October 8, 2021
Sansan, Inc.

Anticipated High-interest Items in Q1 Results for Fiscal Year Ending May 31, 2022 (“FY2021”)

Consolidated Results/Segment Changes

Q1: What factors contributed to the growth rate for this Q1 being higher than the quarterly (three-monthly) net sales growth rate in Q4 of the previous fiscal year?

In addition to the recovery in the net sales growth rate of our main “Sansan” service, the main factor was the continuing high growth of “Bill One.”

Although “Sansan” was negatively affected by the ongoing COVID-19 pandemic, the growth rate recovered slightly as the impact had run its course from the perspective of a comparison with the same period in the previous fiscal year. In addition, net sales of “Bill One” continued to grow at a high rate, for example with sales having increased about 159 times compared with a year ago, immediately after the service was launched.

Q2: What were the contributory factors behind the operating loss in the Q1 under review while there was operating profit in the Q1 in the previous fiscal year?

This is because we promoted company-wide recruitment and marketing activities to accelerate the medium- to long-term net sales growth rate, and the results are in line with the full-year earnings forecasts and investment policy announced at the beginning of the current fiscal year.

In the Q1 under review, year-on-year consolidated advertising expenses increased by ¥209 million (32.4%) compared with the same period of the previous fiscal year as a result of promoting marketing activities that included the broadcasting of new “Sansan” TV commercials. In addition, the number of consolidated employees at the end of Q1 was 1,011 (743 at the end of the same period of the previous fiscal year), and personnel expenses increased by ¥489 million (45.7%) compared with the same period of the previous fiscal year.

Q3: What factors contributed to the significant increase in ordinary profit and profit attributable to owners of parent compared with the same period of the previous fiscal year?

The main factor was the recording of ¥979 million gain on sale of investment securities recorded under non-operating income from having sold some of the investment securities held for the purpose of improving the efficiency of owned assets, as announced on July 19, 2021.

Q4: What specifically changed due to the change in the reporting segments?

Previously, there were two reporting segments, the Sansan Business and the Eight Business, but after having changed the accounting method for some services, we changed to two, the Sansan/Bill One Business and the Eight Business.

The main changes are that net sales and some operating expenses related to the previously new “Bill One,” “Sansan Seminar Manager” and “Contract One” services are based on rules set in-house and allocated and recorded to each Sansan Business and Eight Business segment. Most of the other operating expenses related to these services were recorded as company-wide expenses that are not allocated to each segment, but following the change, both net sales and operating expenses will be recorded in the Sansan/Bill One Business.

Since this change is just a change in the reporting segments, there is no change to the full-year consolidated earnings forecasts. However, the full-year earnings forecasts for each segment will change from the same period of the previous fiscal year, increasing by approximately 24% to 28% for the Sansan/Bill One Business and by approximately 23% to 27% for the Eight Business.

Q5: The state of emergency has been lifted nationwide, but what will the impact of that be on your current business performance and full-year forecasts?

At present, there is no end to the COVID-19 pandemic in sight, so it is expected that corporate investment behavior and the mindset will remain cautious, and the negative impact mainly on the acquisition of new “Sansan” subscriptions will continue due to the ongoing uncertainties in the business environment. Therefore, at this point in time, we do not believe there will be any major trend changes in business performance, and there are no changes to the full-year business forecasts announced at the beginning of the fiscal year.

Sansan/Bill One Business

Q6: What were the factors that contributed to Other "Sansan" sales rebounding to an increase in the Q1 under review against the decrease in sales in the previous fiscal year?

In the previous fiscal year, net sales related to the time of initial installation of “Sansan” and net sales related to use exceeding the predetermined range (number of business cards converted to data) decreased due to the negative impact of the COVID-19 pandemic. The main factor behind this Q1 result is that the negative impact from COVID-19 had run its course and thus these sales have recovered slightly.

Q7: Why is the level of monthly sales per “Sansan” subscription lower than the previously disclosed figures?

Up until the previous fiscal year, the monthly net sales per subscription were calculated using not recurring net sales but overall net sales at the last month of the quarter of the Sansan Business. From the Q1 under review, we have changed to the method of calculating only “Sansan” recurring net sales at the end of each quarter. (The figures for the same period of the previous year have been retroactively revised by the same calculation method.)

Q8: What are the results and outlook of the various "Bill One" KPIs?

As of the end of August 2021, Monthly Recurring Revenue (MRR) was ¥34 million, about 100 times higher than a year before, directly after we launched the service. Also, the number of “Bill One” paid subscriptions at the end of the Q1 under review was 343 (about 13 times that of a year ago).

At the present time, we are aiming for Annual Recurring Revenue (ARR) of ¥1 billion or more and 1,000 paid subscriptions as of the end of May 2022.

Eight Business

Q9: What were the factors behind the decrease in B2C service sales year on year?

This was due to suffering some negative effects, such as the changes in working styles and changes in user behavior amid the COVID-19 pandemic. However, the impact on consolidated business results is minor, and the results are in line with the full-year business forecasts announced at the beginning of the fiscal year.

Q10: Income from B2B service sales continues to grow steadily, but what factors are behind this?

In addition to the ongoing steady growth in, for example, our business card management services for corporations, advertising services and recruitment services, the business performance of logmi, Inc., which had become a consolidated subsidiary in August 2020, made a contribution. (logmi's contribution to business performance began in Q2 of the previous fiscal year.)

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