising revenue, which are susceptible to economic fluctuations and advertisers' choices.
- ▶ Recognition of ZUU Online is low, and the numbers of unique users and total members are lower than for sites that do not focus on finance.
- ▶ The market for loan-type crowdfunding market is immature, and the market is affected by issues that ZUU cannot control, such as scandals at other companies.

Key financial data

Consolidated

Income statement	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22
(JPYmn)	Non-cons.	Non-cons.	Non-cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Revenue	6	58	336	729	944	1,318	1,847	2,790	3,350
YoY	-	819.8%	475.8%	117.2%	29.5%	39.5%	40.2%	51.0%	20.1%
Gross profit			272	564	687	976	1,321	2,097	
YoY			-	107.2%	21.8%	42.0%	35.4%	58.7%	
Gross profit margin			81.1%	77.4%	72.7%	74.0%	71.5%	75.2%	
Operating profit			7	-15	72	183	-107	14	-293
YoY			-	-	-	155.0%	-	-	-
Operating profit margin			2.0%	-	7.6%	13.9%	-	0.5%	-
Recurring profit	0	-17	14	-16	70	168	-125	8	-291
YoY	-	-	-	-	-	138.9%	-	-	-
Recurring profit margin	4.4%	-	4.2%	-	7.4%	12.7%	-	0.3%	-
Net income	0	-17	9	-46	45	107	-93	-300	-237
YoY	-	-	-	-	-	139.4%	-	-	-
Net margin	0.7%	-	2.8%	-	4.7%	8.1%	-	-	-
Per-share data (split-adjusted; JPY)									
Shares issued (year-end; '000)						4,198	4,225	4,708	
Treasury shares ('000)						0	0	0	
EPS (JPY)						105.2	-88.5	-67.9	-50.1
EPS (fully diluted; JPY)						99.3	-	-	-
Dividend per share (JPY)						-	-	-	-
Book value per share (JPY)						943	806	279	
Balance sheet (JPYmn)									
Cash and cash equivalents			419	449	496	957	332	1,254	
Total current assets			527	584	649	1,159	850	1,881	
Tangible fixed assets			20	20	16	15	39	31	
Investments and other assets			45	58	59	64	161	142	
Intangible assets			43	-	0	0	305	0	
Total assets			636	662	725	1,238	1,354	2,055	
Short-term debt			-	30	-	50	126	19	
Total current liabilities			62	136	155	240	461	642	
Long-term debt			-	-	-	-	-	-	
Total fixed liabilities			11	8	8	8	-	15	
Total liabilities			73	145	163	248	461	657	
Shareholders' equity			563	517	562	990	851	1,312	
Total net assets	15	98	563	517	562	990	893	1,398	
Total liabilities and net assets	18	117	636	662	725	1,238	1,354	2,055	
Total interest-bearing debt			-	30	-	50	126	19	
Cash flow statement (JPYmn)									
Cash flows from operating activities				9	79	120	-284	231	
Cash flows from investing activities				-9	-3	-14	-365	-0	
Cash flows from financing activities				30	-30	356	24	691	
Financial ratios									
ROA (RP-based)			2.2%	-2.4%	10.1%	17.1%	-9.7%	0.5%	
ROE			3.3%	-17.8%	8.3%	13.8%	-10.1%	-27.7%	
Equity ratio			88.5%	78.1%	77.5%	80.0%	62.8%	63.9%	
Total asset turnover			52.8%	112.4%	136.1%	134.3%	142.5%	163.7%	
Net margin	0.7%	-29.4%	2.8%	-6.3%	4.7%	8.1%	-5.0%	-10.8%	

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

The company began reporting consolidated results in FY03/17. Figures prior to that date are unconsolidated, and are provided for reference.

The company listed its shares in June 2018.

Parent only

Income statement	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
(JPYmn)	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.
Revenue	6	58	336	721	921	1,308	1,842	2,680
YoY		819.8%	475.8%	114.9%	27.7%	42.0%	40.8%	45.5%
Gross profit			272	559	665	954	1,312	1,989
YoY			-	105.3%	19.0%	43.4%	37.6%	51.5%
Gross profit margin			81.1%	77.5%	72.2%	72.9%	71.2%	74.2%
Operating profit			7	17	87	192	-48	250
YoY			-	152.8%	421.7%	121.4%	-	-
Operating profit margin			2.0%	2.3%	9.4%	14.7%	-	9.3%
Recurring profit	0	-17	14	17	85	177	-47	178
YoY		-	-	16.9%	414.9%	108.0%	-	-
Recurring profit margin	4.4%	-	4.2%	2.3%	9.2%	13.5%	-	6.6%
Net income	0	-17	9	-14	12	107	-50	-357
YoY		-	-	-	-	797.9%	-	-
Net margin	0.7%	-	2.8%	-	1.3%	8.2%	-	-
Balance sheet (JPYmn)								
Cash and cash equivalents			419	433	471	944	301	1,173
Total current assets			527	571	625	1,158	875	1,772
Tangible fixed assets			20	20	16	15	38	31
Investments and other assets			45	101	80	75	466	160
Intangible assets			43	-	0	0	0	0
Total assets			636	692	721	1,249	1,379	1,964
Short-term debt			-	30	-	50	100	-
Total current liabilities			62	135	152	251	445	551
Long-term debt			-	-	-	-	-	-
Total fixed liabilities			11	8	8	8	-	15
Total liabilities			73	143	161	259	445	566
Shareholders' equity			563	549	561	990	899	1,319
Total net assets	15	98	563	549	561	990	934	1,397
Total liabilities and net assets	18	117	636	692	721	1,249	1,379	1,964
Total interest-bearing debt			-	30	-	50	100	-

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

The company was established in March 2013

Trends and outlook

Quarterly trends and results

Earnings (cumulative) (JPYmn)	FY03/21				FY03/22				FY03/22		
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	% of Est.	FY Est.	
Revenue	515	1,200	1,857	2,790	770	1,492	2,298		68.6%	3,350	
YoY	34.0%	58.7%	63.7%	51.0%	49.4%	24.3%	23.7%			20.1%	
Gross profit	361	897	1,388	2,097	593	1,122	1,663				
YoY	23.2%	68.8%	81.1%	58.7%	64.0%	25.0%	19.8%				
Gross profit margin	70.1%	74.8%	74.7%	75.2%	77.0%	75.2%	72.4%				
SG&A expenses	553	1,069	1,528	2,083	543	1,120	1,872				
YoY	155.4%	123.0%	81.3%	45.9%	-1.9%	4.8%	22.6%				
SG&A ratio	107.4%	89.0%	82.3%	74.7%	70.5%	75.0%	81.5%				
Operating profit	-192	-171	-140	14	50	2	-209		-	-293	
YoY	-	-	-	-	-	-	-				
Operating profit margin	-	-	-	0.5%	6.5%	0.1%	-				
Recurring profit	-192	-177	-146	8	50	3	-208		-	-291	
YoY	-	-	-	-	-	-	-				
Recurring profit margin	-	-	-	0.3%	6.4%	0.2%	-				
Net income	-137	-136	-124	-300	26	-13	-160		-	-237	
YoY	-	-	-	-	-	-	-				
Net margin	-	-	-	-	3.4%	-	-				
Quarterly performance (JPYmn)	FY03/21				FY03/22						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Revenue	515	685	657	933	770	722	805				
YoY	34.0%	84.3%	73.7%	30.9%	49.4%	5.5%	22.6%				
Gross profit	361	536	491	709	593	529	541				
YoY	23.2%	124.7%	109.2%	27.8%	64.0%	-1.2%	10.2%				
Gross profit margin	70.1%	78.3%	74.7%	76.0%	77.0%	73.3%	67.1%				
SG&A expenses	553	515	459	555	543	577	753				
YoY	155.4%	96.2%	26.3%	-5.1%	-1.9%	11.9%	63.9%				
SG&A ratio	107.4%	75.2%	69.9%	59.5%	70.5%	79.8%	93.4%				
Operating profit	-192	21	32	154	50	-47	-212				
YoY	-	-	-	-	-	-	-				
Operating profit margin	-	3.0%	4.8%	16.5%	6.5%	-	-				
Recurring profit	-192	15	32	154	50	-47	-211				
YoY	-	-	-	-	-	-	-				
Recurring profit margin	-	2.2%	4.8%	16.5%	6.4%	-	-				
Net income	-137	1	12	-176	26	-39	-146				
YoY	-	-	-	-	-	-	-				
Net margin	-	0.1%	1.9%	-	3.4%	-	-				

Results by segment

By segment (cumulative) (JPYmn)	FY03/21				FY03/22			
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Revenue	515	1,200	1,857	2,790	770	1,492	2,298	
YoY	34.0%	58.7%	63.7%	51.0%	49.4%	24.3%	23.7%	
Fintech Platform	505	1,157	1,781	2,686	751	1,461	2,257	
YoY	-	-	-	45.4%	48.8%	26.3%	26.7%	
Crowdfunding	10	44	81	114	23	40	53	
YoY	-	-	-	42,997.0%	123.7%	-8.7%	-34.9%	
Elimination	-0	-1	-5	-10	-5	-9	-12	
Operating profit	-192	-171	-140	14	50	2	-209	
YoY	-	-	-	-	-	-	-	
Fintech Platform	-123	-40	42	247	93	87	-74	
YoY	-	-	-	-	-	-	-	
Crowdfunding	-69	-131	-181	-232	-43	-85	-136	
YoY	-	-	-	-	-	-	-	
By segment (quarterly) (JPYmn)	FY03/21				FY03/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	515	685	657	933	770	722	805	
YoY	34.0%	84.3%	73.7%	30.9%	49.4%	5.5%	22.6%	
Fintech Platform	505	652	625	905	751	709	797	
YoY	-	-	-	-51.0%	48.8%	8.9%	27.5%	
Crowdfunding	10	34	37	33	23	17	12	
YoY	-	-	-	12,356.1%	123.7%	-49.7%	-66.2%	
Elimination	-0	-0	-5	-5	-5	-4	-4	
Operating profit	-192	21	32	154	50	-47	-212	
YoY	-	-	-	-	-	-	-	
Fintech Platform	-123	83	82	205	93	-5	-161	
YoY	-	-	-	-	-	-	-	
Crowdfunding	-69	-63	-50	-51	-43	-42	-50	
YoY	-	-	-	-	-	-	-	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Q3 FY03/22

Operating performance

- Revenue: JPY2.3bn (+23.7% YoY)
- Operating loss: JPY209mn (JPY140mn operating loss in Q3 FY03/21)

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- Recurring loss: JPY208mn (JPY146mn recurring loss in Q3 FY03/21)
- Net loss attributable to owners of the parent: JPY160mn (JPY124mn net loss in Q3 FY03/21)

Retail fintech produced revenue of JPY1.8bn (+42.6% YoY), and corporate fintech delivered JPY457mn (-19.3% YoY). Counting only the costs associated directly with each domain, retail fintech generated operating profit of JPY123mn, and corporate fintech incurred an operating loss of JPY107mn.

GPM was 72.4%, down 2.3pp from 74.7% in Q3 FY03/21, primarily due to lower revenue in the high-margin crowdfunding subsidiary.

SG&A expenses were up 22.6% YoY in cumulative Q3, and 63.9% YoY in quarterly Q3 (+30.5% QoQ). The main factors were the cost of commercials screened in taxis, contracting costs for content creation as part of the company's vertical media strategy, and aggressive hiring of IT personnel.

The company maintained its plan to spend JPY593mn on growth, and had invested JPY490mn by cumulative Q3. It defines growth investments as advertising spend that does not directly flow through to current-period revenue and expenses for hiring IT personnel involved in growth.

Retail fintech

- ▶ Cumulative Q3 revenue was JPY1.8bn (+42.7% YoY) and operating profit JPY663mn (not disclosed in Q3 FY03/21).
- ▶ Quarterly Q3 revenue was JPY603mn (+33.7% YoY, -1.0% QoQ) and operating profit JPY123mn (not disclosed in Q3 FY03/21, -51.2% QoQ).

Revenue rose significantly YoY but dipped QoQ following a November 2021 update to Google's core algorithm. The company's SEO strategy saw the number of visitors reaching its media organically via finance-related word searches recover to 1.1mn unique users (3.5x YoY, +2.4% QoQ). The company expects further QoQ growth in unique users in Q4.

The company reported 19.0mn unique users of the media platform in Q3, up 48.4% from 12.8mn in FY03/21. However, this was 0.3% lower than Q2. Total membership was 157,000 (+12.9% YoY, +2.6% QoQ), and ARPU was JPY2,531 (2.3x YoY, -3.8% QoQ). ARPU declined QoQ due to lower revenue per customer referral. The company expects ARPU to improve versus Q3 in Q4.

The number of company owner leads is the sum of The Owner members who select "company owner" as a member attribute, plus the number of leads the company generates itself. About 35% of The Owner members have chosen the designation, or about 11,000 individuals. The remaining 4,000 or so are company generated leads. The company focuses more closely on the number of company owner members than general membership count. The Owner's main content is webinars for SME proprietors. Registrations from those wishing to view the webinars is helping drive membership growth.

The company has launched media in four areas as part of its vertical media strategy: cryptocurrencies/forex, credit cards, card loans, and lifestyle. It has monetized two of these, and expects earnings contributions in FY03/23. As of February 2022, the company was considering whether to expand into other areas or get deeper into existing ones.

Corporate fintech

- ▶ Cumulative Q3 revenue was JPY457mn (-19.4% YoY) and operating loss JPY206mn (not disclosed in Q3 FY03/21).
- ▶ Quarterly Q3 revenue was JPY202mn (-1.9% YoY, +78.8% QoQ) and operating loss JPY107mn (not disclosed in Q3 FY03/21, Q2 operating loss JPY73mn).

The 78.8% QoQ growth in Q3 revenue reflected the benefits of advertising, such as commercials for PDCA Engineering in taxis.

In corporate fintech, The Owner had 3.9mn monthly PVs, the number of members was 31,300 (3.6x YoY, +16.4% QoQ), the total number of company owner leads was 15,000 (1.9x YoY, +7.1% QoQ), and ARPA was JPY3.8mn (not disclosed in Q3 FY03/21, -7.5% QoQ). The QoQ decline in ARPA reflected the delay in investing in advertising such as higher-priced PDCA Engineering taxi commercials. Note: ARPA is revenue from corporate fintech divided by the number of revenue-generating customers over the past year, so delayed advertising investment in 1H affected Q3 ARPA. The company said it was in the process of measuring the cost-effectiveness of taxi commercials as of February 2022.

In cumulative Q3, the total amount generated from Cool (loan-type crowdfunding) was JPY361mn (JPY121mn in FY03/21), and the number of deals to date was 13 (four), showing solid growth.

The amount raised to date through Unicorn (equity-investment-type crowdfunding) was JPY555mn (JPY419mn in FY03/21), and the number of deals was 30 (19). However, the company did not close any new Unicorn deals from July–November 2021. It has an established investor network, primarily through ZUU Online, but sees developing a network to structure new deals in venture capital and start-ups as an issue. As of December 2022, the company was working to hold a second business contest in the hopes of putting together attractive deals for investors.

The total value of issued securities permitted in equity-investment-type crowdfunding used to include venture capital, but this was changed to equity-investment crowdfunding only following law revisions in January 2022. Investment had been capped at JPY500,000 per deal per investor, but this ceiling was scrapped for specified (i.e. professional) investors. A Financial Services Agency working group is looking into scrapping maximum issue amounts and reviewing investment ceilings on general investors.

ZUU launched a PDCA Engineering alliance with financial institutions to help SMEs solve their organizational issues. The company thinks that this initiative has potential as growth by bank customer SMEs improves their borrowing capacity, with potential benefits for both the company and the financial institution. As of February 2022, it had tie-ups with three financial institutions and plans to expand the numbers going forward. Detailed arrangements such as commission structure were being developed as of February 2022.

Segment results follow.

Fintech Platform business

- ▶ Cumulative Q3 revenue was JPY2.3bn (+26.7% YoY) and operating loss JPY74mn (loss of JPY42mn in Q3 FY03/21).
- ▶ Quarterly Q3 revenue was JPY797mn (+27.5% YoY, +12.3% QoQ) and operating loss JPY61mn (operating profit of JPY82mn in Q3 FY03/21, operating loss of JPY5mn in Q2).

12.3% QoQ growth in Q3 revenue was driven by PDCA Engineering as the benefits of advertising started to flow through.

Despite a temporary decline in performance stemming from search engine algorithm changes implemented in July 2021, overall performance in the customer referrals business continued to be strong thanks to growing awareness regarding the company's media and a steady user visit count. Additionally, the company continued to generate strong results through its business of furnishing and providing operational support for media systems, which is centrally focused on MP Cloud.

The company incurred advertising expenses, primarily for taxi commercials for PDCA services. Segment revenue in cumulative Q3 was JPY2.3bn (+26.7% YoY), and operating loss JPY74mn (operating profit of JPY42mn in Q3 FY03/21).

Crowdfunding business

- ▶ Cumulative Q3 revenue was JPY53mn (-34.9% YoY) and operating loss JPY136mn (loss of JPY181mn in Q3 FY03/21).
- ▶ Quarterly Q3 revenue was JPY12mn (-66.2% YoY, -26.5% QoQ) and operating loss JPY50mn (operating loss of JPY50mn in Q3 FY03/21, operating loss of JPY42mn in Q2).

In FY03/21, the company began building a system for the direct provision of financial services. Because these costs are front-loaded, revenue was JPY53mn (-34.9% YoY), and the operating loss was JPY136mn (operating loss of JPY181mn in Q3 FY03/21).

Company forecast for FY03/22

(JPYmn)	FY03/21			FY03/22			YoY		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.	1H Act.	2H Est.	FY Est.
Revenue	1,200	1,590	2,790	1,492	1,858	3,350	24.4%	16.8%	20.1%
Cost of revenue	303	390	693	370					
Gross profit	897	1,200	2,097	1,122					
Gross profit margin	74.8%	75.5%	75.2%	75.2%					
SG&A expenses	1,069	1,014	2,083	1,120					
SG&A ratio	89.1%	63.8%	74.7%	75.0%					
Operating profit	-171	185	14	2	-295	-293	-101.3%	-	-
Operating profit margin	-14.3%	11.6%	0.5%	0.1%	-	-			
Recurring profit	-177	185	8	3	-294	-291	-101.7%	-	-
Recurring profit margin	-14.8%	11.6%	0.3%	0.2%	-	-			
Net income	-136	-164	-300	-13	-224	-237	-90.2%	-	-
Net margin	-11.3%	-10.3%	-10.8%	-0.9%	-	-			

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

On February 14, 2022, the company revised its full-year forecast for FY03/22.

- Revenue: JPY3.4bn (versus previous forecast of JPY4.2bn–JPY4.5bn)
- Operating loss: JPY293mn (versus previous forecast of JPY0mn–JPY200mn in operating profit)
- Recurring loss: JPY291mn (versus previous forecast of JPY0mn–JPY200mn in recurring profit)
- Net loss attributable to owners of the parent: JPY237mn (versus previous forecast of JPY0mn–JPY91mn in net income)

Reasons for revisions

The company now expects to report in FY03/23 a portion of the revenue it had previously planned to report in Q4 FY03/22. This change has occurred due to marketing investments made by the company during FY03/22. Additionally, the company reached the decision to revise its projections downward in part because it does not expect as much seasonal growth in revenue from financial institutions and clients in the real estate industry, which are the main customers of retail fintech.

The company's expenditures were lower than initially expected because marketing investment and recruitment fell behind their anticipated schedules. Regardless, the company revised its forecasts for operating profit, recurring profit, and net income downward because it expects to report some revenue stemming from return on investment during FY03/23 instead of during FY03/22, as initially projected.

The company forecasts Q4 revenue of JPY1.1bn (+12.8% QoQ, +30.7% YoY) and an operating loss of JPY84mn (operating profit of JPY154mn in Q4 FY03/21, loss of JPY212mn in Q3). Forecast revenue of JPY1.1bn breaks down to about JPY700mn for retail fintech (not disclosed in Q4 FY03/21, roughly +16.1% QoQ) and about JPY350mn for corporate fintech (not disclosed, roughly +73.3% QoQ). The company expects customer referrals to recover due to SEO strategies in retail fintech and returns on advertising investment to start building in corporate fintech. It assumes that customer referral associated advertising demand will be less active than normal years.

Company forecast for FY03/23 and beyond

ZUU plans to announce its medium-term strategy from FY03/23 and numerical forecasts along with FY03/22 results. The company plans to focus on generating profit from FY03/23 as it moves to a return on investment phase.

The company also plans to focus on advisory/matching (wealth management) in FY03/23. As of end-December 2021, private wealth members' total assets came to JPY235.2bn, an increase of more than JPY30.0bn QoQ. For those with assets of JPY1.0bn or more, the company plans to expand its solutions such as its family office plan to generate earnings. In the US wealth management field, human advisory services predominate, and accounted for 58.0% of the market in 2021. The global wealth management software market was worth USD3.8bn in 2021, and is forecast to grow at CAGR of 13.2% from 2022–2030 (Source: grandviewresearch.com, Wealth Management Software Market Size, Share & Trends Analysis Report By Advisory Mode (Human, Robo)).

The following information was added to this report prior to the company's announcement of its revised forecast, which was made on February 14, 2022.

Revenue: JPY4.2bn–JPY4.5bn (+50.5%–61.3% YoY)

Operating profit: JPY0mn–JPY200mn (-100.0%–+1,289.9% YoY)

Recurring profit: JPY0mn–JPY200mn (-100.0%–+2,353.7% YoY)

Net income attributable to owners of the parent: JPY0mn–JPY91mn (versus net loss of JPY300mn in FY03/21)

The company anticipates YoY revenue growth of 50% or more. ZUU provides forecast ranges because results depend on several factors, including new service development and proactive marketing investment.

The company expects two key factors to contribute to revenue in 2H. First, it expects PDCA services to expand due to the start of taxi advertising. The second factor is the company's vertical media strategy. By leveraging customer referrals from Net Money and SEO expertise, the company aims to launch vertical media in each area of customer referrals. As of November 2021, the company has created vertical media for crypto assets/FX, credit cards, and lifestyle. The company also plans to move into other domains: card loans, home loans, hometown tax payments, and recruiting/careers. ZUU is working to create a system to generate more new users and revenue.

The company has remained profitable since Q4 FY03/21, when it generated operating profit of JPY154mn (OPM of 16.5%), compared with a JPY30mn operating loss in Q4 FY03/20. Going forward, the company expects to remain profitable, although not a considerable amount, due to forward-looking investments.

For FY03/22, the company expects revenue to range between JPY4.2bn and JPY4.5bn. The company says it is capable of generating around 20% of that figure as operating profit (in this case JPY800–900mn). However, because the company plans to invest JPY600–700mn in marketing and IT system development, it forecasts operating profit of JPY0 to JPY200mn. Most of the company's SG&A expenses are for personnel and advertising. The company explains that spending in these areas in FY03/22 relates to revenue in FY03/23 and later.

Historical differences between initial company forecasts and results

Results vs. Initial Est. (JPYmn)	FY03/19	FY03/20	FY03/21
	Cons.	Cons.	Cons.
Revenue (Initial Est.)	-	1,600	2,650 to 3,020
Revenue (Results)	1,318	1,847	2,790
Results vs. Initial Est.	-	15.4%	-
Operating profit (Initial Est.)	-	0	0 to 200
Operating profit (Results)	183	-107	14
Results vs. Initial Est.	-	-	-
Recurring profit (Initial Est.)	-	0	0 to 200
Recurring profit (Results)	168	-125	8
Results vs. Initial Est.	-	-	-
Net income (Initial Est.)	-	0	0 to 51
Net income (Results)	107	-93	-300
Results vs. Initial Est.	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Medium-term business plan

The company has no formal medium-term management plan. However, around the end of FY03/22 the company plans to announce its revenue and operating profit expectations for the next three years.

The company plans to build a base of investors on its media platform (centered on ZUU Online) and match these users with financial products and services. The company plans to expand its business by offering crowdfunding products (Cool and Unicorn), matching users with independent financial advisors, and providing asset consulting and products.

Medium- to long-term direction

The company's conceptual direction for the medium to long term is to use its platform to connect sources and users of funding. As fund-raising methods, the company is looking at reducing lot sizes, tokenization*, and conversion to NFTs*. Tokenization and distribution create markets for assets. For instance, stock markets bring together providers and users of capital, creating a system that increases the liquidity of shares and attracts funds. The company aims to provide similar mechanisms to attract funds.

*Tokenization refers to the conversion of a physical or virtual asset into a digital unit that can be traded.

**Non-fungible tokens (NFTs) are digital assets that can be proven to be unique and authentic using blockchain (distributed ledger) technology.

KPIs

In retail fintech, KPIs are user visits per month, number of members, and ARPU. KPIs in corporate fintech are PVs, number of members, and ARPA. As KPIs of future performance, in retail fintech the company also looks at assets held for high-net-worth individuals and in corporate fintech it looks at the number of company owner leads.

ZUU's thoughts on financial restructuring

The company cites "financial restructuring" as its growth strategy. Broadly speaking, existing financial institutions have functions targeting individuals and businesses. Institutions funnel individuals' assets to companies (either directly or indirectly), and return value to individuals through yields or price increases.

The company aims to recast the retail banking domain as "retail fintech." ZUU aims to connect its user base (people who access ZUU Online and Net Money and have a strong interest in finance) to financial institutions entirely digitally, enabling users to open accounts at these institutions and selling them products. Once legal restrictions are eased, the company plans to expand its lineup by offering new types of financial intermediation, such as security token offerings (STOs).

Similarly, the company intends to restructure the corporate banking offered by existing financial institutions through "corporate fintech." ZUU provides services (business support, such as strategic consulting, and funding support through crowdfunding) mainly to company owners who are members of its media (called "The Owner"). To facilitate comprehensive support for companies on the business and finance fronts, ZUU offers PDCA Cloud and meevo. PDCA Cloud is designed to make the PDCA process more efficient in management and sales, while meevo is specialized software as a service (SaaS) for meetings.

By covering both retail and corporate fintech, the company aims to create a system that raises funds from individuals (retail) for corporates, and grow its businesses targeting both.

The company believes that financial institutions in general will change as digitalization progresses. While some areas may remain analog, the company believes financial services targeting the mass market will have to be digitalized. (See the "Business model" section for details of the five household segments.) Otherwise, financial institutions will not be able to remain profitable by lowering their operating costs. While financial services for the mass market will become digitalized, the company believes services for high-net-worth individuals will be face-to-face. ZUU seeks to match advisory services with individuals in the semi-high-net-worth to upper-mass-market zones (assets of JPY30mn to JPY100mn). For mass-market individuals, the company will digitally match financial institutions and products.

From his experience working at financial institutions, ZUU founder Kazumasa Tomita concluded that a company's structure was determined by the way it was funded. For this reason, ZUU's business model focuses on increasing the number of members first and providing them with services second.

Legal reforms and company strategy (See the "Market and value chain" section for details on legal reforms.)

Act on Sales, etc. of Financial Instruments

The "Act for Partial Amendment of the Act on Sales, etc. of Financial Instruments, etc. to Improve the Convenience and Protection of Users of Financial Services" was enacted on June 5, 2020. As a result, in November 2021 the "Act on Sales, etc. of Financial Instruments" was renamed the "Act on the Provision of Financial Services." This revision newly established the financial service intermediary business.

In the past, organizations needed to obtain approval and register themselves as intermediaries according to the financial products and services they offered: banks as banking agents, securities companies as financial instruments intermediaries, and insurance providers as insurance agents. The new financial service intermediary business permits brokerage in all areas (banking, securities, and insurance) with a single registration. In the past, intermediaries could handle products and services only on behalf of specific financial institutions and were subject to supervision and guidance. This arrangement made it difficult for intermediaries to take the customer perspective when offering products and services. Shared Research understands that establishment of the financial service intermediary business will make such customer-centric provision

possible, as intermediaries will not be subject to supervision and guidance. After this law goes into effect, the company plans to acquire a financial service intermediary business in order to provide services to customers.

As of September 2021, the company's business model centers on advertising revenue. Once this legal revision goes into effect, however, the company plans to expand its target market, obtaining a license to act as a direct broker and earn brokerage commissions. The company explains that commissions on financial instruments represent a larger market than commissions on advertising. The former is worth approximately JPY20tn (the JPY1,948tn in financial assets held by individuals [household sector] as of end-2020 according to the Bank of Japan's "Capital Circulation Statistics" announced on March 17, 2021 multiplied by 1%), while the latter is valued at approximately JPY1.2tn (JPY6.2tn in total advertising expenditure, based on a February 15, 2021 Dentsu survey report called "2020 Advertising Expenditures in Japan" multiplied by 20%).

Security token offerings (STOs)

Security tokens are digitized securities in the form of tokens, and a security token offering (STO) is a method of using this technology to raise funds. Amendments to the Financial Instruments and Exchange Act went into effect on May 1, 2020. As a result, security tokens are now classified as Article 2 (1) securities, the same as national government bonds, corporate bonds, municipal bonds, and stocks.

Investing in unlisted equities

From the viewpoint of investor protection, solicitation of investments in unlisted equities by securities companies has in principle been prohibited. At the same time, routing risk money toward new and growing unlisted companies is one aspect of the government's strategy for growth. To facilitate the supply of growth capital, the Financial Services Agency's Market System Working Group, established in October 2020, is considering revisions surrounding the issuance and secondary market for unlisted equities.

As September 2021, the company was also reviewing its policy on STOs (electronic shares) and unlisted equities. At present, most companies do not issue share certificates for unlisted shares. Allowing such shares to be registered as STOs would create a market for buying and selling them. The company is considering ways to develop business in this area, including through the operation of a platform.

Perspective on M&A

The company is considering the acquisition of companies involved in fintech* (services, media, and other aspects), technology (blockchain and AI), and finance. Through such acquisitions, ZUU would aim to realize its corporate vision more quickly and strengthen its foundation.

"Fintech," a coined word combining "finance" and "technology," refers generally to new financial services using the latest information technologies.

Business model

ZUU operates financial media such as ZUU Online, a site mainly targeting upper-mass-market to high-net-worth individuals with financial assets of JPY30mn or more. The company also offers crowdfunding products (Cool and Unicorn), IFA matching and other asset consulting services for high-net-worth individuals, and provides asset consulting. In addition, ZUU sells MP Cloud (a content management system for websites) to financial institutions, leveraging its expertise in media operation to provide consulting in the area of digital marketing.

The company operates a platform for media (centered on ZUU Online) to attract users and members and works to increase the matching rate by providing a wide range of solutions. Increasing the matching rate requires the company to accurately connect users with the products and information they seek by showing them the pages of content they are looking for. Achieving this means providing appropriate information to incoming members in a timely manner. To boost the site's credibility, the company publishes articles by experts. Such articles earn the site higher ratings on Google and other search engines, elevating the site's search ranking. Google also awards points for sites that with an easy-to-read page structure.

The company has an in-house team of SEO specialists who are constantly working on optimization measures. Recent updates to Google's core algorithm occurred in December 2020 and July 2021. Initially, these updates had a negative effect on ZUU's site, but the SEO team implemented countermeasures within about two weeks.

Before opening a brokerage account, a person might run a Google search to see a ranking of brokerages by popularity. A high ranking on this list might encourage the user to click on the link to ZUU's site and, if they find it useful, go on to open an account. To achieve a high ranking in searches for finance- and investor-related keywords, the company works to match users' needs by providing them with appropriate information and content.

According to a March 2020 membership survey, 25.7% of ZUU Online members were businesspeople at the general manager or higher level (14.1% were company owners, 4.5% were executives, 7.1% were general managers or higher, 11.2% were section managers, 13.1% were unit heads or supervisors, 33.8% were rank-and-file workers, 5.7% were specialists, and 10.4% were categorized as "other"). By ownership level, 20% of members had assets in excess of JPY30mn, 20% had between JPY10mn and JPY30mn, 60% had JPY10mn or less, and 50% had annual salaries of JPY7.5mn or more. Looking just at paying members, the percentage of high-net-worth individuals was higher. ZUU provides private wealth consulting (advise on asset formulation) to high-net-worth individuals with assets of more than JPY100mn. ZUU explains that it set this target because private banks generally target individuals with assets of more than JPY200mn. Of members, 70% are in their 30s to 50s (particularly high percentage in the 40s), 10% are in their 60s, and 20% are in their 20s.

Initially, ZUU Online targeted mainly upper-mass-market to very-high-net-worth individuals. In Q1 FY03/21, the company launched Net Money, a media platform targeting the mass market to the upper-mass market. The new platform targets people who want to open a brokerage account to start investing, issue credit cards, or open forex accounts. Users enter the site via search engines and use it to compare rankings. Both media aim to attract users who are interested in finance and investing.

Outsourced writers author content for ZUU Online and Net Money. The company edits this content, checking the information before posting it. Articles by prominent writers may be published with bylines. ZUU also posts content provided by companies it has vetted.

Licenses held

Unicorn, Inc., a subsidiary, is licensed as a "type 1 small-amount electronic public offering service provider." This designation allows Unicorn to engage in crowdfunding (equity investment type), soliciting for unlisted equities and handling initial placements, using the internet to attract large numbers of investors each providing small amounts of money. The investment amount is limited to JPY100mn per year for borrowing companies and JPY500,000 per investor. Also, investment solicitation is limited to inviting people to browse internet websites and send e-mails.

Cool Services Inc., another subsidiary, has a lending business license. Cool Inc., a sub-subsubsidiary that invests in trusts and conducts agency business, is licensed as a Type 2 business under the Financial Instruments and Exchange Act. These licenses allow the company to conduct loan-type crowdfunding and provide funds.

According to the company, it is unusual for a single group to have licenses allowing it to engage both in crowdfunding (equity investment type) and loan-type crowdfunding. One competitor, Campfire, Inc. (unlisted), has both licenses. ZUU offers its 15mn monthly users extensive content to attract them to its media.

Target markets: definitions and issues (retail fintech)

Nomura Research Institute divides households into five categories based on their net financial asset holdings. Households with net financial assets of less than JPY30mn are defined as the “mass market,” those with JPY30–50mn are the “upper-mass market,” those with JPY50–100mn are “semi-high-net-worth individuals,” those with JPY100–500mn are “high-net-worth individuals,” and those with more than JPY500mn are “very-high-net-worth individuals.” The company has identified the following issues for each category.

	Mass market	Upper-mass market	Semi-high-net-worth individuals	High-net-worth individuals	Very-high-net-worth individuals
Total assets (JPYtn)	656	310	255	236	97
Households ('000)	42,157	7,121	3,418	1,240	87
Assets (JPYmn)	Less than 30	30 to 50	50 to 100	100 to 500	500 or more
Issues	Lacking financial knowledge	Enhancing financial knowledge	Investment, asset management	Asset management, tax efficiency	Asset management, tax efficiency
	Asset formation	Investment	Tax efficiency	Inheritance	Inheritance, business succession

Source: Shared Research based on company data

Corporate size and issues (corporate fintech)

Venture companies are categorized according to funding rounds indicating their phase of growth. (Investors refer to these as “investment rounds.”) The company indicates the following issues at companies at each of the five levels (Seed Phase, Series A, Series B, Series C, and Series D).

Company size	Startup	→	SME	→	Medium	→	Large
Startup; Funding phase	Seed		Series A		Series B		Series C
							Series D
Corporate value (JPYmn)	10 to 50		50 to 100		Several 100		Several 100 to several 1,000
							From several 1,000
Employees	1 to 10		10 to 20		20 to 50		50 to 100
							More than 100
Issues	Working capital		Increasing awareness		Financial structure		Business development
							Preparation for IPO
	HR		HR		Strengthening business development		Preparation for IPO
							Designing exit strategies

Source: Shared Research based on company data

Service domains

In FY03/21, the company categorized its domains as “fintech services” and “salestech services.” ZUU revised these categories from FY03/22, into “retail fintech” and “corporate fintech.”

The former “fintech services” category included advertising, customer referrals, paying members, digital stores, advisory/matching, and loan-type crowdfunding (equity investment type). The new “retail fintech” contains services previously included in “fintech services” plus MP Cloud (formerly in “salestech services”). MP Cloud was brought into this category because the service itself is a BtoC business, although it involves alliances with other companies. Retail fintech also includes new businesses: wealth management (asset management for high-net-worth individuals) and credit scoring.

The former “salestech services” category included MP Cloud and PDCA Cloud. The new “corporate fintech” category includes constituents of the former “salestech services,” as well as loan and stock types of crowdfunding, which was previously part of “fintech services.” The reason for this recategorization was that loan-type and equity-investment-type crowdfunding are a BtoB business, as it seeks to raise money for companies.

Retail fintech

User visits per month*

('000 unique users)	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	Q1 FY03/22	FY03/22Q2	FY03/22Q3	FY03/22Q4
Media platform visitors	113	1,130	1,931	3,019	4,282	7,030	12,564	12,816	14,792	19,067	19,016	
YoY		900.0%	70.9%	56.3%	41.8%	64.2%	78.7%	2.0%	-	-	-	-

* “User visits per month” indicates the number of times users access ZUU Online and other company media each month. Under this metric, each person is counted as one user, even if he/she visits multiple times during the period. This differentiates “user visits” from “page views.”

Total members

('000)	FY03/20				FY03/21				FY03/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total members	47	66	93	110	126	134	139	145	149	153	157
QoQ		40.4%	40.9%	18.3%	14.5%	6.3%	3.7%	4.3%	2.8%	2.7%	2.6%

ARPU

(JPY'000)	FY03/20				FY03/21				FY03/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
ARPU	2.0	1.4	1.0	1.8	1.4	1.4	1.1	2.0	2.6	2.6	2.5
QoQ		-30.0%	-28.6%	80.0%	-22.2%	0.0%	-21.4%	81.8%	30.0%	0.0%	-3.8%

Source: Shared Research based on company data

The main sources of revenue are customer referrals/advertising, MP Cloud (a media configuration platform), digital shops, and advisory/matching. In Q1 FY03/22, monthly unique users (UUs) of the company's media platform (including ZUU Online) totaled 14.8mn (CAGR of 96.6% from FY03/14 to FY03/21), members (paying plus non-paying) numbered 149,000 (CAGR of 78.1% from Q1 FY03/20 to Q1 FY03/22, continuing to rise QoQ). ARPU was JPY2,600. Although ARPU is fluctuating on a short-term basis, CAGR was 14.0% over two years. The company is working to raise ARPU by increasing the matching rate and lineup.

The reason for the growth in ARPU is that the per-customer profitability is increasing. This is mainly thanks to higher customer referrals and advertising revenue.

Customer referrals refers to customers directed to corporate clients' websites via ZUU's articles and landing page. (The landing page is the page of the site where people accessing the site initially "land" via an ad.) Revenue from customer referrals is calculated as unique users times conversion rate times customer referrals. Revenue from customer referrals rises as the conversion rate increases. To boost these figures, the company strives to improve site credibility by posting articles written by specialists, as well as by providing users with suitable information in a timely fashion.

Advertising revenue is calculated as the number of impressions or page views times the unit ad rate. The number of impressions or page views correlates to unique users. A rise in the number of unique users does more than just contributing to ZUU Online; it also helps to build the media ecosystem (a support system that enables each service to profit through cooperation). Providing the content management system MP Cloud to other companies creates a link between ZUU's and other companies' media via a single sign-on.

ARPU breaks down as follows, from highest to lowest constituent percentage.

(1) Income and advertising revenue from customer referrals (performance-based advertising)

Customer referral clients (advertisers) are largely based on brokerage accounts opened at securities companies. Other categories are mostly performance-based, such as new credit card registrations, FX or other financial accounts opened, or customer conversions. Under these arrangements, the company receives a commission when a user opens an account. Commissions per account range from several thousand to tens of thousands of JPY. The company sells ad space to advertising agencies and other media companies. ZUU Online is advertising-focused, while Net Money is focused on customer referrals.

(2) Financial DX support and digital store opening fees through MP Cloud

The main customers for financial DX support are financial institutions. The company provides MP Cloud, a content management service for websites. Digital store refers to a virtual store operating on ZUU Online. Opening a digital store on ZUU Online gives the store owner a way to connect with customers.

(3) Advisory/matching fees (consulting high-net-worth individuals)

Providing asset advisors' profiles in a digital store creates a way to match users and asset advisors. In addition, experienced company employees provide asset management services for high-net-worth individuals (assets of JPY100mn or more). As of September 2021, total assets of private wealth members (members who are high-net-worth individuals) exceeded JPY200bn.

(4) Membership fees from paying members

The company works to increase the number of members, both paying and non-paying. Rather than charges from paying members, the company focuses on attracting users with high positions and income levels.

To increase ARPU, the company is leveraging its user base and expanding its lineup of solutions. The company also works to raise ARPU by maintaining constant control over the information it provides users. For instance, if customer referrals are more profitable, the company directs customers to referrals. If overall media revenue can be raised by matching financial DX support and digital stores per user, the company directs customers there. The company controls information by adjusting screen layouts, ad space, and the information it sends users.

ARPU times total members does not equate to revenue because ARPU is included in categories (1) and (4) but not (2) and (3). The company counts revenue from its 15mn monthly users as retail fintech revenue.

Most of the total member count is from ZUU Online members. ZUU believes there are limits to the number of users a single media can generate. For this reason, ZUU provides other companies with MP Cloud, which links some of these companies' content with ZUU's own via a single sign-on. This arrangement boosts customer referrals to/from ZUU Online and MP Cloud and customers' websites, increasing access and user numbers.

Indirect support services

ZUU Online (media platform)

- ▶ Provides information about asset management, investment, and other areas of finance
- ▶ More than 150,000 members (as of September 2021)
- ▶ Paying memberships cost JPY1,628/month (including tax) for the standard plan, which targets corporate managers and high-net-worth individuals. The professional plan, targeting people who work at financial institutions, is priced at JPY5,478/month (including tax). The number of paying members is not disclosed.
- ▶ With this platform, the company targets upper-mass-market to very-high-net-worth individuals.
- ▶ Customers with digital shops include Aozora Bank, Ltd. (TSE1: 8304), SBI Securities Co., Ltd. (a consolidated subsidiary of SBI Holdings, Inc., TSE1: 8473), SBI Life Insurance Co., Ltd. (a consolidated subsidiary of SBI Holdings, Inc., TSE1: 8473), Mizuho Securities Co., Ltd. (a consolidated subsidiary of Mizuho Financial Group, Inc., TSE1: 8411), and other financial institutions, as well as publishers and real estate companies.

Net Money (media platform)

- ▶ Net Money was a monthly print publication containing investment information, published monthly from 2006 until publication was suspended in 2017. In 2018, the company acquired this business from the Fuji Sankei group. In August 2018, the company resumed publication, moving it online in FY03/21.
- ▶ Provides information about financial institutions, allowing for comparisons of securities firms, FX companies, and card loans
- ▶ Targets the mass to upper-mass market

MP Cloud (short for Media Platform Cloud, a media configuration platform)

- ▶ The company developed MP Cloud as a content management system (CMS) for ZUU Online. In December 2019, ZUU began selling MP Cloud to other companies, as well. In addition to such CMS functions as building, managing, and operating websites, MP Cloud has customer management and user trend analysis functions. These help companies to ascertain demand for financial products based on page browsing history and the time users spend on pages.
- ▶ MP Cloud has five main functions: (1) content submission and management, (2) multiple membership status creation and management, and links with other systems, (3) a channel function for posting information about and services from other companies, (4) personal account page management (allows users to list content they have browsed), and (5) functionality for paying members. MP Cloud also has a payment function that can be used to recruit people to paid seminars.
- ▶ ZUU Online is linked via a single sign-on (logon with a single ID and password allows access to multiple web services and applications), allowing mutual customer referrals.
- ▶ The company provides support ranging from media configuration to content and marketing. Other companies also provide content management systems, but MP Cloud is designed for financial media. It differs from other platforms by

- ▶ offering analysis of members and users. MP Cloud is a highly specialized CMS that ascertains needs of the finance, real estate, and investment fields based on users' page browsing history and time spent on individual pages.
- ▶ Corporate clients include such financial institutions as MUFG Bank, Ltd. (a subsidiary of Mitsubishi UFJ Financial Group, Inc., TSE1: 8306), Daisan Bank, Ltd. (San Ju San Financial Group, Inc., TSE1: 7322), Mizuho Securities Co., Ltd. (Mizuho Financial Group, Inc., TSE1: 8411), and LeTech Corporation (Mothers: 3497).
- ▶ Among non-financial institutions, corporate clients include NTT Docomo Inc. (Nippon Telegraph and Telephone Corporation, TSE1: 9432), Daimaru Matsuzakaya Department Stores Co., Ltd. (a subsidiary of J. Front Retailing Co., Ltd., TSE1: 3086), as well as companies involved in travel, education, and healthcare.
- ▶ NTT Docomo Inc. (Nippon Telegraph and Telephone Corporation, TSE1: 9432) and ZUU jointly operate the financial media "fuelle" and "Money Times." In April 2021, the company began full-fledged operation of a financial portal site with NTT Docomo called "dmenu Money." (dmenu is the portal site provided by NTT Docomo for its smartphones and tablets.)
- ▶ MP Cloud is provided on a monthly billing basis. Once a website is built, corporate clients often sign up for long-term contracts. Both initial costs and monthly costs can run from several JPYmn to tens of JPYmn, depending on site scale.

Direct support services

Wealth management (consulting)

- ▶ Consulting for individuals, including such areas as asset management and tax saving
- ▶ Although most high-net-worth individuals in Japan are company owners, the company believes that there is a lack of services for advisors covering overall assets, including business capital. The company has started to organize private advisory organizations in the form of family offices, which are popular in Europe and the US.
- ▶ These services target high-net-worth individuals to very-high-net-worth individuals.
- ▶ The company plans to build a platform to connect asset data and management information.

Credit scoring

- ▶ The company is thinking of launching a credit scoring business (as of August 2021).
- ▶ The company has developed a wealth score targeting high-net-worth individuals for ZUU Online. The company is thinking it could provide products and asset management advice based on these scores, as well as providing the system to other companies.
- ▶ This service targets semi-high-net-worth individuals to very-high-net-worth individuals (to be expanded sequentially).
- ▶ Ryoichiro Omori, a former executive officer of Mizuho Bank and a former representative director of J. Score Co., Ltd. (an early Japanese provider of credit scoring services) joined ZUU's CEO office in September 2020 to lead the development of a credit scoring business. In September 2017, J. Score launched AI Score Lending, an unsecured lending service for individuals that adjusts loan interest rates and amount available based on individual credit scoring.

Corporate fintech

Monthly page views

	FY03/20				FY03/21				FY03/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
(000 PVs)											
Monthly page views	131	630	1,372	1,573	1,372	2,175	2,626	2,647	2,999	3,921	
QoQ		380.9%	117.8%	14.7%	-12.8%	58.5%	20.7%	0.8%	13.3%	30.7%	
(People)	FY03/20				FY03/21				FY03/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Membership	203	1,700	2,500	4,300	8,600	16,000	21,500	26,900	31,300		
QoQ		234.5%	150.4%	47.1%	72.0%	100.0%	86.0%	34.4%	25.1%	16.4%	
(JPYmn)	FY03/20				FY03/21				FY03/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
ARPA	3.12				4.10				4.36	4.14	3.83
YoY				31.4%					6.3%	-	-

ZUU generates revenue through organizational improvement (PDCA and other corporate services), the generation of funds through crowdfunding, and M&A brokerage and matching.

The company acquires customers for its PDCA services through sales efforts targeting CEOs and other managers of small and medium-sized companies. To get their attention, ZUU uses The Owner (a media platform for company owners that provides information related to corporate management and business succession). The company's main approach is outbound sales (a company-led sales method for acquiring customers and developing sales channels). Mostly, ZUU approaches the leads generated through its media. Another method is to sign sponsorship agreements with sports teams, which then introduce the company to small and medium-sized companies in the regions where they are based. Another approach is to generate leads through company-led study sessions.

In PDCA services, the company sells PDCA Cloud and other products. It also reviews the design of KPIs, checks that the PDCA cycle is functioning properly, and offers consults with customers on the usage status.

In Q1 FY03/22, The Owner generated 2.6mn monthly PVs (+168.3% YoY) and 21,500 members (+860.0% YoY). Accordingly, the total number of company owner leads was 12,000 (+200.0% YoY). The number of company owner leads represents the sum of The Owner members who select "company owner" as a member attribute plus the number of leads the company generates itself.

ARPA was JPY4.4mn (+6.3% YoY). ARPA is revenue from corporate fintech divided by the number of revenue-generating customers. CAGR was 18.2% from Q1 FY03/20 to Q1 FY03/22. PDCA Engineering is the largest component of ARPA, followed by equity-type crowd funding. Other components are PDCA Cloud, loan-type crowdfunding, M&A brokerage, and matching.

ARPA is growing thanks to an expanded service lineup, starting with PDCA Cloud and PDCA Engineering and extending to IPO and IR support.

The total number of company owner leads indicates the number of approaches ZUU makes to obtain customers. In corporate fintech, the company believes the total number of company owner leads times ARPA approximates the size of the approachable market. According to this calculation, the size of market was JPY52.3tn in Q1 FY03/22.

Indirect support services

The Owner (media platform)

- ▶ The Owner, which launched in August 2019, is operated by ZUUM-A, a joint venture with Nihon M&A Center Inc.
- ▶ As its name suggests, the platform targets company owners. The Owner provides management-related information and offers matching services in such areas as business succession and exit options.
- ▶ The Owner targets startup to medium-sized companies.
- ▶ Nearly half of members are company owners or executives: 38.4% of members are company owners, 7.8% are executives, 10.1% are general managers or higher, 10.2% are section managers, 6.5% are unit heads or supervisors, 12.5% are rank-and-file workers, 6.2% belong to some other category, 5.1% are specialists, and 3.1% are not working.

Cool (crowdfunding [loan type])

- ▶ Loan-based fundraising (See the “Market and value chain” section for details on crowdfunding.)
- ▶ Targets are medium-sized to large companies.
- ▶ As the general level of awareness of social lending is low, the company prioritizes its safety and reliability as an investment product. The main target for deals involving this sort of lending is listed companies. The secondary target is companies that Nihon Hoshou Co., Ltd. (a consolidated subsidiary of J Trust Co., Ltd., TSE2: 8508) will guarantee. The loan agreements for Cool’s loan-type crowdfunding state that if the debtor fails to repay the loan, invested principal may be forfeit unless a guarantee or collateral are in place. The company uses Nihon Hoshou guarantees and mortgage agreements to increase the security of investors’ principal.
- ▶ Most customer referrals (investors) come through ZUU Online.
- ▶ This type of funding is often used for real estate deals, such as private lodgings.
- ▶ Some corporate customers that have arranged deals through this service have also set up funds with coupons and other investor benefits.

Unicorn (crowdfunding [equity investment type])

- ▶ This type of funding raises funds through shares (See the “Market and value chain” section for details on crowdfunding.), and may involve HR or IR support.
- ▶ Targets are unlisted startup companies.
- ▶ Most customer referrals (investors) come through ZUU Online.
- ▶ In May 2021, the company released a shareholder agreement* to address early exits by issuers and shareholders (investors). As crowdfunding (equity investment type) increases the number of shareholders suddenly, in the past it has not been used in the past for startups with venture capital. Exits from startup companies tend to be via IPOs or acquisitions. For share-based acquisitions, a single shareholder could block a potential acquirer’s plans to buy all a company’s shares. Shareholder agreements help avoid this situation. Acquisitions are an increasingly popular way for issuers and stock investors to recover invested funds.

*Shareholder agreements stipulate that shareholders will transfer all of their shares if the company owners exercise their right to sell and if the company or a third party designated by the company exercise their right to buy at the next funding round. Conditions must be equal to or better than the conditions the business owner/shareholders are willing to accept at the time of acquisition. In addition, if selling shares when the right to purchase is exercised at the next funding round, the selling amount must be the greater of “a” (the issue price of the shares at the time of the fundraising) or “b” (the issue price at the time of the implementation of the equity-investment-type crowdfunding) plus a premium.

- ▶ The screening team, which includes Unicorn’s CEO (Jiro Yasuda), is made up of people from financial institutions.
- ▶ As of September 2021, Unicorn was doing two to four deals each month, forming deals worth around JPY90mn/month.

Direct support services

PDCA Cloud (SaaS-type service)

- ▶ PDCA Cloud uses cloud computing to make the PDCA process visible in management and sales.

PDCA (plan, do, check, act) is a cyclical problem-solving framework.

- ▶ Targets range from startups to large companies.

- ▶ Largely two types of services are offered.
- ▶ 1. PDCA Cloud
 - ▶ This is a SaaS-type service that uses Onisoku PDCA to standardize a company's proprietary know-how and spread it throughout the company.
- ▶ 2. meevo (launched in FY03/22)
 - ▶ This is a SaaS-type service to improve productivity of internal meetings using Onisoku PDCA and improve the organization to achieve its goals.

PDCA Engineering (consulting)

- ▶ Consulting on how to strengthen businesses and organizations by utilizing "Onisoku (very fast) PDCA*."

"Onisoku," which means "very fast," is a term coined by company founder Kazumasa Tomita. Onisoku PDCA refers to high-speed application of the PDCA cycle. A book about this approach, Onisoku PDCA, was published in October 2016. Mr. Tomita explains that rather than just working quickly, the point of the exercise is to reach the objective in the shortest amount of time.

- ▶ Targets range from startups to medium-sized companies
- ▶ ZUU has performed this consulting for more than 250 companies (as of September 2021).
- ▶ The service generates initial and monthly fees. Consulting agreements range in duration from several months to around one year.
- ▶ Largely three types of services are offered.
- ▶ 1. Onisoku CXO
 - ▶ This provides consulting services to COO or CFO on management and business improvement plans.
- ▶ 2. Onisoku PDCA for IR
 - ▶ Consulting services are offered for companies aiming for IPO, including the creation of IPO success stories.
- ▶ 3. Growth Survey (launched in FY03/22)
 - ▶ Research and report on existing business analysis are offered along with market analysis.

ZUU Financial Network (support for corporate growth)

- ▶ This service uses ZUU's financial network to support business growth, fundraising, investment exits, and asset management.
- ▶ Targets range from startups to medium-sized companies
- ▶ Customers with M&A or business succession needs are referred to ZUUM-A.

Cost structure

In FY03/21, non-consolidated sales made up accounted for 96.1% of consolidated sales. Operating profit was JPY250mn on a non-consolidated basis but JPY14mn on a consolidated basis. Below is a breakdown of cost on a non-consolidated basis, where the company discloses this information.

On a non-consolidated basis, the cost of revenue ratio was 25.8% in FY03/21. The largest cost component was advertising (44.2% of the total), followed by outsourcing (31.3%). For media operated jointly (such as with NTT Docomo), the company books all revenue for that media and records the costs (advertising expenses) associated with the joint media portion. Advertising expenses for MP Cloud also include the people used to attract corporate clients to the media platform. The costs of outside authoring of content for ZUU Online and MP Cloud are treated as outsourcing expenses.

In FY03/21, on a non-consolidated basis the SG&A expense ratio was 64.9%. The largest component was personnel expenses (35.5% of all SG&A expenses), followed by business outsourcing fees (14.2%) and advertising expenses (11.3%). Within personnel expenses, the company is allocating more staff to departments that engage in SEO and conduct analysis and work to boost ARPU and ARPA. Business outsourcing fees are for outsourced engineers. Advertising expenses are mainly to acquire members, but free memberships are not necessarily linked to sales, so they are recorded as SG&A expenses. Other expenses in corporate fintech are the costs of holding study sessions for prospective clients.

Revenue and operating profit by service domain

The company first began disclosing operating profit individually for retail fintech and corporate fintech in Q1 FY03/22. In Q1 FY03/22, retail fintech delivered revenue of JPY627mn and operating profit of JPY288mn (OPM of 46.0%). Corporate fintech produced JPY142mn in revenue and an operating loss of JPY26mn.

These results show that as of Q1, the company was still at a stage where expenses (for marketing and to hire the IT personnel to develop services) precede the acquisition of customers for PDCA services and crowdfunding. According to the company, it takes 4.2 months to recover costs. (This figure is calculated as LTV per month of JPY430,000 divided by customer acquisition cost of JPY1.8mn. LTV per month is average annual revenue from a corporate fintech client during the year after customer acquisition, divided by 12.)

Business overview by segment

By segment (JPYmn)	FY03/19	FY03/20	FY03/21
	Cons.	Cons.	Cons.
Revenue	1,318	1,847	2,790
YoY	-	40.2%	51.0%
Fintech Platform	1,318	1,847	2,686
YoY	-	40.2%	45.4%
% of total	100.0%	100.0%	96.3%
Crowdfunding	-	0	114
YoY	-	-	-
% of total	-	0.0%	4.1%
Elimination	-	-0	-10
Operating profit	183	-107	14
YoY	-	-	-
Operating profit margin	13.9%	-5.8%	0.5%
Fintech Platform	183	-55	247
YoY	-	-	-
Operating profit margin	13.9%	-	9.2%
% of total	100.0%	-	-
Crowdfunding	-	-52	-232
YoY	-	-	-
Operating profit margin	-	-	-
% of total	-	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Fintech Platform business

Media operations

The company develops and operates its own media to attract individuals who are interested in finance, and matches financial institutions with these individual users. At the same time, ZUU supports the sales and marketing activities of corporate clients who want to reach such users.

The revenue model involves placing links to corporate clients from articles and content posted on the company's media. When users click on the text or images, they are directed to the corporate client's website. The company receives advertising fees based on the number of customer referrals and the number of approved applications resulting from customer referrals.

According to the company, the value of online transactions in the finance-related sector (investment trusts, life insurance, home loans, and real estate) exceeds that of consumer goods (clothing, food, and the like). Accordingly, ZUU can command higher rates from its advertisers than would be possible for ads for consumer goods.

Providing solutions to corporate clients

The company helps corporate clients build and operate media platforms and provides consulting on digital marketing. In these ways, ZUU helps corporate clients advertise, attract customers, and generate purchasing activity on the Internet. The company also provides consulting services, mainly based on PDCA.

Crowdfunding business

Equity-type crowdfunding

Equity-type crowdfunding is a framework that allows many people to invest small amounts of money online in the shares of new, unlisted, growing companies. ZUU uses crowdfunding to connect companies that want to raise funds with individuals who want to invest in the shares of unlisted companies, and earns a fee based on the funds raised. The company's main source of revenue is fees, which it earns by charging about 20% on the total amount of funds raised.

Loan-type crowdfunding

Loan-type crowdfunding is a framework in which many people invest small amounts of money online to provide loans to companies, and earn interest as a return on their investment. ZUU earns money by lending and managing the funds raised through crowdfunding to target companies. The main sources of revenue are loan processing fees (1–3% of the loan amount) and loan margins (1.5–5% of the loan amount).

In addition, in December 2020 ZUU Online launched a purchase-type crowdfunding service called ZUU Online Funding (beta version). Purchase-type crowdfunding is a framework in which supporters contribute money to a proposed project, and the supporters receive goods and services in return. The main sources of revenue are commissions (10–25%), which are obtained by collecting a percentage of the total amount of support, and commissions (up to 5%) when making payments.

Market and value chain

Issues financial institutions face

Banks and other financial institutions have seen rates of return decline in recent years due to ultralow interest rate policies. Costs are rising due to high branch and personnel expenses. At the same time, fintech companies and other new competitors are expanding their scope of services. Customers are also demanding better services, so financial institutions face the need to improve both the range and quality of services. These circumstances have caused expense ratios to increase: from 59.4% in FY2015 to 65.9% in FY2020 at banks (6.5pp), rising 8.6pp over that period at city banks and 4.2pp at regional banks.

For banks as a whole, gross operating profit fell by a CAGR of 2.4% from FY2015 to FY2020. Within this figure, domestic gross operating profit dropped 3.7%, and international gross operating profit rose 1.5%. In contrast, expenses fell by only 0.3% YoY, so the expense ratio rose. Shared Research believes financial institutions will need to reduce expenses in line with declining domestic gross operating profit. To do so, they will need to utilize financial intermediary services.

At present, most financial institutions have operational functions (payments, remittances, and deposits) and distribution functions (contacting and developing customers). ZUU thinks that these two functions can be separated, with financial institutions focusing on operational functions and non-financial companies taking on distribution functions. The company believes this would allow financial institutions to cultivate develop potential users efficiently. ZUU aims to help financial institutions attract customers.

Gross operating profit, expenses, expense ratio

Banking overall	(JPYbn)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Gross operating profit		11,292	10,609	10,001	9,686	10,006	10,018
	YoY		-6.1%	-5.7%	-3.1%	3.3%	0.1%
Gross business profit (Japan)		8,632	8,462	7,892	7,786	7,581	7,147
	YoY		-2.0%	-6.7%	-1.3%	-2.6%	-5.7%
Net interest income		6,429	6,223	5,861	5,903	5,531	5,504
	YoY		-3.2%	-5.8%	0.7%	-6.3%	-0.5%
Income on service transactions		1,875	1,809	1,839	1,800	1,784	1,813
	YoY		-3.5%	1.7%	-2.1%	-0.9%	1.6%
Net trading income		26	88	51	-23	108	-16
	YoY		240.3%	-41.9%	-	-	-
Income from other operations		302	342	141	106	158	-154
	YoY		13.1%	-68.8%	-24.7%	48.7%	-
Gross business profit (international)		2,661	2,147	2,109	1,900	2,425	2,871
	YoY		-19.3%	-1.7%	-9.9%	27.6%	18.4%
Net interest income		1,380	1,314	1,311	1,127	1,058	1,462
	YoY		-4.8%	-0.3%	-14.0%	-6.1%	38.2%
Income on service transactions		525	504	458	485	455	473
	YoY		-3.9%	-9.1%	5.8%	-6.1%	4.0%
Net trading income		341	214	185	213	312	216
	YoY		-37.1%	-13.7%	15.4%	46.4%	-30.8%
Income from other operations		415	114	155	75	599	721
	YoY		-72.4%	35.8%	-51.7%	698.0%	20.2%
Various costs		6,705	6,776	6,726	6,664	6,635	6,597
	YoY		1.1%	-0.7%	-0.9%	-0.4%	-0.6%
Personnel expenses		2,973	2,983	2,973	2,913	2,854	2,831
	YoY		0.3%	-0.4%	-2.0%	-2.0%	-0.8%
Property costs		3,338	3,367	3,339	3,343	3,363	3,336
	YoY		0.9%	-0.9%	0.1%	0.6%	-0.8%
Taxes		393	425	415	408	418	431
	YoY		8.1%	-2.4%	-1.8%	2.5%	3.0%
Expense ratio		59.4%	63.9%	67.3%	68.8%	66.3%	65.9%

By bank type

City banks	(JPYbn)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Gross operating profit		5,536	5,267	4,743	4,459	4,733	4,831
	YoY		-4.9%	-10.0%	-6.0%	6.1%	2.1%
Gross business profit (Japan)		3,410	5,267	3,051	2,915	2,849	2,536
	YoY		54.5%	-42.1%	-4.4%	-2.3%	-11.0%
Net interest income		2,401	3,450	2,041	2,088	1,845	1,824
	YoY		43.7%	-40.8%	2.3%	-11.7%	-1.1%
Income on service transactions		866	2,344	843	813	801	814
	YoY		170.6%	-64.1%	-3.5%	-1.5%	1.6%
Net trading income		-51	841	28	-49	52	-18
	YoY		-	-96.7%	-	-	-
Income from other operations		194	54	139	63	152	-84
	YoY		-72.1%	157.8%	-54.9%	141.7%	-
Gross business profit (international)		2,127	210	1,692	1,544	1,884	2,295
	YoY		-90.1%	704.5%	-8.7%	22.0%	21.8%
Net interest income		974	1,818	890	836	797	1,049
	YoY		86.5%	-51.1%	-6.1%	-4.6%	31.7%
Income on service transactions		499	918	444	468	438	455
	YoY		84.1%	-51.6%	5.3%	-6.5%	3.9%
Net trading income		359	487	159	168	220	233

YoY	35.8%	-67.5%	6.1%	-	-89.8%			
Income from other operations		295	203	200	73	422	558	
YoY			-31.1%	-1.9%	-63.6%	480.6%	32.2%	
Various costs		3,057	3,114	3,098	3,111	3,081	3,080	
YoY			1.9%	-0.5%	0.4%	-1.0%	0.0%	
Personnel expenses		1,170	1,184	1,196	1,181	1,149	1,146	
YoY			1.2%	1.0%	-1.3%	-2.7%	-0.3%	
Property costs		1,706	1,740	1,721	1,746	1,744	1,743	
YoY			2.0%	-1.1%	1.5%	-0.1%	-0.1%	
Taxes		181	191	181	185	188	191	
YoY			5.6%	-5.0%	1.8%	1.7%	2.0%	
Expense ratio		55.2%	59.1%	65.3%	69.8%	65.1%	63.8%	
Regional banks	(JPYbn)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	
Gross operating profit		3,579	3,325	3,265	3,272	3,352	3,303	
YoY			-7.1%	-1.8%	0.2%	2.4%	-1.5%	
Gross business profit (Japan)		3,337	3,209	3,166	3,156	3,091	3,037	
YoY			-3.8%	-1.3%	-0.3%	-2.1%	-1.7%	
Net interest income		2,832	2,729	2,753	2,694	2,666	2,669	
YoY			-3.6%	0.9%	-2.1%	-1.0%	0.1%	
Income on service transactions		437	400	425	425	427	443	
YoY			-8.4%	6.1%	0.1%	0.4%	3.9%	
Net trading income		5	4	3	2	3	3	
YoY			-20.8%	-21.4%	-27.3%	29.2%	0.0%	
Income from other operations		62	75	-15	34	-6	-78	
YoY			21.1%	-	-	-	-	
Gross business profit (international)		242	116	99	115	261	266	
YoY			-51.9%	-14.8%	16.3%	126.3%	1.8%	
Net interest income		187	183	173	168	172	196	
YoY			-1.7%	-5.6%	-2.9%	2.0%	14.4%	
Income on service transactions		6	5	6	7	6	6	
YoY			-16.1%	15.4%	11.7%	-11.9%	0.0%	
Net trading income		1	0	1	1	1	1	
YoY			-	-	33.3%	25.0%	10.0%	
Income from other operations		48	-72	-81	-60	83	63	
YoY			-	-	-	-	-24.4%	
Various costs		2,309	2,306	2,283	2,265	2,294	2,269	
YoY			-0.2%	-1.0%	-0.8%	1.3%	-1.1%	
Personnel expenses		1,172	1,164	1,145	1,135	1,136	1,119	
YoY			-0.7%	-1.6%	-0.9%	0.1%	-1.5%	
Property costs		1,000	992	986	983	1,003	988	
YoY			-0.7%	-0.6%	-0.4%	2.1%	-1.5%	
Taxes		137	150	151	147	154	162	
YoY			9.0%	1.1%	-2.9%	5.0%	5.1%	
Expense ratio		64.5%	69.3%	69.9%	69.2%	68.4%	68.7%	

Source: Shared Research, based on an analysis of national bank financial statements by the Japanese Bankers Association

Note: Gross operating profit = net interest income + income on service transactions + income on specific transactions + other operating income

A variety of external factors are forcing financial institutions to digitalize their operations (both retail and corporate) and otherwise adapt their business models.

Retail banking

External factors (issues)

- ▶ A growing number of younger customers, who are digital natives
- ▶ Deteriorating profitability due to ultralow interest rate policy
- ▶ Market entry from fintech competitors
- ▶ Frozen assets due to a rise in assets held by seniors

Necessary measures

- ▶ Digitalization of business
- ▶ Establishment of new business domains for diverse individuals

Corporate banking

External factors (issues)

- ▶ Growing business succession needs as company owners age
- ▶ Growing need for DX amid COVID-19
- ▶ Entry of competitors in multiple fields

- ▶ Deregulation

Necessary measures

- ▶ Better solutions to meet diverse needs
- ▶ Support for corporate digitalization efforts

According to Fuji Chimera Research Institute, Inc., the Japanese market related to DX in the finance industry was worth JPY151bn in FY2019. According to the institute, the financial DX market centers on investments in next-generation financial infrastructure services and digital screening and forecasting. In next-generation financial services, the Revised Banking Act of FY2017 led to the configuration of application programming interfaces (APIs). Systems with these APIs began to launch in FY2019 and FY2020. As a result, financial services are expected to become more seamless as services are interconnected. Digital screening and forecasting is also becoming more prevalent as COVID-19 causes companies to accelerate their plans to automate and promote labor-saving operations. By FY2030, the institute expects this market to be worth JPY584.5bn (CAGR of 13.1%).

Fintech market

"Fintech" describes a variety of innovations that combine financial services and information technology. These include cashless payments, virtual currencies, investment/asset management/robo-advisory, crowdfunding (see below), and money transfers using smartphone apps. According to Yano Research Institute Ltd., the Japanese market for fintech (based on revenue at fintech venture companies) was worth JPY214.5bn in FY2018 (+42.7% YoY). The institute expects this market to grow to JPY1.2tn by FY2022.

Legislative reforms related to fintech

Act on Sales, etc. of Financial Instruments

The "Act for Partial Amendment of the Act on Sales, etc. of Financial Instruments, etc. to Improve the Convenience and Protection of Users of Financial Services" was enacted on June 5, 2020. As a result, in November 2021 the "Act on Sales, etc. of Financial Instruments" was renamed the "Act on the Provision of Financial Services." This revision newly established the financial service intermediary business. Under this law, "financial service intermediary business" means engaging in "deposit, etc. intermediary business operations," "insurance intermediary business operations," "securities, etc. intermediary business operations," or "loan intermediary business operations." The law also allows fintech companies to act as intermediaries in the sale of banking, insurance, and investment products. Under the current law, sales are generally on consignment from financial institutions, with guidance and supervision from the financial institutions to which they belong, and those financial institutions are liable for compensation for improper conduct.

A financial service intermediary business operator may, upon registration, engage in the business of intermediating banking business, insurance business, financial instruments business, and lending business. Financial service intermediary business operators are independent from financial institutions and are not subject to the guidance and supervision of financial institutions, and the financial service intermediary business operators themselves bear the liability for compensation.

Previously, companies had to register individually as intermediaries to conclude contracts in banking, insurance, and securities, and an affiliation system was in place. The financial service intermediary business allows intermediary services in all fields to be provided with a single registration and does away with the affiliation system.

Revised Banking Act

The Act for Partial Revision of the Banking Act, etc. (the "Revised Banking Act") was enacted on May 26, 2017 and promulgated on June 2, 2017. The Revised Banking Act was created to promote open application programming interfaces (APIs), facilitating the communication of fintech and banking software. Open APIs make banking functions and data accessible to specific other business operators.

Key points of the Revised Banking Act:

- ▶ New definitions in the electronic payment agency business: Categorizes electronic payment agents as providers of electronic fund transfer services and account management service

- ▶ Introduces system of registration for electronic payment agents
- ▶ Sets obligations for electronic payment agents: obligation to provide explanations to users, obligation to perform services in good faith for users, obligation to conclude contracts with banks
- ▶ Promotes initiatives related to open APIs (application programming interfaces) for banks

These changes encourage cooperation between financial institutions and fintech companies. For example, before the Revised Banking Act was implemented, consumers had to visit individual banks' online site to use their financial services. APIs make it possible for consumers to check the balances of multiple accounts and transfer money using smartphone apps.

Security token offerings (STOs)

Security tokens are digitized securities in the form of tokens, and a security token offering (STO) is a method of using this technology to raise funds. Amendments to the Financial Instruments and Exchange Act went into effect on May 1, 2020. As a result, security tokens are now classified as Article 2 (1) securities, the same as national government bonds, corporate bonds, municipal bonds, and stocks. In addition, the law provides that soliciting 50 or more people to acquire electronic record transfer rights constitutes an "offering," and the company is required to file a securities registration statement and prepare a prospectus, except in cases where the total issue price is less than JPY100mn. Startups and small and medium-sized companies can obtain new means of financing through securitization schemes, and investors can diversify their financial products and increase their liquidity. ZUU began considering the launch of STOs in May 2021.

Crowdfunding market

As its name suggests, crowdfunding refers to the process of raising funds in small amounts from an unspecified (but large) number of people via the internet. The Japan Crowdfunding Council categorizes crowdfunding by type: purchase (including donation type), loan, non-specific, fund, and equity investment types.

- ▶ Purchase type: An arrangement in which supporters contribute money to a proposed project, and the supporters receive goods and services in return.
- ▶ Loan type: An arrangement in which an intermediary collects small amounts of money from individual investors and makes large loans to corporate borrowers. This type differs from purchase or donation types of funding in that supporters can earn monetary returns (interest). Being a type of financial instrument, providers of loan-type crowdfunding are subject to the Money Lending Business Act and the Financial Instruments and Exchange Act.
- ▶ Real estate specific type: This arrangement, which became possible under the Act on Specific Joint Real Estate Ventures, enables real estate to be divided up into small lots to attract investment from individual investors.
- ▶ Fund type: Like equity-type crowdfunding, companies use this type of financing method to raise capital from individual investors for specific products. Fund-type services are not yet available in Japan.
- ▶ Equity investment type: Companies use this financing method to raise funds in exchange for offering privately held shares to individual investors. In 2015, small-amount special exception was been made for Type 1 Financial Instruments Dealers that handle stock investments, and services have been available in Japan since around 2017. The investment amount is limited to JPY100mn per year for borrowing companies and JPY500,000 per investor. The crowdfunding business operator must be qualified as a "type 1 small-amount electronic public offering service provider."

ZUU is involved in purchase, loan, and equity-investment types of crowdfunding. The company believes barriers to entry are high for loan- and equity-investment-type crowdfunding, as these types require financial licenses and expertise. To offer loan-type crowdfunding, a company needs to be registered for "electronic subscription," which is a Type II financial instruments business under the Financial Instruments and Exchange Act. To offer equity-investment-type crowdfunding, a company must be registered to conduct Type I or small-scale Type I financial instruments businesses under the Act. In December 2020, the company also began handling purchase-type crowdfunding. It had concluded two deals as of September 2021.

Major competing sites:

- ▶ Purchase type: Makuake (Makuake, Inc., Mothers: 4479), Ready For (Ready For Inc., unlisted), Green Funding (One More Inc., unlisted), Campfire (Campfire, Inc., unlisted), kibidango (Kibidango, Inc., unlisted)

- ▶ Loan type: Maneco (Maneco Market Inc., unlisted), Crowd Bank (Crowd Bank Corp., unlisted), OwnersBook (Loadstar Bank, Inc., unlisted), funds (Funds, Inc., unlisted)
- ▶ In 2018, Maneco Market was ordered to improve its operations due to inadequate controls, which had led to the diversion of funds for purposes other than those for which they were solicited. In March 2020, the company stopped accepting account applications.
- ▶ In May 2021, SBI Social Lending Co., Ltd. (a consolidated subsidiary of SBI Holdings, Inc., TSE1: 8473) announced that it would withdraw from the social lending business. In 2021, the company was found to have neglected its obligation to confirm the use of funds, even though the borrowers had not used the loans in advance as planned.
- ▶ Equity investment type: Fundinno (Japan Cloud Capital, Inc.), Campfire Angels (Campfire, Inc., unlisted), Angelbank (Universal Bank Inc., unlisted)

Market sizes for purchase, loan, and equity types of crowdfunding

(JPYmn)	2017	2018	2019	2020
Purchase type	7,700	11,500	16,900	50,100
YoY		49.4%	47.0%	196.4%
(JPYmn)	2017	2018	2019	2020
Loan type	131,600	176,400	111,300	112,500
YoY		34.0%	-36.9%	1.1%
(JPYmn)	2017	2018	2019	2020
Equity investment type	370	900	560	920
YoY		143.2%	-37.8%	64.3%

Source: Shared Research, based on data from the Japan Crowdfunding Council

Note: For purchase-type crowdfunding, accumulated amounts (the amount of money collected by the people who initiated the projects) are shown for Makuake, READYFOR, Campfire (including FAAVO), Green Funding, Motion Gallery, Kibidango, and A-port. (For Makuake, total amounts are within the scope of disclosed information.) For loan-type crowdfunding, indicated amounts are based on publicly available data and questionnaire results for SBI Social Lending, Crowd Bank, Crowd Credit, OwnersBook, Funds, SAMURAI FUND, and Campfire Owners. (For maneco, figures reflect statistics through 2019.) For equity-type crowdfunding, indicated amounts are for successful projects (shares and stock acquisition rights) on the "Statistical Information and Transaction Status of Equity Investment-Type Crowdfunding" on the Japan Security Dealers Association website.

Overseas crowdfunding markets

According to Mitsubishi UFJ Research & Consulting Co., Ltd., the total amount of crowdfunding raised on Fundly, a US crowdfunding site, amounted to USD34bn in 2019. Most of these funds were raised in North America (USD17.2bn) and Asia (USD10.5bn). Worldwide by type, loan-type crowdfunding amounted to USD25.0bn (74% of the total), purchase-type crowdfunding (including donation-type) came to USD5.5bn (16%).

Investing in unlisted equities

From the viewpoint of investor protection, solicitation of investments in unlisted equities by securities companies has in principle been prohibited. At the same time, routing risk money toward new and growing unlisted companies is one aspect of the government's strategy for growth. To facilitate the supply of growth capital, the Financial Services Agency's Market System Working Group, established in October 2020, is considering revisions surrounding the issuance and secondary market for unlisted equities. On June 18, 2021, this working group produced its second report, summarizing considerations in the development of an environment for the secondary trading of unlisted securities and institutional arrangements for equity-investment-type crowdfunding.

Internet advertising expenses

According to Dentsu's "2020 Advertising Expenditures in Japan," total advertising expenditure in Japan amounted to JPY6.2tn in 2020 (-11.2% YoY), affected by COVID-19. Expenditure on internet advertising continued to grow despite COVID-19, reaching JPY2.2tn (the same level as the four traditional mass media [newspapers, magazines, radio, and television]) and accounting for 36.2% of overall expenditure. "Expenditures for internet advertising media," which is "internet advertising expenditure" less "internet advertising production costs" and "e-commerce platform advertising costs," came to JPY1.8tn (+5.6% YoY).

Advertising expenditures in Japan

(JPYbn)	2017	2018	2019	2020
Four traditional mass media advertising	2,793.8	2,702.6	2,609.4	2,253.6
YoY		-3.3%	-3.4%	-13.6%
Internet advertising	1,509.4	1,758.9	2,104.8	2,229.0
YoY		16.5%	19.7%	5.9%
Other	2,087.5	2,068.5	2,223.9	1,676.8
YoY		-0.9%	7.5%	-24.6%
Total advertisement spending	6,390.7	6,530.0	6,938.1	6,159.4
YoY		2.2%	6.2%	-11.2%

Source: Shared Research based on Dentsu's "Advertising Expenditures in Japan"

Expenditures for internet advertising media

(JPYbn)	2017	2018	2019	2020
Video advertising	115.5	202.7	318.4	386.2
YoY		75.5%	57.1%	21.3%
Display advertising	498.8	563.8	554.4	573.3
YoY		13.0%	-1.7%	3.4%
Search-linked advertising	483.1	570.8	668.3	678.7
YoY		18.2%	17.1%	1.6%
Performance-based advertising	104.9	99.0	104.9	98.5
YoY		-5.6%	6.0%	-6.1%
Other internet advertising	17.4	11.7	17.0	20.0
YoY		-32.8%	45.3%	17.6%
Total spending on internet advertising	1,219.7	1,448.0	1,663.0	1,756.7
YoY		18.7%	14.8%	5.6%

Source: Shared Research based on Dentsu's "Advertising Expenditures in Japan"

Competitor trends

ZUU's competitors are NewsPicks (Uzabase, Inc., Mothers: 3966), ITmedia (ITmedia, Inc., TSE1: 2148), and Morningstar (Morningstar Japan Inc., TSE1: 4765). Although these companies have different areas of expertise, they are competitors for media-based paying members and due to their advertising revenue model.

Outsourced writers author content for ZUU Online; the company only edits the content. The company edits this content, checking the information before posting it. Articles by prominent writers may be published with bylines. ZUU also posts content provided by companies it has vetted. This approach is different from the consumer-generated media (CGM) model, where site users post content. ZUU Online does not offer a comment feature. The company does not use CGM because it believes the cost of checking the quality of content would be significant.

NewsPicks

- ▶ Operates information-oriented media, specializing in economic news. Features news commentary by experts.
- ▶ In Q2 FY12/21, revenue in the NewsPicks business segment was JPY1.8bn. Of this amount, advertising business produced JPY713mn (+51.1% YoY, 40.4% of total revenue), fee-based billing generated JPY660mn (+10.6% YoY, 37.4%), and other business provided JPY391mn (2.2x YoY, 22.2%).

ITmedia

- ▶ SoftBank Group: SB Media Holdings Corp., a wholly owned subsidiary of SoftBank Corp. (TSE1: 9434) owns 50.93% of ITmedia (as of FY03/21).
- ▶ Operates technology-focused media
- ▶ FY03/21, consolidated basis: 30 specialized media, 4,000 articles/month, 25mn readers, 50mn UBs*, 400mn monthly PVs

*UBs are unique browsers. UBs are nearly the same as unique users (UUs), but the UB count is browser-based. If the same user accesses a site using a different browser, he/she is counted as a different user.

- ▶ Q1 FY03/22 users: 1,019 companies, 1.0mn members

Morningstar

- ▶ SBI Group: SBI Global Asset Management Co., Ltd. (a consolidated subsidiary of SBI Holdings, Inc., TSE1: 8473) holds a 41.6% stake (as of FY03/21).
- ▶ The number of members of the paid version of Kabushiki Shimbun Web (Stock News Web) was 1,771 at the end of Q1 FY03/22 (+59.1% YoY).
- ▶ As of end-Q1 FY03/22 smartphone app downloads totaled 926,225 (+14.6% YoY). Of this figure, 830,637 downloads were for My Investment Trust (+11.1% YoY), 40,579 were for My Virtual Currency (+36.4% YoY), and 55,039 were for Kabushiki Shimbun (+76.4% YoY).

Competitors' performance

Uzabase (3966)

(JPYmn)	2014/12	2015/12	2016/12	FY12/17	FY12/18	FY12/19	FY12/20
Revenue	1,123	1,915	3,082	4,566	9,340	12,521	13,809
YoY		70.5%	60.9%	48.2%	104.6%	34.1%	10.3%
Operating profit	-396	-333	251	546	830	-1,236	104
YoY		-15.9%	-175.4%	117.5%	52.0%	-248.9%	-108.4%
Operating profit margin	-35.3%	-17.4%	8.1%	12.0%	8.9%	-9.9%	0.8%
(JPYmn)	2014/12	2015/12	2016/12	FY12/17	FY12/18	FY12/19	FY12/20
Revenue							
SPEEDA			2,143	2,905	3,964	4,530	5,492
NewsPiks			939	1,661	5,376	4,177	5,932
Other (new business)							0
Quartz						2,942	972
Other						870	1,412
SUM			3,082	4,566	9,340	12,521	13,809
Elimination							
Total			3,082	4,566	9,340	12,521	13,809
Operating profit							
SPEEDA			231	415	566	1,295	2,282
Operating profit margin			10.8%	14.3%	14.3%	28.6%	41.6%
NewsPiks			20	131	265	342	711
Operating profit margin			2.1%	7.9%	4.9%	8.2%	12.0%
Other (new business)							-52
Operating profit margin							-
Quartz						-2,721	-1,961
Operating profit margin						-92.5%	-201.7%
Other						-146	46
Operating profit margin						-16.8%	3.3%
SUM			251	546	830	-1,229	1,026
Operating profit margin			8.1%	12.0%	8.9%	-9.8%	7.4%
Elimination						-6	-921
Total			251	546	830	-1,236	104
Operating profit margin			8.1%	12.0%	8.9%	-9.9%	0.8%

Note: IPO in October 2016

Itmedia (2148)

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
Revenue	3,163	4,376	4,451	4,609	4,950	5,279	6,891
YoY	9.4%	38.3%	1.7%	3.5%	7.4%	6.6%	30.5%
Operating profit	489	825	710	746	692	1,172	2,022
YoY	50.0%	68.7%	-13.9%	5.1%	-7.2%	69.4%	72.5%
Operating profit margin	15.5%	18.9%	16.0%	16.2%	14.0%	22.2%	29.3%
(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
Revenue							
Lead generation			1,914	1,867	1,968	2,250	3,171
Media advertising			2,366	2,502	2,735	3,029	3,720
Other (non-segment)			171	240	247		
SUM			4,451	4,609	4,950	5,279	6,891
Operating profit							
Lead generation			335	277	287	466	805
Operating profit margin			17.5%	14.8%	14.6%	20.7%	25.4%
Media advertising			363	505	594	707	1,218
Operating profit margin			15.3%	20.2%	21.7%	23.3%	32.7%
Other (non-segment)			12	-36	-190		
Operating profit margin			7.0%	-15.0%	-76.9%		
SUM			710	746	692	1,172	2,022
Operating profit margin			16.0%	16.2%	14.0%	22.2%	29.3%

Morningstar (4765)

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
Revenue	4,191	4,670	4,791	5,967	6,004	6,815	7,486
YoY	6.9%	11.4%	2.6%	24.5%	0.6%	13.5%	9.8%
Operating profit	1,149	1,406	1,560	1,639	1,647	1,542	1,765
YoY	12.8%	22.4%	11.0%	5.1%	0.5%	-6.4%	14.5%
Operating profit margin	27.4%	30.1%	32.6%	27.5%	27.4%	22.6%	23.6%
Revenue							
Financial services	2,706	2,782	3,026	2,725	2,768	2,934	2,490
Asset management	1,485	1,887	1,765	3,242	3,237	3,881	4,996
SUM	4,191	4,670	4,791	5,967	6,004	6,815	7,486
Operating profit							
Financial services	904	1,003	1,190	1,051	1,079	1,035	670
Operating profit margin	33.4%	36.1%	39.3%	38.6%	39.0%	35.3%	26.9%
Asset management	245	403	371	588	568	507	1,096
Operating profit margin	16.5%	21.4%	21.0%	18.1%	17.5%	13.1%	21.9%
SUM	1,149	1,406	1,560	1,639	1,647	1,542	1,765
Operating profit margin	27.4%	30.1%	32.6%	27.5%	27.4%	22.6%	23.6%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Revenue per member

Shared Research has compared revenue per member numbers for ZUU and NewsPicks, which specializes in economic news. As NewsPicks does not disclose ARPU, we calculated revenue per member by dividing revenue for the same period (April to June 2021) by the number of members. NewsPicks has two services, one for individuals and one for corporations, but as the content used is the same, we compare it to ZUU's revenue from retail fintech. ZUU's ARPU for April–June 2021 was JPY2,600 yen, calculated simply for comparison purposes. Our calculations indicated that ZUU's revenue per member was JPY1,403/month, 15x that of NewsPicks' JPY92/month. Shared Research understands that this disparity is due to ZUU's more abundant revenue streams. NewsPicks generates about 80% of revenue from advertising and subscriptions, whereas ZUU also receives revenue from digital stores, asset consulting for high-net-worth individuals, the MP Cloud media platform, and other solutions.

	ZUU	NewsPicks
Revenue (JPYmn, April–June 2021)	627	1,765
Membership ('000, as of June 2021)	149	6,410
Revenue per member (JPY per month)	1,403	92

Strengths and weaknesses

Strengths

The company has a strong sense of awareness of its role in helping financial institutions use IT to attract customers. ZUU offers a more extensive service lineup than competitors that focus specifically on media operation.

ZUU's revenue per member is JPY1,403/month, 15x that of NewsPicks' JPY92/month. (NewsPicks specializes in economic news; see "Competitor trends" for calculation details.) Shared Research understands that this disparity is due to ZUU's more abundant revenue streams. NewsPicks generates about 80% of revenue from advertising and subscriptions, whereas ZUU also receives revenue from digital stores, asset consulting for high-net-worth individuals, the MP Cloud media platform, and other solutions. According to ZUU, this reflects a difference in perspective: other companies consider their main business to be media operations, but ZUU's emphasis is on using media to provide fintech solutions.

ZUU has more users and members than other finance-focused media and is the first choice for financial institutions aiming to attract customers over the internet.

The company operates ZUU Online, a financial site that mainly targets upper-mass market to high-net-worth individuals (financial assets of JPY30mn or more). In Q1 FY03/22, user visits per month (to ZUU Online and the company's other media) numbered 14.8mn, and total members amounted to 149,000. These figures make ZUU one of Japan's largest finance-specific media operators.

Banks and other financial institutions have seen profit margins decline in recent years due to ultralow-interest-rate policies, so they need to increase sales efficiency. In this environment, ZUU's offerings are attractive: the company operates media that attract numerous users and members that are potential customers for financial institutions.

ZUU uses MP Cloud to configure media for other companies. These media are then linked to ZUU's own to generate mutual customer referrals and increase access and member numbers.

The company developed MP Cloud as a content management system (CMS) for ZUU Online. In December 2019, ZUU began selling MP Cloud to other companies, as well. In addition to such CMS functions as building, managing, and operating websites, MP Cloud has customer management and user trend analysis functions. These help companies to ascertain demand for financial products based on page browsing history and the time users spend on pages. MP Cloud also has a payment function that can be used to recruit people to paid seminars.

ZUU believes there are limits on potential increases in the number of users and members a single company's media can deliver. By also providing MP Cloud to other companies, ZUU effectively extends this limit by building a media network that increases value for itself and its customers through mutual customer referrals. A single sign-on makes it possible for users to access some content provided mutually via MP Cloud.

Weaknesses

Most ARPU from the media platform comes from customer referrals and advertising revenue, which are susceptible to economic fluctuations and advertisers' choices.

The company views ARPU as a KPI. ARPU mainly comprises revenue from customer referrals (performance-based advertising) and advertising, plus membership fees. Customer referrals and advertising are sources of spot revenue that are easily influenced by changes in the business environment and the choices advertisers make. By contrast, membership fees are a source of recurring revenue, which results in a relatively stable business model. Uzabase, Inc.'s NewsPicks business generated segment revenue of JPY1.8bn in FY12/21, with advertising revenue accounting for 40.4% and paid content for 37.4%. Shared Research understands that Uzabase has a higher percentage of recurring revenue from paying members than ZUU does. Shared Research believes this makes ZUU's ARPU more volatile.

Recognition of ZUU Online is low, and the numbers of unique users and total members are lower than for sites that do not focus on finance.

In Q1 FY03/22, the number of unique users was 14.8mn, and total members numbered 149,000. By comparison, ITmedia (technology-focused media operated by an eponymous company) had 50mn UBs (FY03/21). (NewsPicks and Morningstar do not disclose figures).

The company targets upper-mass market to very-high-net-worth individuals. In Japan, this category is limited to 11.9mn households. Shared Research understands that ZUU Online's visibility within this category is low, so numbers of unique users and total members are also low.

According to the Ministry of Internal Affairs and Communications' "Household Income and Expenditure Survey Report (Savings and Debt) 2020 Average Results (Households with Two or More Members)," net savings (current savings minus current liabilities) amounted to JPY12.2mn. Averages tended to increase with age, with households aged 70+ having average assets of JPY21.7mn. Households aged 70+ accounted for 31.7% of net savings. However, according to a survey by the same ministry, while only 9% of people in Japan have never used the internet, that figure was 25.8% in the 70–79 age bracket and 42.5% for the 80+ group. Shared Research believes it will take some time for this situation to evolve as generations shift, but that ZUU's recognition will increase as internet usage grows.

The market for loan-type crowdfunding market is immature, and the market is affected by issues that ZUU cannot control, such as scandals at other companies.

ZUU focuses on loan-type crowdfunding. In 2018, Maneo Market, a major player in loan-type crowdfunding, was ordered to improve its operations due to inadequate controls, which had led to the diversion of funds for purposes other than those for which they were solicited. In March 2020, the company stopped accepting account applications.

Another large provider of loan-type crowdfunding, SBI Social Lending, announced in May 2021 that it would withdraw from that business. Recognizing that SBI Securities may not have sufficiently fulfilled its required duty of care and that violations of

the Financial Instruments and Exchange Act may have occurred, SBI Social Lending plans to compensate investors for unredeemed principal amounts. This compensation led SBI Securities to post an impairment loss of JPY15.0bn in FY03/21.

ZUU mainly arranges loans for listed companies, companies that can secure collateral, and companies that can provide debt guarantees through Nihon Hoshou. ZUU's historical default rate is zero. Even so, scandals at other companies (like those outlined above) can taint consumer perceptions of loan-type crowdfunding as being high-risk. Shared Research believes market expansion will be limited unless such issues are resolved by amending laws and establishing frameworks.

Historical performance and financial statements

Income statement

Consolidated

Income statement	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.
Revenue	729	944	1,318	1,847	2,790
YoY	-	29.5%	39.5%	40.2%	51.0%
Cost of revenue	165	257	342	526	693
Gross profit	564	687	976	1,321	2,097
Gross profit margin	77.4%	72.7%	74.0%	71.5%	75.2%
SG&A expenses	580	615	793	1,428	2,083
SG&A ratio	79.5%	65.2%	60.2%	77.3%	74.7%
Operating profit	-15	72	183	-107	14
YoY	-	-	155.0%	-	-
Operating profit margin	-	7.6%	13.9%	-	0.5%
Non-operating income	0	1	1	3	1
Dividend received	0	0	0	0	0
Other	0	1	1	3	1
Non-operating expenses	0	2	16	22	7
Interest expenses	0	0	0	0	0
Foreign exchange losses	0	0	1	-	0
Commission expenses	-	-	-	2	7
Share of loss of entities accounted for using equity method	-	-	-	20	-
Other	-	2	15	0	-
Recurring profit	-16	70	168	-125	8
YoY	-	-	138.9%	-	-
Recurring profit margin	-	7.4%	12.7%	-	0.3%
Extraordinary gains	-	-	-	18	-
Gain on step acquisitions	-	-	-	18	-
Extraordinary losses	36	-	4	-	249
Loss on retirement of non-current assets	-	-	-	-	1
Loss on valuation of investment securities	-	-	4	-	-
Impairment losses	-	-	-	-	248
Dividends distribution from silent partnership	-	-	-	-	1
Income taxes	-6	25	56	-8	101
Implied tax rate	11.4%	36.2%	34.5%	7.1%	-42.1%
Net income attributable to non-controlling interests	-	-	-	-7	-43
Net income attributable to owners of the parent	-46	45	107	-93	-300
YoY	-	-	139.4%	-	-
Net margin	-	4.7%	8.1%	-	-

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

In FY03/21, the equity ratio was 63.9%. The company aims to maintain an equity ratio of 50–60%, borrowing funds in the event of a business or corporate acquisition.

Non-consolidated

Income statement (JPYmn)	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.
Revenue	336	721	921	1,308	1,842	2,680
YoY	-	114.9%	27.7%	42.0%	40.8%	45.5%
Cost of revenue	63	163	257	354	530	692
Gross profit	272	559	665	954	1,312	1,989
Gross profit margin	81.1%	77.5%	72.2%	72.9%	71.2%	74.2%
SG&A expenses	266	542	578	762	1,360	1,739
SG&A ratio	79.1%	75.2%	62.8%	58.2%	73.8%	64.9%
Operating profit	7	17	87	192	-48	250
YoY	-	152.8%	421.7%	121.4%	-	-
Operating profit margin	2.0%	2.3%	9.4%	14.7%	-	9.3%
Non-operating income	11	0	1	1	3	1
Interest income	0	0	0	0	0	0
Adjustments such as Consumption Tax	11					
Other	0		1	1	2	1
Non-operating expenses	3	0	2	15	2	72
Interest expenses		0	0	0	0	0
Provision for doubtful accounts						65
Share issuance expenses	2					
Head office transfer cost	2					
Other	0	-	2	15	2	7
Recurring profit	14	17	85	177	-47	178
YoY	-	16.9%	414.9%	108.0%	-	-
Recurring profit margin	4.2%	2.3%	9.2%	13.5%	-	6.6%
Extraordinary gains						
Extraordinary losses	-	36	48	13	11	435
Loss on valuation of shares of subsidiaries and associates			48	13	11	434
Loss on retirement of non-current assets						1
Income taxes	5	-6	25	56	-8	100
Implied tax rate	34.2%	30.0%	68.0%	34.4%	13.5%	-39.1%
Net income attributable to owners of the parent	9	-14	12	107	-50	-357
YoY	-	-	-	797.9%	-	-
Net margin	2.8%	-	1.3%	8.2%	-	-

Cost of revenue (JPYmn)	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.
Cost of revenue	63	163	257	354	530	692
Labor costs	7	16	28	40	54	73
Outsourcing costs	30	69	118	154	195	216
Various costs	26	78	111	161	281	402
Commission expenses	5	10	17	27	21	19
Outsourcing costs				44	51	67
Advertising operation costs	15	56	89	85	197	306

SG&A expenses (JPYmn)	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.
SG&A expenses	266	542	578	762	1,360	1,739
Salaries and allowances	69	195	215	262	326	618
Recruitment and training expenses	27	31				
Outsourcing costs			81	116	211	246
Depreciation	1	5	5	3	5	8
Provision for doubtful accounts				1	1	10
Retirement benefit expenses				2	7	8
Advertising expenses	56	65		43	203	197
Other	112	246	278	335	606	652

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Differences between consolidated and non-consolidated

Income statement (JPYmn)	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
Revenue	8	23	10	5	109
YoY	-	193.2%	-58.0%	-45.6%	-
Cost of revenue	3	1	-12	-3	1
Gross profit	5	22	22	9	108
Gross profit margin	67.8%	96.4%	228.0%	165.0%	99.0%
SG&A expenses	37	37	31	68	344
SG&A ratio	477.6%	161.8%	323.1%	1,292.9%	314.3%
Operating profit	-32	-15	-9	-59	-235
YoY	-	-	-	-	-
Operating profit margin	-	-	-	-	-
Recurring profit	-32	-15	-10	-78	-170
YoY	-	-	-	-	-
Recurring profit margin	-	-	-	-	-
Income taxes	-	-	-	0	1
Implied tax rate	0.0%	0.0%	0.0%	-0.2%	-0.2%
Net income attributable to non-controlling interests					
Net income attributable to owners of the parent	-32	33	-0	-42	57
YoY	-	-	-	-	-
Net margin	-	142.9%	-	-	52.2%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Differences between consolidated and non-consolidated figures are due to the following subsidiaries.

- ▶ From April 2016: ZUU Singapore Pte. Ltd. (Fintech Platform business)
- ▶ From April 2019: ZUU Funders Co., Ltd. (Fintech Platform business), ZUU Co., Ltd. IFA (Fintech Platform business)
- ▶ From November 2019: Cool Services Inc. (Crowdfunding business), Cool Inc. (Crowdfunding business)
- ▶ From February 2020: Unicorn, Inc. (Crowdfunding business)

Balance sheet

Balance sheet (JPYmn)	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
	Cons.	Cons.	Cons.	Cons.	Cons.
Assets					
Cash and deposits	449	496	957	332	1,254
Notes and accounts receivable	119	136	175	434	540
Inventories	1	1	2	6	9
Other	14	16	26	79	84
Allowance for doubtful accounts			-1	-2	-5
Total current assets	584	649	1,159	850	1,881
Buildings and structures	13	12	11	29	22
Other	7	4	4	10	9
Total tangible fixed assets	20	16	15	39	31
Goodwill			-	299	-
Other	-	0	0	6	0
Total intangible assets	0	0	0	305	0
Investment securities	4	4	-	35	35
Deferred tax assets	9	8	5	13	14
Other	45	47	59	113	93
Investments and other assets	58	59	64	161	142
Total fixed assets	78	76	79	505	173
Total assets	662	725	1,238	1,354	2,055
Liabilities					
Notes and accounts payable	9	25	20	62	67
Short-term debt	30	-	50	126	19
Other	98	130	169	274	556
Total current liabilities	136	155	240	461	642
Asset retirement obligations	8	8	8	-	15
Total fixed liabilities	8	8	8	-	15
Total liabilities	145	163	248	461	657
Net assets					
Capital stock	293	293	454	468	856
Capital surplus	278	278	439	448	821
Retained earnings	-54	-9	98	-63	-364
Treasury stock			-0	-0	-0
Accumulated other comprehensive income	1	0	0	-1	-1
Share acquisition rights			-	35	79
Non-controlling interests			-	7	7
Total net assets	517	562	990	893	1,398
Total liabilities and net assets	662	725	1,238	1,354	2,055
Working capital	111	112	156	378	482
Total interest-bearing debt	30	-	50	126	19
Net debt	-419	-496	-907	-206	-1,234

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cash flow statement

Cash flow statement (JPYmn)	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	9	79	120	-284	231
Income before income taxes	-52	70	164	-108	-242
Depreciation	11	5	3	5	10
Impairment losses	36				248
Gains (losses) on sale of fixed assets					1
Change in working capital	-15	-1	-43	-218	-99
Change in accounts receivable	-20	-17	-38	-260	-104
Change in accounts payable	5	17	-5	42	5
Cash flows from investing activities (2)	-9	-3	-14	-365	-0
Purchase of property, plant and equipment and intangible assets	-5	-1	-3	-10	-20
Free cash flow (1+2)	-0	76	105	-649	231
Cash flows from financing activities	30	-30	356	24	691
Net increase in short-term borrowings	30	-30	50	50	-107
Depreciation and amortization (A)	11	5	3	5	10
Capital expenditures (B)	-5	-1	-3	-10	-20
Change in working capital (C)	-15	-1	-43	-218	-99
Simple FCF (NI + A + B - C)	-25	50	151	121	-211
Other (change in forex, other)	0	1	-0	-1	0
Increase (decrease) in cash and cash equivalents	30	47	461	-626	922

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cash flows from operating activities

In FY03/21, operating activities produced JPY231mn in cash, despite a pretax loss of JPY242mn. Key sources of cash were impairment losses (JPY248mn), goodwill amortization (JPY62mn), an increase in accrued consumption tax (JPY78mn), and other increases (JPY108mn).

Cash flows from investing activities

In FY03/20, the company used JPY244mn to purchase shares in a subsidiary. In FY03/21, investing activities used JPY0.3mn. This total includes JPY13mn for the acquisition of tangible fixed assets, JPY28mn for the payment of security deposits and guarantees, and JPY48mn in proceeds from the collection of security deposits and guarantees.

Cash flows from financing activities

In FY03/19, share issuance provided JPY307mn in cash. In FY03/21, net cash provided by financing activities was JPY691mn, including JPY774mn in proceeds from the issuance of shares and a JPY107mn net decrease in short-term loans payable.

Historical performance

1H FY03/22

Operating performance

- Revenue: JPY1.5bn (+24.3% YoY)
- Operating profit: JPY2mn (JPY171mn operating loss in 1H FY03/21)
- Recurring profit: JPY3mn (JPY177mn recurring loss in 1H FY03/21)
- Net loss attributable to owners of the parent: JPY13mn (JPY136mn net loss in 1H FY03/21)

In 1H FY03/22, retail fintech generated JPY1.2bn (+47.5% YoY) in revenue, while corporate fintech produced JPY255mn (-29.3% YoY). Counting only the costs associated directly with each domain, retail fintech delivered operating profit of JPY540mn, while corporate fintech incurred an operating loss of JPY99mn.

In Q2, retail fintech continued to drive overall growth, with revenue of JPY608mn (+40.4% YoY). Corporate fintech revenue was JPY113mn (-54.7% YoY), due to sluggish growth in crowdfunding deals. Still in the investment phase, this business continued to generate losses. Counting only the costs associated directly with each domain, retail fintech delivered operating profit of JPY252mn, and corporate fintech produced an operating loss of JPY73mn.

The company's full-year plans call for marketing investments of JPY600–700mn. Of this amount, spending in 1H was JPY216mn (JPY103mn in Q1 and JPY113mn in Q2). Advertising used JPY144mn, JPY69mn went toward personnel, and JPY3mn was for other items. The company allocated its additional personnel to IT development (such as customer referrals for ZUU Online) and marketing related to corporate fintech, such as PDCA services and meevo. The company launched a taxi advertising campaign in September 2021 (placements began October 11). ZUU selected this advertising approach as one likely to reach business owners directly.

The company's full-year plans call for marketing investments of JPY600–700mn. Of this amount, spending in 1H was JPY216mn (JPY103mn in Q1 and JPY113mn in Q2). Advertising used JPY144mn, JPY69mn went toward personnel, and JPY3mn was for other items. The company allocated its additional personnel to IT development (such as customer referrals for ZUU Online) and marketing related to corporate fintech, such as PDCA services and meevo. The company launched a taxi advertising campaign in September 2021 (placements began October 11). ZUU selected this advertising approach as one likely to reach business owners directly.

Google updated its algorithm in July 2021. As a result, the number of visitors who reached ZUU's media organically via finance-related word searches dropped, from 1.5mn UUs in Q1 to 1.1mn UUs in Q2. By using SEO techniques to optimize Net Money's content, by October 2021 the company had succeeded in returning those visitor numbers to pre-update levels. These visitors (who reach ZUU's media organically via finance-related word searches) directly impact income from customer referrals.

In retail fintech, visitors to the company's media platform numbered 19.1mn unique users, up from 12.8mn UUs in FY03/21. Contributing to the increase was a rise in the number of users to ZUU/NTT Docomo's joint media. Total members numbered 153,000 (+14.2% YoY), and ARPU was JPY2,618 (1.9x). The company focused on expanding the product lineup in areas that generate highly profitable customer referrals (brokerage accounts, credit cards, card loans, HR/career-related, crypto investing/FX) by targeting users attracted through ZUU Online and Net Money. The company aims to boost per-user profitability as a result. In addition, the company is working to spread the risks associated with updates to Google's core algorithm. To do so, in the customer referral domain ZUU aims to shift to vertical media by product lineup.

The company is currently examining its business model and building the internal structures it will need to obtain a license to engage in the financial service intermediary business, which started in November 2021. The company is considering intermediation on financial services targeting private wealth members (members who are high-net-worth individuals).

In corporate fintech, the company recorded 3.0mn monthly PVs for The Owner, with the member count coming to 26,900 (6.3x the 1H FY03/21 level). The total number of company owner leads was 14,000, and ARPA was JPY4.1mn. To date, the total amount generated to date with Cool (loan-type crowdfunding) was JPY291mn (JPY121mn in FY03/21), and the number of deals was 10 (4). The amount raised to date through Unicorn (equity-investment-type crowdfunding) was JPY517mn (JPY419mn in FY03/21), and the number of deals to date was 27 (19).

Cool formed its first loan-type private placement fund for high-net-worth individuals (assets of JPY100mn or more). The company already provides asset consulting in an effort to increase the number of private wealth members (members who are high-net-worth individuals) in the retail fintech domain.

In September 2021, Unicorn held a business contest to attract high-quality deals. Four or five contest participants are expected to raise funds through Unicorn as a result. ZUU notes that the company earns around 20% in commissions on funds Unicorn raises, so if the contest mechanism is successful, it could have a major impact on ZUU's performance.

Fintech Platform business

The company revised its search engine algorithm in July 2021, leading to a temporary dip in performance. However, results in the customer referrals business were solid, thanks to higher recognition of the company's media and steady progress in the number of user visits. Media system provision and operational support (mainly for MP Cloud) remained brisk. However, PDCA-related services failed to grow as anticipated, due to delays in advertising expenditure. As a result, in 1H FY03/22 this business produced revenue of JPY1.5bn (+26.3% YoY) and operating profit of JPY87mn (JPY40mn operating loss in FY03/21).

Crowdfunding business

In FY03/21, the company began putting in place a system to operate financial services directly. In 1H FY03/22, the company continued to incur costs as growth in the number of deals was sluggish. As a result, revenue came to JPY40mn (-8.7% YoY), and the operating loss was JPY85mn (operating loss of JPY131mn).

Q1 FY03/22

Operating performance

- Revenue: JPY770mn (+49.4% YoY)
- Operating profit: JPY50mn (JPY192mn operating loss in Q1 FY03/21)
- Recurring profit: JPY50mn (JPY192mn recurring loss in Q1 FY03/21)
- Net income attributable to owners of the parent: JPY26mn (JPY137mn net loss in Q1 FY03/21)

Retail fintech produced revenue of JPY627mn (+55.1% YoY), and corporate fintech delivered JPY142mn (+28.3% YoY). Counting only the costs associated directly with each domain, retail fintech generated operating profit of JPY288mn, and corporate fintech incurred an operating loss of JPY26mn.

In Retail Fintech, the number of visitors to the media platform increased to 14.8mn UUs from 12.8mn in FY03/21. Total membership was 149,000 (+18.3% YoY) and ARPU was JPY2,636 (1.9x YoY).

In corporate fintech, The Owner had 2.6mn monthly PVs, the number of members was 21,500 (8.6x), the total number of company owner leads was 12,000, and ARPA was JPY4.4mn (+6.3% YoY). The total amount generated from Cool (loan-type crowdfunding) was JPY177mn (JPY121mn in FY03/21), and the number of deals to date was seven (four). The amount raised

to date through Unicorn (equity-investment-type crowdfunding) was JPY458mn (JPY419mn in FY03/21), and the number of deals to date was 22 (19).

Fintech Platform business

In the customer referrals business, awareness of the company's media and the number of users visiting it are increasing, and demand for the opening of brokerage accounts is continuing. In addition, demand continues to grow for the provision of media systems, operational support, and PDCA-related services centered on MP Cloud. As a result, revenue was JPY751mn (+48.8% YoY), and operating profit was JPY93mn (operating loss of JPY123mn in Q1 FY03/21).

Crowdfunding business

In FY03/21, the company began building a system for the direct provision of financial services. Because these costs are front-loaded, revenue was JPY23mn (+123.7% YoY), and the operating loss was JPY43mn (operating loss of JPY69mn in Q1 FY03/21).

FY03/21

Operating performance

- Revenue: JPY2.8bn (+51.0% YoY)
- Operating profit: JPY14mn (JPY107mn operating loss in FY03/20)
- Recurring profit: JPY8mn (JPY125mn recurring loss in FY03/20)
- Net loss attributable to owners of the parent: JPY300mn (JPY93mn net loss in FY03/20)

In the Crowdfunding business, the company proceeded with PMI* after acquiring shares in Unicorn, Inc. and Cool Services Inc. However, performance was lower than anticipated, so the company plans to review its business plans. Given this situation, the company recorded an impairment loss of JPY247mn on the goodwill and fixed assets related to the business, which was generated when purchasing these two companies.

*Japanese companies frequently refer to "post-merger integration (PMI)" to describe the three-stage process of integrating merging entities' management, operations, and corporate perceptions.

Fintech Platform business

In the customer referrals business, awareness of the company's media and the number of visiting users are increasing, and demand for the opening of brokerage accounts associated with COVID-19 continued. In addition, sales of MP Cloud and PDCA Cloud were affected by COVID-19, which caused delays in concluding contracts with some corporate clients. However, by switching to an online system for business negotiations, the company was able to cultivate new customers. Meanwhile, the company positioned 1H FY03/21 as a time for investing in future business growth. Accordingly, ZUU proactively recruited personnel to develop its financial platform and SaaS, as well as a system for providing financial services. As a result, revenue was JPY2.7bn (+45.4% YoY), and operating profit was JPY247mn (operating loss of JPY55mn in FY03/20).

Crowdfunding business

In FY03/20, ZUU added a loan-type and an equity-type crowdfunding company to its group, and the company has been building a structure to provide financial services directly. The company experienced delays in formulating deals due to PMI and system updates at subsidiaries preparing for full-fledged operations. Accordingly, revenue was JPY114mn (JPY0.3mn in FY03/21), and the operating loss was JPY232mn (operating loss of JPY52mn).

Cumulative Q3 FY03/21

Operating performance

- Revenue: JPY1.9bn (+63.7% YoY)
- Operating loss: JPY140mn (JPY76mn operating loss in cumulative Q3 FY03/20)
- Recurring loss: JPY146mn (JPY77mn recurring loss in cumulative Q3 FY03/20)

- Net loss attributable to owners of the parent: JPY124mn (JPY53mn net loss in cumulative Q3 FY03/20)

Fintech Platform business

In the customer referrals business, awareness of the company's media and the number of visiting users are increasing, and demand for the opening of brokerage accounts associated with COVID-19 continued. In addition, sales of MP Cloud and PDCA Cloud were affected by COVID-19, which caused delays in concluding contracts with some corporate clients. However, by switching to an online system for business negotiations, the company was able to cultivate new customers. Meanwhile, the company positioned 1H FY03/21 as a time for investing in future business growth. Accordingly, ZUU proactively recruited personnel to develop its financial platform and SaaS, as well as a system for providing financial services. As a result, revenue was JPY1.8bn (+57.0% YoY), and operating profit was JPY42mn (operating loss of JPY76mn in cumulative Q3 FY03/20).

Crowdfunding business

In FY03/20, ZUU added a loan-type and an equity-type crowdfunding company to its group, and the company has been building a structure to provide financial services directly. The company began formulating deals, but experienced delays due to PMI and system updates at subsidiaries preparing for full-fledged operations. As a result, revenue was JPY81mn (zero in cumulative Q3 FY03/20), and the operating loss was JPY181mn (zero in cumulative Q3 FY03/20).

Other information

History

Kazumasa Tomita, the company's founder and CEO, was an entrepreneur from his student days. In his third year of university, he launched an internet company, which he sold in his fourth year. After graduation, he joined Nomura Securities Co., Ltd. (the core company of Nomura Holdings, Inc., TSE1: 8604). During his seven years at Nomura, he worked in branch management, private banking at Nomura's head office, and wealth management (asset management services for high-net-worth individuals) in Singapore.

Mr. Tomita notes that people, things, and money are often considered the most important management resources. He believes they are just as important for the management of an individual's life. That said, many people have expertise in the first two areas but lack financial literacy. In April 2013, he established ZUU to provide fintech services and help people address the money-related issues they face.

Even before the word "fintech" had become common parlance, the company started down the "finance x IT" path, targeting areas of business that would support sustainable growth. Two years later, in 2015, "fintech" became a watchword.

Date	
April 2013	Establishment of ZUU Co., Ltd.
April 2013	Launch of ZUU online financial/economic site for the upper-mass to high-net-worth-individual markets (financial assets of more than JPY30mn or annual income of more than JPY7mn)
April 2016	Establishment of ZUU Singapore Pte. Ltd., a wholly owned subsidiary
April 2016	Launch of a Southeast Asian version of ZUU online
June 2018	Listing on the Mothers Section of the Tokyo Stock Exchange
January 2019	Acquisition of Cloudport, a comparison site for social lending, and launched ZUU funding
Apr 2019	Establishment of ZUU Funders, a wholly owned subsidiary
Apr 2019	Establishment of ZUU Lending (name changed in September 2019), a wholly owned subsidiary
Nov 2019	Cool Services Inc. and Cool Inc. (a subsidiary of Cool Services) become consolidated subsidiaries
February 2020	Unicom, Inc, becomes consolidated subsidiary

Source: Shared Research based on company data

Origin of the company name

The company name comes from combining the "z" of "zoo" (a place that houses a wide variety of animals from around the world) with the "u" of "university" (a place where people with different dreams and aspirations gather to learn). The combination is meant to signify "a place where people having different personalities and dreams can gather to learn and grow."

ESG

The company believes it can help people with money-related challenges by enabling them to secure funds through its own platforms and structure. The company aims to contribute to society by connecting people with money.

In line with this perspective, on June 28, 2021 the company announced a capital and operational tie-up with PHALs, Inc., which promotes impact investing in emerging markets. Through the alliance, ZUU plans to form funds utilizing its loan-type crowdfunding (Cool) for PHALs' emerging-markets microfinance business. The two companies also intend to collaborate in designing financial instruments. PHALs' management philosophy is to provide a platform for business creation through impact investing. Its aim is to create jobs and business opportunities in emerging markets through finance and technology. ZUU and PHALs believe they can pool their respective strengths and expertise to strengthen impact investing in emerging markets, raising funds through loan-type crowdfunding. In addition, the two companies expect to provide new investment opportunities.

ZUU also considers raising financial literacy and providing financial education to be key elements of its business. By improving financial literacy around the world, the company seeks to eliminate negative aspects of the information gap and allow more people to take on challenges.

Corporate governance and top management

Corporate governance

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder	Kazumasa Tomita
Directors and Audit & Supervisory Board members	
Number of directors under Articles of Incorporation	9
Number of directors	6
Directors' terms under Articles of Incorporation	2
Chairman of the Board of Directors	President
Number of outside directors	3
Number of independent outside directors	3
Number of Audit & Supervisory Board members under Articles of Incorporation	5
Number of Audit & Supervisory Board members	3
Number of outside members of Audit & Supervisory Board	3
Number of independent outside members of Audit & Supervisory Board	3
Other	
Participation in electronic voting platform	None
Providing convocation notice in English	None
Implementation of measures regarding director incentives	Stock options
Eligible for stock option	Inside directors, employees, subsidiary employees
Disclosure of individual director's compensation	None
Policy on determining amount of compensation and calculation methodology	In place
Corporate takeover defenses	None

Source: Shared Research based on company data

Top management

Kazumasa Tomita, CEO (born September 20, 1982)

- April 2006 Joined Nomura Securities Co., Ltd.
 - April 2013 Established ZUU, became CEO (current position)
 - April 2016 Director of ZUU Singapore Pte. Ltd. (current position)
- ▶ He started an IT business during university. Upon graduation, he joined Nomura Securities, where he gained experience at the company's head office in private banking for high-net-worth individuals and management strategy for the ASEAN region.
- ▶ He established his own system of management, called Onisoku (very fast) PDCA (accelerating the PDCA cycle).

Management team

Yusuke Harada, director (born October 23, 1984)

- ▶ He joined C&I Holdings Co., Ltd. in 2008, working as a business consultant for small and medium-sized enterprises. In 2011, he joined DeNA Co., Ltd., contributing to the development of games generating several hundred million JPY per month.
- ▶ He joined ZUU in 2014. He is familiar with IT and has led the growth of ZUU's media platform since its inception.

Takuro Higuchi, Director (born September 5, 1982)

- ▶ He joined Recruit Co., Ltd. in 2007, where he engaged in the launch of an IT business subsidiary. In 2011, he joined Kakaku.com, Inc., where he took part in developing the Tabelog business and was in charge of the marketing department.
- ▶ In 2016, he joined ZUU. He has led the expansion of the company's engineering structure and oversees HR and organizational development.

Hirofumi Gomi, outside director (born May 13, 1949)

- ▶ He joined the Ministry of Finance in 1972. In 1998, he became manager of the Financial Services Agency's Inspection Bureau, and was elevated to director general in 2000. In 2002, we became director general of the supervisory bureau.

- ▶ Between 2004 and 2007, he was director general of the Financial Services Agency.
- ▶ He became an outside director of ZUU in 2019. He is familiar with financial administration in Japan.

Taiichi Matsuo, outside director (born December 31, 1947)

- ▶ In 1971, he joined the Long-Term Credit Bank of Japan and was seconded to the Ministry of International Trade and Industry.
- ▶ In 1999, he joined ITOCHU Corporation. He established Japan Online Securities (now kabu.com Securities).
- ▶ In 2001, he founded eBANK (now Rakuten Bank) and assumed the post of representative director.
- ▶ He was appointed outside director of ZUU in 2021.

Tsutomu Fujita, outside director (born March 2, 1960)

- ▶ In 1982, he joined Yamaichi Securities. He joined Merrill Lynch Asset Management in 1997 and moved to Citigroup in 2000, where he was a portfolio manager of Japanese equities. While employed at Citigroup Securities, for five straight years from 2006 he ranked No.1 in the Nikkei Veritas analyst ranking (Japan Stock Strategist category).
- ▶ He was a member of the Ministry of Economy, Trade and Industry's Corporate Value Study Group (2004 to 2007). He was appointed vice chairman of Citigroup Securities in 2010.
- ▶ He became an outside director of ZUU in 2021.

Dividend policy

The company has paid no dividends since listing on the Mothers section in June 2018. The company's fundamental policy is to consider the return of profits to shareholders, while reinforcing its earning power and developing its business base. In doing so, the company will work to enhance internal reserves and take the business environment into account. The company has not indicated when or whether dividend payments might commence.

Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
Kazumasa Tomita	2,612	55.48%
Custody Bank of Japan (Trust account)	188	3.99%
Yuji Akaba	158	3.35%
SBI Securities Co., Ltd.	128	2.72%
Custody Bank of Japan (Securities investment trust account)	126	2.67%
Keisuke Fukada	73	1.56%
Rakuten Securities, Inc.	62	1.32%
Toshiyuki Akiyama	57	1.20%
Teruo Takayama	55	1.17%
MSIP Client Securities	51	1.08%
SUM	3,509	74.5%

Source: Shared Research based on company data

Employees

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
Number of employees	12	31	46	45	57	96	110
Fintech Platform							99
Crowdfunding							11

Source: Shared Research based on company data

Profile

Company Name

ZUU Co., Ltd.

Phone

03-4405-9086

Established

2013-04-02

Website

<https://zuu.co.jp/>

IR Contact

-

IR Phone

-

Head Office

**9th floor, Sumitomo Fudousan Aobadai Tower, 3-6-28
Aobadai, Meguro, Tokyo, Japan. 153-0042**

Listed On

Mothers market of the Tokyo Stock Exchange

Exchange Listing

2018-06-21

Fiscal Year-End

Mar

IR Web

<https://zuu.co.jp/en/ir/>

IR Email

-

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We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

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