



March 22, 2019

Company name: Uzabase, Inc.  
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### **Notice of Cancellation of a Portion of Stock Acquisition Rights and Posting of Extraordinary Income Resulting from the Determination of Consideration for the Acquisition of Quartz Media**

Consideration for the acquisition of Quartz Media, Inc. (“Quartz”) by Uzabase, Inc. (the “Company”) has been determined as following. The acquisition was announced on July 2, 2018.

Resulting from this determination of acquisition consideration, a portion of the stock acquisition rights granted to Atlantic Media, Inc. (“Atlantic Media”), the owner at the time of the acquisition and seller of Quartz, were cancelled. As a result, the Company has posted extraordinary income from gains on reversal of stock acquisition rights to shares.

#### 1. Consideration for the acquisition: Total USD86 million (approx. JPY9.4 billion \*1):

- (1) Consideration paid on the closing date: total USD75 million (approx. 8.2 billion)
  - Cash: USD50 million (approx. JPY5.5 billion)
  - Common Stock of The Company: equivalent to USD25 million (approx. JPY2.7 billion \*2)
- (2) Contingent consideration corresponding to the target achievement ratio against the financial results of Quartz (the “Earn-Out Consideration”):
  - Common Stock of the Company issued upon the exercise of stock option rights: equivalent to USD11 million (approx. JPY1.1 billion \*3)

\*1. The exchange rate between U.S. dollar and Japanese yen is translated, for convenience, at the rate of USD1.00 = JPY110. The same applies below.

\*2. Common Stock of the Company of 831,295 shares, issued on the closing date to Atlantic Media, was calculated using the closing price on July 31, 2018.

\*3. Common Stock of the Company of 403,103 shares, issued upon the exercise of stock option rights, were calculated using closing price on March 20, 2019.

#### 2. Reason for Posting Extraordinary Income

The Company granted Atlantic Media, the former owner and seller of Quartz, its 18th series of stock acquisition rights for the shares of common stock as a part of the acquisition consideration. This stock acquisition rights were granted as the Earn-Out Consideration and the number of rights

to be exercised are determined corresponding to the target achievement ratio against Quartz FY2018 financial results. Upon the closing of Quartz FY2018 financial results, exercisable 18<sup>th</sup> series of stock option rights were determined and based on the agreement signed at the time of the acquisition, the Company has reached an agreement with Atlantic Media. Based on the agreement, of the stock acquisition rights that were recorded on consolidated and non-consolidate balance sheet as of the end of FY2018 but were not exercised by Atlantic Media, posted extraordinary income from gains on reversal of stock acquisition rights to shares. At the time of the acquisition, up to 862,736 shares of common stock of the Company underlying the stock acquisition rights were expected at the maximum but due to the cancellation of stock acquisition rights equivalent to 459,633 shares of common stock of the Company, common stock of the Company issued to Atlantic Media as the Earn-Out Consideration is 403,103 shares and the degree of dilution of the shares are 53.3% lower than the original expectation.

3. Details of Extraordinary Income

- (1) Amount:  
Gains on reversal of subscription rights to shares approx. JPY300 million (consolidated/non-consolidated)
- (2) Date of posting of extraordinary income: March 2019

4. Impact on FY2019 Financial Results

The above-mentioned extraordinary income has already been factored in the FY2019 consolidated financial targets announced on February 13, 2019, therefore will not be changing the targets.