

Anticipated High-interest Items in Full-year Results for Fiscal Year Ended May 31, 2021 (“FY2020”)

FY2020 Results

Consolidated Results

Q1: What factors contributed to the gradual slowdown in quarterly (three-monthly) net sales growth (year on year)?

As the scale of net sales grows, a slowdown in the growth rate becomes inevitable, but in the fiscal year under review we believe that we were to a certain extent negatively affected by the prolongation of the COVID-19 pandemic on an ongoing basis from the second half onward. In terms of the actual increased amount of net sales compared with the previous quarter, this Q4 was the largest, and in the current fiscal year (ending May 2022), the negative impact of the COVID-19 pandemic will have run its course, and thus we are anticipating an acceleration (a recovery) of the rate of net sales growth.

Q2: What factors contributed to the operating loss in Q4 (three months) and the (year-on-year) decrease in operating income for the full-year?

In the fiscal year under review, our policy was to make various growth investments in an agile and flexible manner to accelerate the net sales growth rate over the medium to long term. This was because, in view of the steady progress of business results up to Q3, in Q4 we aggressively invested in, for example, the “Bill One” online invoice receiving solution, which is currently growing at a rapid rate. We are mainly strengthening advertising activities centered on TV commercials, and consolidated advertising expenses in Q4 increased by ¥565 million (178.9%) year on year.

Also, operating profit declined even when looked at over the full-year, because we promoted company-wide recruitment and the strengthening of marketing activities as a growth strategy, which was in line with the abovementioned investment policy at the beginning of the period.

Q3: What factors contributed to the large (year-on-year) decrease in ordinary profit and profit attributable to owners of parent for the full-year?

This was mainly due to an increase in share of loss of entities accounted for using the equity method, which is recorded as non-operating expenses.

Currently, our equity-method affiliates include CREATIVE SURVEY Inc., which handles online survey tools, SATORI Inc., which develops and sells marketing automation tools, etc. Many of these affiliated companies are currently at the stage of aggressive investment for business growth and have posted a deficit.

Q4: Looking back over the past year, what kind of impact have the COVID-19 infections had on your business?

Over the medium to long term, the promotion of DX is expected to provide our business with a boost, but in the short term the uncertain business environment will continue. We believe that the speed of acquisition of new subscriptions such as “Sansan” has slowed down due to the cautious investment behavior and mindset of companies, which has given rise to a negative impact on net sales growth. Although the uncertain business environment is expected to continue in the current fiscal year (ending May 2022), it is assumed that the negative impact on business results will have to a certain extent run its course.

Sansan Business

Q5: What factors are behind the ongoing (year-on-year) decline in other net sales?

Other net sales comprise the service fee provided at the time of the initial installation of "Sansan" and the fees for use exceeding the predetermined range (number of business cards converted to data). In Q4 as well, other net sales declined due to the negative impact of the COVID-19 pandemic. In the Q4 of the previous fiscal year, there was no negative impact from COVID-19 until March, but this year the impact lasted throughout the period (March to May) and did not lead to recovery.

In the current fiscal year (ending May 2022), it is assumed that the negative impact will have to a certain extent run its course.

Q6: What factors contributed to a lower net increase in the number of "Sansan" subscriptions in Q4 (three months) compared with the previous quarter?

In addition to the timing of subscription renewals being concentrated in Q4 compared with other quarters, the timing also coincided with the prolonged COVID-19 pandemic, and the number of cancellations increased. As a result, even if there is no significant change in the number of new subscriptions acquired, the net increase in subscriptions will appear to decline when compared with other quarters.

Comparing the net increase in subscriptions in Q4 with the net increase in Q4 in the previous fiscal year, the number increased by 54, and thus there is no change in the steadily recovering trend.

Q7: What factors contributed to the slightly accelerated monthly net sales growth rate per subscription at the end of Q4 (year on year)?

Monthly net sales per subscription are calculated using not recurring net sales but overall net sales at the last month of quarter for the Sansan Business (May in the case of Q4). Up to and including Q3, the growth rate was slowing down because only the current period was negatively impacted by the COVID-19 pandemic and declines in other net sales. From this Q4 (May), however, the impact from COVID-19 had run its course, and the growth rate increased because the comparison was close to the same conditions as the previous year.

Q8: What is the status of recruitment centered on the sales department?

Including Inside Sales and Customer Success, we have 329 salespeople as of May 31, 2021, which increased by 82 year on year and by 36 quarter on quarter.

Eight Business

Q9: What factors contributed to the significant increase in B2B service sales in Q4 (three months) compared with the previous quarter?

The holding of "Climbers" events targeted toward general business people contributed to business performance. This event was held once in Q2, but the second event held in Q4 produced an even better result, attracting about 30,000 participants, more than double the number of participants for the previous event.

Others

Q10: In which segment is the performance of "Bill One" online invoice receiving solution recorded?

Currently, net sales and part of cost of sales related to "Bill One" are allocated to each segment based on internally established rules, while the rest of cost of sales and all SG&A expenses are recorded as corporate expenses that are not allocated to each segment.

Q11: What is the status of the various "Bill One" KPIs?

The number of "Bill One" subscriptions at the end of Q4 was 239, an increase of 73.2% compared with the end of the previous quarter, and high growth continued. As a result of having broadcast TV commercials in February and May 2021, we received a favorable response and are expecting that the number of subscriptions will increase going forward. Although we are not disclosing the actual number at this time, sales per subscription are gradually increasing due to the acquisition of subscriptions from medium- and large-sized companies.

FY2021 Forecasts

Q12: What is the rationale for expecting acceleration in consolidated net sales growth (year on year)?

This is mainly because we anticipate the acceleration (recovery) of the net sales growth rate in "Sansan" and the contribution of the rapid growth of "Bill One" to business performance. In the case of "Sansan," the negative impact of the COVID-19 pandemic is coming to an end, and we are anticipating steady growth (recovery) not only in recurring net sales but also in other net sales. We are also expecting factors such as an ongoing increase in the number of "Bill One" subscriptions.

Net sales of the Sansan Business, which accounts for the majority of the current consolidated results, are expected to increase by approximately 24% to 27% year on year.

Q13: What are the reasons for the possibility of a decrease in consolidated operating profit (year on year)?

Many of the services managed by the Group are growing rapidly while creating new markets. Instead of maximizing profits, at the present time we are focusing on medium- to long-term sales growth (expansion of each service). Accordingly, depending on the investment opportunities and state of progress with business results, we will have the potential to make a variety of investments in an agile and flexible manner even in May 2022.

Q14: What are the plans with regard to various investments?

In the main, we are planning to, for example, strengthen the companywide recruitment of human resources and enhance the advertising and marketing activities in "Sansan" and "Bill One". At present, we plan to hire approximately 280 new graduates and mid-career employees in the fiscal year ending May 2022. In addition, advertising expenses are expected to increase by around 15% year on year.

Q15: What are the assumptions for the upper and lower limits of the financial forecasts range?

For the upper limit of the forecasts range the assumption is that, by the end of 2021, it will be the case that social concerns about COVID-19 infections will have largely receded, that the negative impact will have disappeared due to a variety of factors, including the vaccination rollout, and that the economy will have entered a strong recovery phase. Contrastingly, the lower limit of the forecasts range assumes the case that the decline in the number of people infected has stopped, and that a situation of the kind as seen currently in July 2021 will persist throughout the period.

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