

Business

Competitive advantage from 10 years of historical data on successful bids for public contracts

Contract bidding information service: Current president Tomoya Hoshi founded ULURU in 2006 by acquiring all shares in its forerunner. The company's core business is the contract bidding information service NJSS (Nyusatsu Joho Sokuho Service), the mainstay of the Crowd-Generated Service (CGS) segment. In FY03/19, NJSS revenue was JPY1.2bn (54.5% of consolidated revenue of JPY2.2bn) and operating profit was JPY773mn (above consolidated operating profit of JPY430mn).

Competitive advantage: Main customers are small and medium-sized enterprises (SMEs) that bid for procurement contracts awarded by government and municipal offices. This market, valued at JPY22tn with the average winning bid price of JPY25mn, presents earnings opportunities for SMEs, but these companies previously lacked historical data on which to base their bids and improve their chances of winning. ULURU compiled a database of successful contract bids including data on contract awardees and bid amounts over the past 10 years, and monetized this information by offering it for a monthly subscription fee.

Business model: ULURU's revenue is a function of paying subscribers (2,962 as of Q1 FY03/20) and average revenue per user per day (JPY1,170). Costs are mainly personnel expenses (domestic outsourcing expenses) stemming from data collection efforts. The company built a system to source a substantial workforce at low cost through its crowdsourcing platform, named shufti, which is mainly used by housewives seeking part-time jobs. ULURU uses this system to collect information on contract bidding and successful contract bids. In FY03/19, the cost of revenue ratio (parent level) stood at 12.9%, with fixed costs accounting for the lion's share of total costs. The marginal profit ratio was 60.9%, giving rise to an earnings structure in which increases in revenue directly fuel profit growth.

Performance trends

Record earnings in FY03/19; forecasts operating loss on upfront spending in FY03/20

FY03/19 results: Revenue was JPY2.2bn (+17.7% YoY) and operating profit JPY430mn (+10.0% YoY), both record-high levels. Much of the growth was driven by earnings upside in the Business Process Outsourcing (BPO) business, where results exceeded plan by about 15%.

FY03/20 forecasts: The company forecasts revenue of JPY2.3bn (+3.1% YoY) and an operating loss of JPY366mn (-JPY800mn YoY). The decline in operating profit reflects anticipated increases of JPY230mn in personnel expenses, JPY170mn in systems engineer costs, JPY100mn in advertising expenses, JPY200mn in organizational consulting costs, and JPY150mn in other expenses).

Medium-term business plan

Invest to create new CGS businesses and improve enterprise value over the medium to long term

Medium-term business plan: FY03/24 targets are revenue of JPY4.8bn (+114% from FY03/19), EBITDA of JPY1.5bn (+232.6% from FY03/19), and EBITDA margin of 32% (+12pp from 20% in FY03/19). Searching for M&A opportunities in the CGS segment.

By segment: (1) CGS segment—NJSS business: raise revenue from JPY1.2bn in FY03/19 to JPY2.2bn, EBITDA from JPY780mn to JPY1.4bn; (2) CGS segment—Other (development of new services): raise revenue from JPY180mn in FY03/19 to JPY1.3bn, EBITDA from -JPY20mn to JPY500mn; (3) BPO segment: raise revenue from JPY800mn in FY03/19 to JPY1.2bn, EBITDA from JPY90mn to JPY300mn.

Key initiatives: (1) Continued growth in CGS segment—NJSS business: raise subscription value and reduce churn value, (2) create and cultivate new recurring revenue businesses, and (3) increase profit margins in BPO segment.

Strengths and weaknesses

Strengths

Low-cost system to successfully retain a workforce of housewives: Operates low-cost platform that utilizes housewife workers, who work in their free time from the comfort of their home.

NJSS database: ULURU has accumulated 10 years of data on winning public contract bids. This information is indispensable to SMEs that seek to win bids.

Task division and management capabilities gained from operating NJSS:

The expertise gained in the CGS segment as an intermediary between companies and individuals is hard to replicate.

Weaknesses

Persistently high NJSS churn rate: Main causes are insufficient follow-up with existing customers and slow product renewals. Countermeasures and extent of resulting improvement warrant attention.

Sustainability of cost competitiveness: The value of collecting historical bidding data could decline over time, and ULURU has few tools to counter the threat of web crawling technologies undermining the benefits of its inexpensive workforce.

Delays in bringing engineers in-house: The majority of system development engineers are freelancers. This slows down execution speed and accumulation of technical expertise, hampering new business creation.

Profit growth drivers

To date: CGS segment—NJSS. FY03/19: revenue weighting of 53.6%, operating profit of JPY773mn (consolidated: JPY430mn), JPY276mn adjustment for corporate overhead.

Medium term: NJSS + new CGS businesses. Develop En-photo (photo gallery and sales system for kindergartens/childcare centers) and fondesk (telephone answering/call service) into recurring-revenue businesses and new earnings drivers for the CGS segment.

Indices	
Market capitalization	JPY3.9 bn
Stock price (2019/09/11)	JPY1,203
Shares issued (incl. treasury shares)	3,280,600 shares
Foreign stockholding ratio (End Mar. 2019)	10.88 %
BPS (FY03/19)	JPY671.9
PBR (FY03/19)	1.79 x
EPS (FY03/19)	JPY77.63
EPS (FY03/20)	-JPY118.6
PER (FY03/20 Est.)	- x
Dividend (FY3/20 Est.)	-
Dividend yield (FY03/20 Est.)	- %
ROE (FY03/20 Est.)	- %
Net debt / Equity ratio (FY03/19)	-0.8 %

		Revenue		Operating profit		Recurring profit		Net income		EPS	BPS	ROA	ROE
		(JPYmn)	YoY	(JPYmn)	YoY	(JPYmn)	YoY	(JPYmn)	YoY	(JPY)	(JPY)	(RP-based)	
FY03/16	Cons.	1,410	148.9%	-289	184.9%	-290	185.6%	-314	178.6%	-112.4	-154.6	-	-
FY03/17	Cons.	1,722	22.1%	242	-183.6%	215	-174.1%	242	-177.0%	86.0	510.3	12.5%	26.2%
FY03/18	Cons.	1,906	10.7%	390	61.6%	390	81.4%	288	18.9%	88.7	596.3	14.6%	16.0%
FY03/19	Cons.	2,243	17.7%	430	10.0%	429	10.0%	258	-10.3%	79.1	671.9	13.5%	12.4%
FY03/20 Est.	Cons.	2,314	3.1%	-366	-185.2%	-367	-185.6%	-389	-250.9%	-118.6	-	-	-

Source: Shared Research based on company data
 Notes: Figures may differ from company materials due to differences in rounding methods.

Business

Synergies between Crowdsourcing, BPO, and CGS at the heart of ULURU's business model

Company overview

Management vision

ULURU's management vision is to "harness individual strength to create a more convenient world." The "individual strength" is a reference to the manpower secured by the company through its online network. As Japan continues to struggle with increasingly severe labor shortages, a new workforce activated by the advance of IT (such as homeworkers and crowdworkers) is growing in importance. By creating systems that leverage this labor pool, ULURU believes it can concurrently expand work opportunities for individuals, diversify workforce utilization for companies, and help resolve social problems such as labor shortages.

Business structure

ULURU has three segments: Crowd-Generated Service (CGS), Business Process Outsourcing (BPO), and Crowdsourcing. The CGS segment mainly operates NJSS, a contract bidding information service. The BPO segment offers outsourcing services for tasks such as data entry. The Crowdsourcing segment operates a crowdsourcing platform called shufti, which matches companies wishing to outsource projects with individual workers.

In FY03/19, the company reported consolidated revenue of JPY2.2bn. CGS made up 61.7% of total revenue (OPM of 53.2%), BPO 35.2% (OPM of 10.2%), and Crowdsourcing 1.6% (operating loss of JPY124mn). The operating profit from the NJSS business (CGS segment) was JPY773mn versus the consolidated profit of JPY430mn, reflecting the company's heavy reliance on earnings from this business.

NJSS is a business support service mainly for small and medium-sized enterprises (SMEs) that bid on government and municipal office contracts for supplies and services (discussed below).

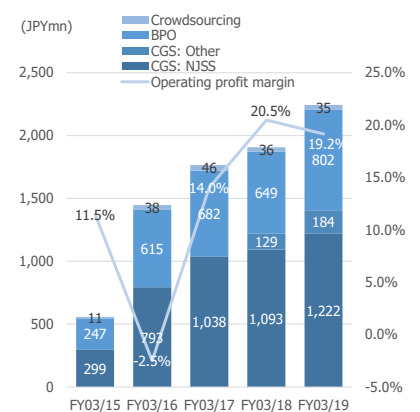
Business model

The company's business model positions the CGS, BPO, and Crowdsourcing segments as complementary businesses. Key aspects include: (1) high marginal profitability achieved by using a large pool of inexpensive labor (i.e., homeworkers); (2) the NJSS business that collects data, which is difficult for competitors to replicate (historical data for government contracts are often removed from websites after a short period of time); and (3) stable recurring revenue from monthly subscription fees.

Crowdsourcing segment

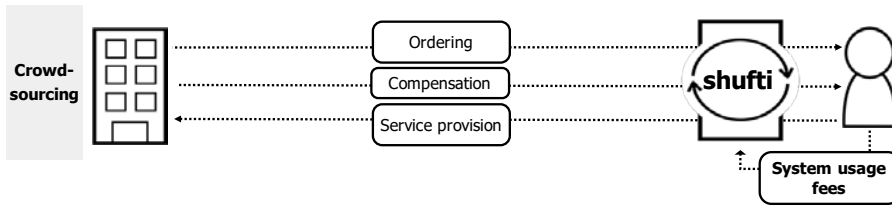
In the Crowdsourcing segment, the company facilitates direct contracts between ordering companies and unspecified groups of individual workers (crowdworkers) through its proprietary crowdsourcing platform shufti. The platform allows companies to directly utilize homeworkers as a source of labor.

Revenue by segment



Source: Shared Research based on company data

Crowdsourcing segment: Business flow

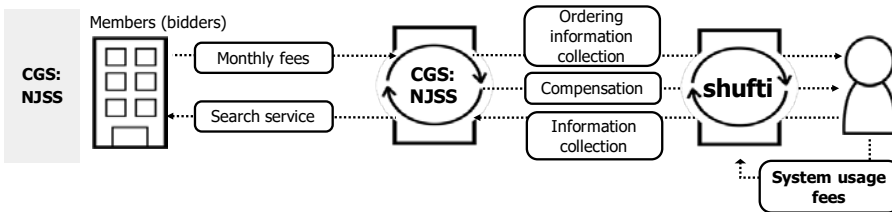


Source: Shared Research

Crowd-Generated Service (CGS) segment

In the CGS segment, ULURU focuses on companies' needs to handle various labor-intensive administrative work and develops services that address such needs, leveraging its ability to mobilize a large low-cost workforce through crowdsourcing. The company offers these services to an unspecified group of companies and receives a monthly subscription fee in exchange. In this scenario, ULURU serves as an intermediary between ordering companies and shufti (contract structure: ordering companies → ULURU → shufti → crowdworkers). The contract bidding information service NJSS (discussed below) is the core business of the CGS segment.

CGS segment—NJSS business: Business flow



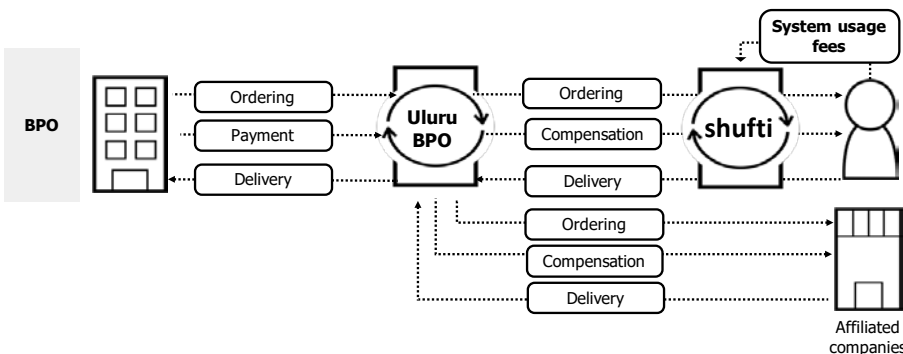
Source: Shared Research

Business Process Outsourcing (BPO) segment

In the BPO segment, the company generates one-time revenue from project-based orders (contract structure: specific company → ULURU → shufti → crowdworkers). Depending on customer needs and the type of task required, ULURU also subcontracts the work to a suitable company among some 100 business partners in Japan and abroad. The company manages task division, which it says requires expertise and experience. Scanning services are handled in-house at a dedicated facility, Tokushima Scan Center (Tokushima prefecture).

Since the BPO business calls for a great deal of interaction with client companies, it allows ULURU to get insights on corporate needs and trends in the BPO market. The company applies this information to develop its Crowd-Generated Service (CGS) segment. ULURU may be able to find business opportunities if it can discern the degree to which companies have tasks requiring large-scale manpower.

BPO segment: Business flow



Source: Shared Research

Customer base

ULURU's main customers are NJSS subscribers, which are mostly SMEs that bid on goods and service contracts awarded by government and municipal offices. As of end-March 2019, 3,028 companies were subscribed to NJSS (CGS segment). In addition, consolidated subsidiary ULURU BPO also receives some 210 orders per month (recent average revenue per project of JPY320,000), mainly from SMEs and startups. As of end-January 2017, the BPO segment had received orders from 4,008 customers. Finally, the unspecified number of individuals who are registered with shufti, a crowdsourcing platform that supplies manpower for ULURU's operations, can also be regarded as customers as the company collects a system usage fee (10% of compensation including consumption tax). As of March 2019, roughly 400,000 homeworkers were registered with shufti.

Service value

For the customers, the key value of NJSS lies in the database comprising 10 years of historical data on successful bids for public contracts including contract awardees and winning bid amounts. Companies that bid for public contracts need to place bids that enable them to win the targeted contracts. Having insight into the type of bids (bidders, bid values) that have historically been successful can be valuable when conducting analysis to make better bids for winning contracts.

ULURU's crowdsourcing platform shufti provides value to homeworkers in a number of ways. It allows homeworkers to work and earn money at the time and location of their choice, and select work that matches their skills. The homeworkers are compensated for work performed in their spare time (average target income of JPY20,000–30,000/month), and the company charges them a system usage fee of only 10% (compared to 20–25% for larger rivals such as CrowdWorks [TSE Mothers: 3900] and Lancers [unlisted]).

Earnings structure

Revenue structure

ULURU's revenue sources are as follows:

- ▷ CGS segment: recurring revenue from monthly subscription fees for NJSS (basic plan for one-year contract: JPY48,000/month). The company also generates revenue from crowd-generated services other than NJSS.
- ▷ BPO segment: project-based one-time revenue from orders received by ULURU BPO
- ▷ Crowdsourcing segment: 10% system usage fee deducted from compensation paid to homeworkers per assignment. (ULURU does not collect a fee from homeworkers handling NJSS-related work.)

Cost structure

In FY03/19, cost of revenue recorded on the parent income statement was JPY187mn, or 12.9% of revenue of JPY1.5bn. The cost ratio has averaged 15.4% over the last five years. Of the JPY187mn in cost of revenue, labor costs (fixed costs) accounted for JPY9mn and other costs and expenses for JPY178mn. The latter mainly corresponded to outsourcing costs (variable costs) to pay homeworkers, which are categorized as domestic outsourcing costs (JPY158mn in FY03/19) or overseas outsourcing costs (JPY17mn). Of the JPY158mn in domestic outsourcing costs, roughly JPY80mn was attributable to the NJSS business (CGS segment). This amount is expected to reach JPY90mn (JPY7.5mn/month) in FY03/20. Overseas outsourcing costs represent payments to subsidiary ULURU Bali, which manages overseas workers. In sum, variable costs make up the bulk of cost of revenue.

Marginal profitability

Based on the total cost method, ULURU's variable cost ratio at the parent alone is 39.1% and its marginal profit ratio 60.9%. The breakeven point ratio is 76.2%. The company therefore has an earnings structure in which increases in revenue directly fuel profit growth.

Breakeven analysis (total cost method)

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19		
Revenue	321	838	1,071	1,269	1,453	Change in revenue	269
Costs and expenses	449	1,196	941	933	1,107	Change in total costs	105
Recurring profit	-128	-358	130	336	345	Variable cost ratio	39.1%
Fixed costs	323	868	522	437	539		
Variable costs	125	328	419	496	568		
Variable cost ratio	39.1%	39.1%	39.1%	39.1%	39.1%		
Marginal profit	195	510	652	773	885		
Marginal profit ratio	60.9%	60.9%	60.9%	60.9%	60.9%		
Break-even point ratio	139.9%	142.8%	87.8%	73.5%	76.2%		

Source: Shared Research

Business segments

CGS segment (62.7% of revenue; OPM of 53.2%)

Segment information is disclosed as CGS segment—NJSS business and CGS segment—Other.

Contract bidding information service (NJSS)

Contract bidding and contract bidding market

Launched in 2008, ULURU’s contract bidding information service NJSS (Nyusatsu Joho Sokuho Service) allows users to search for information on bidding opportunities for public contracts (i.e., goods supply and construction/installation contracts awarded by government and municipal offices). The main objective of the service is to increase business opportunities for SMEs. Public contracts are governed by the Small and Medium-sized Enterprise Basic Act (enacted in 1963) and the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprises (enacted in 1966). In FY2016, the market for public contracts was valued at JPY22.1tn, of which contracts worth JPY14.6bn were successfully won by SMEs (average bid price of JPY25mn/project).

Factors paving the way for launch of NJSS as a business

The development of NJSS into a business was driven by several factors. As of September 2019, government and municipal offices that awarded bidding opportunities stood at 7,650. However, since information on contract bidding is not standardized, there was no way to access a comprehensive listing of such information. Companies also could not check all the information independently due to logistic and cost constraints. They therefore struggled to collect data on successful past bids. This lack of information led to unnecessary lost earnings opportunities, especially for SMEs.

Use of homeworkers in NJSS business

ULURU utilizes homeworkers to collect information on bidding opportunities awarded by government and municipal offices. It has a team of a few hundred homeworkers searching the web for data to feed into NJSS. The homeworkers collect data three times per week (with each session lasting a few minutes to a few hours) for a total of 12 times per month. The harvested data is processed by ULURU, and offered to corporate customers in the form of a one-stop searchable/manageable business support service for which it charges a subscription fee of JPY48,000 per month (basic plan).

Differentiating factors

ULURU collects information on contract bidding with the help of homeworkers, and makes this available as a database to corporate customers for a monthly subscription fee. By using NJSS, subscribers can not only search for contract bidding information and organizations that are awarding contracts, but also research winning bids for previous contracts and even gain insights into the bidding strategies of their competitors. This database, which contains 10 years of historical data on winning bids, is what sets ULURU apart. SMEs that bid on contracts need to undercut rivals, and confirming bid amounts and proposals of past contract awardees is essential to achieving this. However, information on winning bids is often removed from the

NJSS: Competing services include Nyusatsu King launched by Zuno Co., Ltd. (unlisted) in March 2006. According to the Nyusatsu King website, which was revamped in November 2018, Zuno collected data from 7,500 institutions and offered data on 80,934 open contracts (as of end-August, 2019). This makes the website one of the largest contract bidding site in Japan, alongside NJSS. In addition, the Nyusatsu no Mori service was launched by FiveDrive K.K. in October 2009. DataWare-Net, operated by DataWare K.K., is another similar service.

websites of government and municipal offices after a certain period of time. The strength of NJSS, which was launched in 2008, derives from its meticulous collection of data on winning bids using actual manpower.

ULURU is not the only company that offers a service to search for contract bidding information. However, its competitors mainly collect information through web crawlers (automated scripts that browse the web), and that technology is unable to capture text and hand-written information contained in photographs, illustrations, and graphics. In addition, web crawlers are unable to collect historical data that have been taken down from the Internet. ULURU hires homeworkers to expand its data collection reach beyond that of web crawlers, and has thus managed to compile a database of 10 years of information on successful contract bids (including data on the names of contract awardees).

Revenue structure of NJSS

NJSS generates revenue from monthly subscription fees paid by subscribers (companies). It offers a basic service plan of JPY48,000 per month as well as two high-end plans: premium and platinum.

As of Q1 FY03/20, NJSS had 2,962 subscribers. Its revenue is a function of subscribers and average revenue per user (ARPU) per day. Although the number of subscribers appears to have peaked, ULURU has continued to drive revenue growth through measures to improve fees per subscriber (implemented from FY03/19). ARPU per day reached JPY1,170 in Q1 FY03/20. In addition, we note that daily ARPU does not include non-recurring revenue such as revenue from report sales.

The basic subscription plan for NJSS starts from JPY48,000 per month, but the company says it commonly offered discounts in the past, and also sold regional plans (offering data for specific regions such as Hokkaido or Kanto) with corresponding pricing (e.g., JPY14,400/month for Hokkaido).

NJSS key performance indicators: ARPU per day and number of paid contracts

	FY03/17				FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
No. of NJSS paid contracts	2,157	2,256	2,360	2,499	2,469	2,587	2,742	2,884	2,851	2,899	2,958	3,028	2,962
YoY					14.5%	14.7%	16.2%	15.4%	15.5%	12.1%	7.9%	5.0%	3.9%
ARPU per day (JPY)	1,037	1,034	1,065	1,085	1,110	1,092	1,079	1,084	1,105	1,115	1,122	1,128	1,170
YoY					7.0%	5.6%	1.3%	-0.1%	-0.5%	2.1%	4.0%	4.1%	5.9%

Source: Shared Research based on company data

Benefits of NJSS subscription

The prime benefit of being a NJSS subscriber is the reduction in data collection costs and, by extension, personnel expenses. To collect contract bidding data independently, companies need to check the websites of relevant institutions, scan government publications and newspapers, and actually visit relevant institutions. While it is difficult to quantify the contributions of NJSS to the revenue of SME subscribers, the following are just a few examples of the feedback the company receives from customers.

“By utilizing the ‘download contract by awarding institution’ function, we found contracts that were previously awarded to competitors, and this information has helped us to increase orders.”

“We use the ‘contract awardee ranking by search keyword’ on a daily basis. As a result, we have been able to identify rivals that went undetected in traffic and city surveys. We are even able to confirm prices for successful bids, so NJSS has become an indispensable tool in creating our sales strategy.”

“The ‘download awarded contracts by company’ function allows us to download contracts awarded to our customers. This has given us a clear picture of the product types and quantities we can sell. The fact that this information can be turned into a list is convenient and saves us time and effort.”

NJSS service plans and price structure

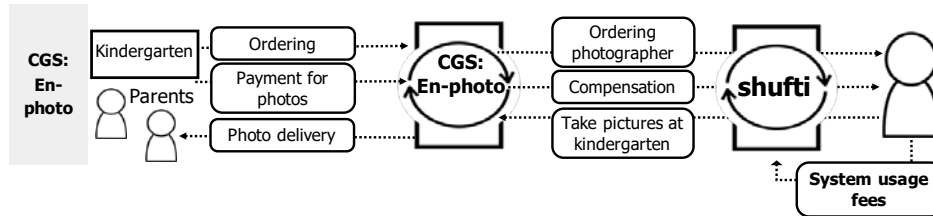
Service features	Service plans			
	Basic	Premium	Platinum	
Basic	✓	✓	✓	
Analysis of contract bidding market		✓	✓	
Analysis of competitors		✓	✓	
Browsing the name and price for bidders		✓	✓	
Email setting covering contract details		✓	✓	
Relaxing upper limit for downloadable materials			✓	
Providing priority list of qualification for bidding			✓	
Providing various paid reports for free			✓	
Notifying the name of successful bidder			✓	
Follow-up support after installation			✓	
Browsing successful bidders			✓	
Monthly fee (JPY; by term of contract)	One-year	48,000	56,000	64,000
	Two-year	45,600	53,200	60,800
	Three-year	43,200	50,400	57,600

Source: Shared Research based on company data

En-photo

En-photo is an online photo gallery and sales platform mainly for pictures taken at kindergartens and childcare centers. Photographs taken at these places were traditionally shared by posting them on bulletin boards, but this system involved taking orders for printouts and collecting payments, which created an additional work burden for the kindergarten teachers and childcare workers. In contrast, with En-photo, photographs only need to be uploaded online for viewing and purchase, making the entire process more convenient.

CGS segment: En-photo



Source: Shared Research

The service works as follows. Upon receiving an order from a kindergarten or childcare center, a photographer from shufti is dispatched to the location. Pictures taken by the photographer, along with everyday photos taken by the kindergarten teachers and childcare workers, are uploaded to an online gallery for sale. The photo fees are paid to ULURU, but kindergartens and childcare centers can determine the actual pricing. Any premium charged above costs incurred is earned by the institutions as revenue, providing an additional incentive for them to use En-photo.

As of end-July 2019, the number of contracts for this service reached more than 2,000 (not only with kindergartens and childcare centers but also with elementary schools, after-school clubs, and various entertainment-related organizations). The company mainly secures customers by responding to direct mail inquiries and through outbound sales activities such as seeking referrals from existing kindergarten customers.

fondesk

fondesk is a telephone answering/call service available from JPY10,000 per month. When receiving an order from a customer, ULURU hires a shufti homeworker to provide telephone answering/call services. Companies that use fondesk can reduce fixed costs by eliminating the need to invest in a call center.

ULURU started offering the service under the name Flex Call in May 2017, and relaunched it as fondesk in February 2019. As of end-August 2019, it had signed contracts with roughly 120 companies to manage an equal number of phone numbers. Orders have been growing thanks to demand from startup companies and businesses such as tax accountant offices. ULURU says the breakeven point for the service is a customer base of 400–500 companies.

New development targets for crowd-generated services

The company is currently reviewing ideas for new crowd-generated services in four areas: (1) information collection business, (2) work performed outside of the home, (3) matching business, and (4) latent needs.

As for profitability, ULURU targets a marginal profit ratio of 60–70% or more for new businesses. A common thread among these services is that the company can significantly hold down the initial costs accompanying a feasibility study at the development stage. As mentioned in the section on the NJSS revenue structure, a major factor supporting newly developed businesses is the company’s ability to leverage a large, low-cost workforce (i.e., homeworkers) without incurring recruiting costs.

CGS segment: New businesses and initiatives currently under review

Information collection	Work outside the home
<ul style="list-style-type: none"> - NJSS - Pricing at gas stations - Local spots to visit - Auctions - Unoccupied houses 	<ul style="list-style-type: none"> - Checking parking spaces (nationwide) - Viewing of real estate for rent - Work sharing among homeworkers - Home delivery by homeworkers - Surveying shelf shares at retailers
Matching	Latent needs
<ul style="list-style-type: none"> - En-photo (photo sales system) - Photographers x Crowd - Secretaries x Crowd - Dietitians x Crowd - Professionals x Crowd - Medical experts x Crowd - Mystery shoppers - Interpreters for foreign tourists in Japan 	<ul style="list-style-type: none"> - KAMIMAGE (tablet system to help fill in applications) - Online support service - Tagging photos and videos - Real time distribution of meeting minutes - Business card management service

Source: Shared Research based on company data

BPO segment (35.8% of revenue; OPM of 10.2%)

The BPO segment is managed by wholly owned subsidiary ULURU BPO. Main services include data entry and scanning, as well as the outsourced operation of project offices, posting services, and comprehensive digitalization outsourcing services.

As of end-FY03/19, the segment had handled roughly 25,000 projects for 4,557 corporate customers (cumulative). Customers contact the company through its website, and the bulk of the projects handled come from repeat orders and inbound sales activities such as responding to requests for brochures and inquiries.

In the BPO business, ULURU BPO charges a minimum order fee of JPY70,000 (excluding tax), and positions orders of JPY4mn and above as large orders.

Based on the nature of the order (project details, scale, preferred delivery), ULURU BPO selects a contractor—either a shufti homemaker or a domestic/overseas partner company—to carry out the work. ULURU has over 100 partner companies in Japan and overseas, and can therefore tap into worker networks across various Asian countries, including China and Vietnam.

A distinctive feature of the BPO segment is that ULURU BPO can provide comprehensive solution services by utilizing Japanese and overseas resources. Apart from its scanning unit at the Tokushima Scan Center, the company does not hire any data entry staff in-house.

In FY03/19, OPM in the BPO segment was 10.2%, above the industry average of 6% (according to the Japan Information Technology Service Industry Association’s “2017 Basic Survey of the Information Service Industry”).

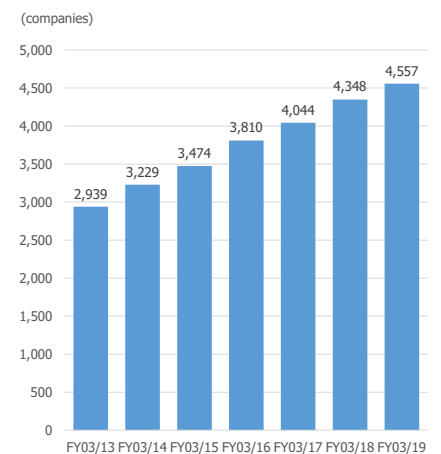
Crowdsourcing segment (1.6% of revenue; operating loss of JPY124mn)

In the Crowdsourcing segment, ULURU operates the matching website shufti, which connects companies that wish to outsource work with homeworkers who look for work opportunities that are not subject to time or place restrictions. The business serves as the foundation for new business development in the CGS segment, and the large, inexpensive workforce mobilized by shufti underpins the company’s CGS operations.

Launched in 2007, shufti is a long-established crowdsourcing platform targeting the housewife demographic. It provides housewives who are keen to work (either with the aim of reentering the workforce or simply reconnecting with society while raising children) with opportunities to work from home via their PC or smartphone. It matches housewives with work-from-home opportunities.

As of end-March 2019, roughly 400,000 homeworkers had registered with shufti. Based on slightly older data (as of end-September 2015), the gender breakdown was men 22.9% and women 77.1%, and the age composition was 4.45% for teenagers, 33.79% for workers in their 20s, 34.21% for workers in their 30s, 18.70% for workers in their 40s, 6.42% for workers in their 50s, and 2.43% for workers in their 60s and above. According to the company, women continue to account for over 70% of the homeworkers. Meanwhile, the number of companies placing orders (cumulative) stood at 12,554 at end-January 2017, and currently exceeds 13,000.

Number of customers in BPO segment (cumulative)



Source: Shared Research based on company data

We have already described how shufti functions as an intermediary between companies and an unspecified number of individuals in the business model section. The companies first place orders for work they wish to outsource, the individuals perform the contracted work, and the ordering companies subsequently compensate the individuals through shufti. ULURU collects a system usage fee of 10% from the compensation received by homeworkers.

Shufti was originally designed for housewives who want to use their spare time productively, so many projects handled through the platform involve simple administrative or writing tasks. The following table shows the work rates for specific project types that ULURU recommends to companies placing orders. After excluding work performed outside of the home, translation commands the highest rate, followed by transcription. However, administrative and writing tasks account for the lion’s share of the projects handled through shufti.

Partial overview of project types ordered through shufti and work rates recommended by ULURU

Project types		Work rates recommended by ULURU (reference at ordering)
Office work		
Data input		JPY 2 per item (e.g. JPY 2 x 10 times = JPY 20)
Data collection		JPY 4 per item
Questionnaire surveys		
	Multiple choice questions	JPY 5 per question
	Descriptive answers	JPY 0.4 per character
Registration and shipping of products and related tasks		
	Copy and paste designated items	JPY 10 per item
	Uploading photos	JPY 3 per photo
	Processing and editing photos	JPY 40 per photo
	Packing and shipping	JPY 70 per pack
	Responding to users	JPY 30 per reply
Product research	Conditional search on designated URL or product	JPY 20 per search
Writing		
True stories		JPY 0.4 per character
Rewriting		JPY 0.4 per character
Writing on topics of choice		JPY 0.4 per character
Writing reports and explanatory materials (experts only)		JPY 1 per character
Research and writing based on given topics		JPY 1 per character
Other projects		
Transcription		JPY 100 per minute
Translation		JPY 400 per job
Calls		
	Inbound	JPY 50 per call
	Outbound	JPY 50 per call
Projects performed outside the home		Based on work hours for the project

Source: Shared Research based on shufti website

Registration at shufti is free for homeworkers and ordering companies. Homeworkers on average earn JPY20,000–30,000 per month, and pay 10% of their earnings to ULURU in the form of a system usage fee. The margin is low compared to 20–25% charged by major crowdsourcing platforms and has been one of the drivers behind the growth in registrations at shufti.

At present, ULURU does not spend heavily on promotion for shufti. It merely ensures the service is featured in magazines and TV shows several times per year. It also monitors its number of continuing workers (i.e., the number of workers who received compensation in the preceding and current month), but it does not regard this as an important management indicator.

Market environment and competitive landscape

Market environment

Size of contract bidding market

As of end-FY03/19, ULURU had 3,028 NJSS subscribers. The company believes Japan is home to some 400,000 companies that have won bids for public contracts, putting the NJSS subscriber base at only 0.8% of this market. In addition, there are about 70,000 Japanese companies that possess a general qualification to bid on all government and municipal office contracts (according to the FY2018 Administration Project Review Sheet published by the Ministry of Internal Affairs and Communications). The NJSS subscriber base again accounts for only about 4% of this market. This suggests ample scope for growth in subscriber counts.

Size of BPO market

The BPO market can be broadly divided into IT BPO and non-IT BPO. In FY2018, the IT BPO market (based on business operator revenue) was expected to expand 103.2% YoY to JPY2.4tn, and the non-IT BPO market (same basis) 101.4% YoY to JPY1.7tn (according to the Yano Research Institute).

Size of Crowdsourcing market

The crowdsourcing market (based on order value) is expected to grow to JPY295.0bn by FY2020. It expanded at a CAGR of 35.3% in the five years through FY2015 (Yano Research Institute, 2016).

Meanwhile, it is difficult to accurately quantify the number of homeworkers and freelancers that perform crowdsourcing work. Estimates vary substantially as shown in the following table, mainly because many such individuals fall in a gray area (somewhere in between employed and self-employed). This makes it impossible to provide a uniform definition of crowdsourced workers (source: Ministry of Health, Labour and Welfare).

Freelancer population

Source	Estimates (mn)	Estimated by	Type of freelance workers estimated	Notes
The Tax Commission, Cabinet Office, 2010	1.58	Ministry of Finance	Employment-type freelance	Occupations with a large number of self-employed workers with a high level of subordination to consignor; includes construction engineers, systems engineers, insurance agents and solicitors, among others
Homeworkers Survey, 2013	1.26	Ministry of Health, Labour and Welfare	Homeworkers	
State of Freelance Business Survey, 2018	11.19	Lancers, Inc.	Freelancers	
Estimation based on registrations at five majors such as CrowdWorks	5.00	Nikkei Inc.	Crowdworkers	Estimated at five millions at end 2018
Japanese Panel Study of Employment Dynamics 2018	4.40	Recruit Works Institute	Freelancers (main and side)	1.4mn side-job freelancers

Source: Shared Research

Crowdsourcing challenges: employment status of crowdworkers (homeworkers)

Crowdworkers (homeworkers), who are the driving force behind crowdsourcing, are not legally recognized as “workers,” and are therefore not protected by the Minimum Wage Act. The reason they do not qualify as “workers” is because there is no consensus on whether to treat them as self-employed or employed. As a result, there are still few advantages to being a crowdworker under the present legislative and regulatory framework.

Competitive landscape

Competition in crowdsourcing operations

ULURU operates the crowdsourcing platform shufti but does not consider itself competing directly with industry leaders such as CrowdWorks and Lancers. This is because shufti mainly caters to housewives who wish to work in their spare time, while the other two companies target professionals and freelancers looking for full-time work. Two other points that further distinguish ULURU from rivals are differences in the type of projects ordered and the fact that ULURU charges a lower system usage fee commensurate to simple work tasks.

Competition in the NJSS business

The main competitor to ULURU’s mainstay NJSS business is the Nyusatsu King service operated by Zuno Co., Ltd. (unlisted). Another rival service is DataWare-Net, operated by DataWare K.K. (unlisted). What sets ULURU apart from these companies is its extensive database of 10 years of historical data on successful contract bids, which allows it to reap first-mover advantages.

Competition in En-photo business

ULURU’s En-photo business faces competition from similar services. One noteworthy rival is Studio Alice Co., Ltd., which not only operates over 500 stores across Japan but also provides an online photograph service.

Competitors

Ticker	Market	Company	Fiscal year	Revenue (JPYmn)	Operating profit (JPYmn)	OPM	Note
3979	TSE Mothers	ULURU Co., Ltd.	FY03/19	2,243	430	19.2%	Operates shufti with 400,000 registrants focusing on housewives
3691	TSE Mothers	Realworld, Inc.	FY09/18	4,321	-272	-	890,000 registered
3900	TSE Mothers	CrowdWorks Inc.	FY09/18	6,635	24	0.4%	2.94mn workers registered
6563	TSE Mothers	Mirai Works Inc.	FY09/18	3,034	157	5.2%	For professionals
-	Unlisted	Lancers, Inc.				-	JPY2.1bn in revenue in FY2016
4443	TSE Mothers	Sansan Inc.	FY05/19	10,206	-850	-	Operates Eight, business card management system
2305	TSE1	StudioAlice Co., Ltd.	FY02/19	39,643	4,107	10.4%	Operates photo studios (512 nationwide) for children
-	Unlisted	Photocreate Co., Ltd.				-	Online photo services
-	Unlisted	Sen Corporation				-	Online photo services
-	Unlisted	Codmon, Inc.				-	Photo sales system for nurseries and kindergartens
-	Unlisted	Zuno Co., Ltd.				-	Operates nyusatsu-king.com
-	Unlisted	Data Ware Network Co., Ltd.				-	Operates DataWare-NET service

Source: Shared Research based on various company data

Earnings forecasts (FY03/20)

ULURU forecasts FY03/20 revenue of JPY2.3bn (+3.1% YoY), an operating loss of JPY366mn, a recurring loss of JPY367mn, and a net loss attributable to owners of the parent of JPY389mn. FY03/20 also marks the start of a new five-year medium-term business plan (see below).

The company expects operating profit to decline by roughly JPY800mn from the JPY430mn booked in FY03/19, resulting in an operating loss. The decline reflects anticipated increases of 230mn in personnel expenses, JPY170mn in systems engineer costs (payment to freelance engineers), JPY100mn in advertising expenses, JPY200mn in organizational consulting costs, and JPY150mn in other expenses. Of the total increase in costs (JPY800mn), higher personnel expenses, including development costs, are expected to account for JPY400mn.

Medium-term business plan (FY03/20–FY03/24)

Basic view

The central concept of the medium-term business plan is to “put aside the pursuit of short-term profit in favor of active investment in further growth and improvement in enterprise value over the medium to long term.” The company’s medium-term strategy to improve enterprise value has three components: achieve continued growth in NJSS; create and cultivate new CGS businesses, which would bring in recurring revenue; and increase margins in the BPO segment.

The NJSS business is facing a slowing net increase in subscribers amid a persistently high churn rate. ULURU needs to make strategic investments, including in product revisions, to combat this trend. In the CGS segment, the company plans to create new businesses that can grow into earnings drivers to supplement NJSS, En-photo, and fondesk. That said, the medium-term business plan does not factor in contributions from new businesses. In BPO, OPM came to 10.2% in FY03/19, topping the industry average of 6.0% but the company will take steps to further increase margins in this segment.

Numeric targets

Companywide numeric targets

The new medium-term plan spans the five years from FY03/20 to FY03/24. The company expects revenue to expand at a CAGR of 16.4% and EBITDA at a CAGR of 27.1% through FY03/24, and targets an EBITDA margin of 31.3% by FY03/24. It sees the EBITDA margin falling to JPY12.1% in FY03/22 (down from 20.1% in FY03/19) due to near-term upfront spending. The company expects to increase the employee count from 130 in FY03/19 to 177 in FY03/20, followed by yearly increases of four to five employees to 196 by FY03/24.

Numeric targets (companywide)

Total	FY03/19 Act.	FY03/20 Est.	FY03/21 Est.	FY03/22 Est.	FY03/23 Est.	FY03/24 Est.	5-year CAGR
Revenue (JPYmn)	2,243	2,314	-	3,300	-	4,800	16.4%
EBITDA (JPYmn)	452	-329	±0	400	-	1,500	27.1%
EBITDA margin	20.1%	-	-	12.1%	-	31.3%	-
No. of employees (year-end)	130	177	-	-	-	196	-

Source: Shared Research based on company data

ULURU forecasts FY03/20 revenue of JPY2.3bn, on par with the FY03/19 level. It plans to start work on large-scale organizational changes in FY03/20, and therefore intends to prioritize initiatives to reinforce its organization over measures to increase sales. It forecasts EBITDA of -JPY329mn.

At the NJSS business, ULURU will add staff not only to the sales division but also to the engineer division, which is responsible for product revisions. These reinforcements are meant to support plans to redesign the NJSS database and upgrade the search and project management analysis function of the service. ULURU aims to increase its overall headcount by 47 people in FY03/20 but it expects to shrink its support team in FY03/21 and beyond, provided systems investment in En-photo and fondesk subsides by then.

Numeric targets (by segment)

CGS: NUSS	FY03/19 Act.	FY03/20 Est.	FY03/21 Est.	FY03/22 Est.	FY03/23 Est.	FY03/24 Est.	5-year CAGR
Revenue (JPYmn)	1,222	1,200	1,400	1,700	1,900	2,150	12.0%
EBITDA (JPYmn)	776	300	650	900	1,100	1,350	11.7%
EBITDA margin	63.5%	25.0%	46.4%	52.9%	57.9%	62.8%	-
No. of employees (year-end)	33	61	-	-	-	54	-

CGS: Other	FY03/19 Act.	FY03/20 Est.	FY03/21 Est.	FY03/22 Est.	FY03/23 Est.	FY03/24 Est.	5-year CAGR
Revenue (JPYmn)	184	200	-	600	-	1,300	47.9%
EBITDA (JPYmn)	-25	-100	-	±0	-	500	-282.7%
EBITDA margin	-	-	-	-	-	38.5%	-
No. of employees (year-end)	20	21	-	-	-	31	-

BPO	FY03/19 Act.	FY03/20 Est.	FY03/21 Est.	FY03/22 Est.	FY03/23 Est.	FY03/24 Est.	5-year CAGR
Revenue (JPYmn)	802	800	-	900	-	1,200	8.4%
EBITDA (JPYmn)	93	100	-	150	-	300	26.5%
EBITDA margin	11.6%	12.5%	-	16.7%	-	25.0%	-
No. of employees (year-end)	50	54	-	-	-	70	-

Crowdsourcing	FY03/19 Act.	FY03/20 Est.	FY03/21 Est.	FY03/22 Est.	FY03/23 Est.	FY03/24 Est.	5-year CAGR
Revenue (JPYmn)	35	-	-	-	-	-	-
EBITDA (JPYmn)	-124	-	-	-	-	-	-
EBITDA margin	-	-	-	-	-	-	-
No. of employees (year-end)	14	-	-	-	-	-	-

Source: Shared Research based on company data

Strengths and Weaknesses

Strengths

- Low-cost system to successfully retain a workforce of housewives:** ULURU’s crowdsourcing platform shufti has roughly 400,000 registered workers. That number is small compared to rival services operated by industry leaders, but this does not hamper business execution in the Crowd-Generated Services (CGS) segment. The company successfully recruits housewives as homeworkers by charging a lower fee (10% of compensation earned) than its competitors and by offering such individuals opportunities to use their spare time productively. Further, ULURU has developed a business model in which business growth in the CGS segment leads to an increase in

work opportunities for homeworkers. We recognize having a platform that can supply low-cost workers and allow the company to increase worker registration without spending heavily on advertising is a strength.

- Collection of data on successful contract bids in NJSS business:** The competitive advantage of ULURU's contract bidding information service NJSS lies in its cumulative 10-year data on successful public contract bids. Once a public contract is awarded to a bidder, related information is often removed from the website of the awarding organization shortly after. This means that new entrants in this space are unable to collect historical information on winning bids. This is an obstacle that cannot be overcome through advances in, or optimization of, web crawling technologies. Historical information on winning bids is essential for SMEs as it can help them formulate bidding strategies and undercut rivals to win bids.
- Task division and management capabilities gained from operating NJSS:** In both the CGS segment and the BPO segment, the company (ULURU or ULURU BPO in the case of BPO) serves as an intermediary between companies placing orders and homeworkers. Roles include planning, management, and coordination. CGS require planning capabilities to leverage the spare time of homeworkers and transform that manpower into a convenient service for corporate customers, while in BPO, decisions must be made whether to outsource work to domestic homeworkers or overseas partner companies. The key objective in both segments is to determine how a project can be completed at the lowest cost possible, and this requires expertise and experience. The fact that both segments operate in the black shows that ULURU possesses valuable industry expertise, which is a strength that cannot be easily replicated.

Weaknesses

- Persistently high churn rate for NJSS:** NJSS subscriptions increased 15.5% YoY in Q1 FY03/19, but growth dropped notably in Q2 and fell to 3.9% by Q1 FY03/20. The churn rate for the service is increasing (new subscriptions and renewal rates are undisclosed). ULURU attributes the customer departures to sales and product weaknesses. It believes sales efforts to follow up with existing subscribers have lagged. On the product front, the company has not done a comprehensive system upgrade for NJSS since its launch in 2008, and as such, failed to flexibly improve the system in response to customer demands. ULURU is shifting its focus from pursuing subscriber growth to raising customer spend through cross-selling and upselling in an effort to stem its revenue churn. It plans to revamp NJSS in FY03/20 or FY03/21, but the range of improvements this will bring remains to be seen.
- Sustainability of cost competitiveness:** ULURU's strength has been its ability to mobilize a large low-cost workforce. However, we believe bidding data collection will likely decline in value over time, and progress in web crawling technologies may pose a threat for the company, as it could lead to the eventual replacement of manpower in collecting NJSS data. While ULURU has also introduced web crawling to its operations, if the value of bidding data collection were to fall over time, countermeasures to maintain value-added would be limited. If the company were to lose the strength of its low-cost workforce, ULURU's cost competitiveness—which factors in the added value of historical bidding data—could be lost.
- Slow progress with bringing engineers in-house:** To ensure sustainable growth, ULURU must develop a range of new businesses in the CGS segment following NJSS. Under its current growth strategy, the company has outlined services in the planning and verification phases, and some services are already being test marketed for commercial launch. That said, ULURU relies heavily on freelance systems engineers (who comprise about half of its 30 engineers), making it vulnerable to sudden staff departures. Delays in bringing engineers in-house may stifle technical innovation required to create new crowd-generated services. The company therefore needs to invest in training and recruitment of human resources to avoid lags in development speed and accumulation of expertise.

Segment information

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19
Total revenue	555	1,404	1,722	1,906	2,243
YoY	-	153.1%	22.6%	10.7%	17.7%
Total CGS	298	774	1,025	1,222	1,406
YoY	-	159.7%	32.3%	19.3%	15.0%
% of total revenue	53.8%	55.2%	59.5%	64.1%	62.7%
CGS: NJSS	298	774	1,025	1,093	1,222
YoY	-	159.7%	32.3%	6.6%	11.9%
% of total revenue	53.8%	55.2%	59.5%	57.3%	54.5%
CGS: Other				129	184
YoY	-	-	-	-	41.9%
% of total revenue	-	-	-	-	8.2%
BPO	246	594	655	649	802
YoY	-	141.6%	10.3%	-0.9%	23.7%
% of total revenue	44.3%	42.3%	38.0%	34.0%	35.8%
Crowdsourcing	11	36	43	36	35
YoY	-	234.4%	17.5%	-16.1%	-0.6%
% of total revenue	2.0%	2.6%	2.5%	1.9%	1.6%
Total	555	1,404	1,722	1,906	2,243
YoY	-	153.1%	22.6%	10.7%	17.7%
% of total revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Operating profit	64	-36	512	662	705
YoY	-	-156.4%	-	29.3%	6.6%
Operating profit margin	11.5%	-2.6%	29.7%	34.7%	31.4%
Total CGS	98	24	523	698	748
YoY	-	-76.0%	-	33.5%	7.0%
OPM	33.0%	3.1%	51.1%	63.9%	61.2%
CGS: NJSS	98	24	523	711	773
YoY	-	-76.0%	-	35.9%	8.7%
OPM	33.0%	3.1%	51.1%	65.1%	63.2%
CGS: Other				-12	-25
YoY				-	-
OPM				-9.4%	-13.6%
BPO	25	66	83	52	81
YoY	-	161.3%	25.1%	-37.1%	56.3%
OPM	10.3%	11.2%	12.7%	8.0%	10.2%
Crowdsourcing	-60	-126	-94	-89	-124
YoY	-	-	-	-	-
OPM	-550.9%	-348.0%	-221.4%	-249.5%	-349.0%
Total	64	-36	512	662	705
YoY	-	-156.4%	-	29.3%	6.6%
OPM	11.5%	-2.6%	29.7%	34.7%	31.4%

Source: Shared Research based on company data

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

Income statement

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20
(JPYmn)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons. Est.
Revenue	566	1,410	1,722	1,906	2,243	2,314
YoY	-	148.9%	22.1%	10.7%	17.7%	3.1%
Cost of revenue	218	517	539	602	714	-
YoY	-	137.8%	4.3%	11.5%	18.6%	-
Cost ratio	38.4%	36.7%	31.3%	31.6%	31.8%	-
Gross profit	349	893	1,183	1,305	1,530	-
YoY	-	155.8%	32.5%	10.3%	17.3%	-
GPM	61.6%	63.3%	68.7%	68.4%	68.2%	-
SG&A expenses	450	1,181	941	914	1,100	-
YoY	-	162.4%	-20.3%	-2.8%	20.3%	-
SG&A ratio	79.5%	83.8%	54.6%	48.0%	49.0%	-
Salaries and allowances	108	263	287	277	314	-
Advertising expenses	64	136	-	-	-	-
Outsourcing expenses	52	323	124	98	-	-
Provision for bonuses	13	19	-	-	-	-
EBITDA	-90	-271	259	408	452	-329
Operating profit	-101	-289	242	390	430	-366
YoY	-	184.9%	-183.6%	61.6%	10.0%	-185.2%
Operating profit margin	-17.9%	-20.5%	14.0%	20.5%	19.2%	-
Non-operating income	1	1	2	1	1	-
YoY	-	87.7%	66.7%	-68.7%	47.0%	-
% of revenue	0.1%	0.1%	0.1%	0.0%	0.0%	-
Non-operating expenses	1	2	28	1	2	-
YoY	-	216.4%	-	-95.3%	42.1%	-
% of revenue	0.1%	0.2%	1.7%	0.1%	0.1%	-
Recurring profit	-102	-290	215	390	429	-367
YoY	-	185.6%	-174.1%	81.4%	10.0%	-185.6%
Recurring profit margin	-17.9%	-20.6%	12.5%	20.4%	19.1%	-
Net income attributable to owners of the parent	-113	-314	242	288	258	-389
YoY	-	178.6%	-177.0%	18.9%	-10.3%	-250.9%
Net margin	-19.9%	-22.3%	14.0%	15.1%	11.5%	-

Source: Shared Research based on company data

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

Per-share data (JPY)

Per-share data	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20
(split-adjusted; JPY)	Cons.	Cons.	Cons.	Cons.	Cons.	Cons. Est.
Shares issued (year-end)	20,700	19,655	3,241,100	3,257,900	3,280,600	3,280,600
EPS	-40.4	-112.4	86.0	88.7	79.1	-118.6
EPS (fully diluted)	-	-	83.4	86.5	77.6	-
Dividend per share	-	-	-	-	-	-
Book value per share	-	-154.6	510.3	596.3	671.9	-

Source: Shared Research based on company data

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

Note: The company conducted a 50-for-1 stock split on August 31, 2011. BPS and EPS are adjusted accordingly.

Balance sheet

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19
	Cons.	Cons.	Cons.	Cons.	Cons.
Current assets	1,014	829	2,430	2,697	3,327
Cash and deposits	853	672	2,227	2,534	3,065
Accounts receivable	121	97	93	110	161
Work in process	3	12	2	4	19
Other	36	49	108	48	82
Fixed assets	92	86	90	117	193
Tangible fixed assets	44	43	40	42	120
Intangible fixed assets	10	10	6	6	29
Software	9	10	6	4	28
Investments and other assets	39	33	44	69	44
Lease and guarantee deposits	27	25	18	20	34
Total assets	1,106	916	2,520	2,814	3,520
Current liabilities	532	671	856	869	1,145
Interest-bearing debt	21	21	17	9	43
Accounts payable–other	56	66	69	36	117
Deposits	55	105	113	128	145
Advances received	250	329	406	475	542
Fixed liabilities	73	50	10	2	171
Interest-bearing debt	65	45	10	2	160
Other	8	6	-	-	-
Total liabilities	605	722	866	871	1,315
Shareholders' equity	500	195	1,654	1,944	2,207
Accumulated other comprehensive income	1	-1	-1	-1	-3
Non-controlling interests	0	0	0	0	0
Total net assets	501	194	1,654	1,943	2,204
Total liabilities and net assets	1,106	916	2,520	2,814	3,520

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)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19
	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities	-68	-151	388	345	432
Cash flows from investing activities	-39	-17	-13	-22	-97
Cash flows from financing activities	616	-12	1,179	-14	197

Source: Shared Research based on company data

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

Financial indicators

Financial indicators (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19
	Cons.	Cons.	Cons.	Cons.	Cons.
ROA (RP-based)	-	-	12.5%	14.6%	13.5%
ROE	-	-	26.2%	16.0%	12.4%
Inventory turnover	64.8	44.3	296.6	152.7	37.3
Tangible fixed assets turnover	-	32	42	46	28
Current ratio	190.5%	123.5%	283.8%	310.2%	290.6%
Equity ratio	45.3%	21.2%	65.6%	69.0%	62.6%

Source: Shared Research based on company data

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

Policy on shareholder returns

At present, ULURU does not pay dividends because its mainstay NJSS business and new CGS businesses still require substantial investment. Also, past losses have depleted earnings that can be allocated toward dividends (as specified in the Companies Act). Under its medium-term business plan announced in May 2019, ULURU plans to start paying dividends from FY03/24.

Shareholders

Top shareholders	Shares held	Shareholding ratio
Tomoya Hoshi	596,200	18.17%
Japan Trustee Services Bank, Ltd. (Trust account)	445,800	13.59%
Ayersrock Co., Ltd.	330,000	10.06%
Yuhei Okeyama	188,300	5.74%
Nippon Life Insurance Company	95,000	2.90%
Yosuke Nagaya	88,500	2.70%
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	85,000	2.59%
Shinsuke Kobayashi	81,000	2.47%
Emi Nosaka	70,000	2.13%
ULURU Employees Shareholding Association	66,400	2.02%

Source: Shared Research based on company data (as of end-March 2019)

Corporate governance

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Board
Controlling shareholder (excl. parent)	-
Parent company	None
Directors	
Number of directors under Articles of Incorporation	10
Chairman of the Board of Directors	President
Number of directors	8
Number of outside directors	2
Number of independent outside directors	2
Audit & Supervisory Board Members	
Audit & Supervisory Board	In place
Number of members of Audit & Supervisory Board under Articles of Incorporation	5
Number of members of Audit & Supervisory Board	3
Number of independent outside members of Audit & Supervisory Board	2
Other	
Disclosure of individual director's compensation	No disclosure on individuals
Policy on determining amount of compensation and calculation methodology	Y
Corporate takeover defenses	N

Source: Shared Research based on company data

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