July 11, 2024
Sansan, Inc.

Anticipated High-Interest Items in Full-Year Results for Fiscal Year Ended May 31, 2024 ("FY2023")

Results for FY2023

Consolidated Results

Q1: What factors contributed to the slight decline in the gross profit margin on a full year basis?

The main factor behind this decline was a higher percentage of Bill One, which still has a relatively low profit margin in the Group's overall performance.

In the meantime, the gross profit margin for Bill One bottomed out in the October to November 2023 period, during which the Invoice System was launched. Since then, the improvement has continued, and the margin exceeded 80% in O4 alone.

Q2: What factors contributed to a significant increase in adjusted operating profit for Q4 alone?

In addition to an increase in gross profit by 34.3% year on year due to strong sales growth, the SG&A expenses ratio to net sales decreased, mainly attributable to a lower advertising expenses ratio to net sales, resulting in an increase in adjusted operating profit by 227.3%.

Q3: What factors contributed to the significant turnaround in ordinary profit for Q4 alone from a loss in the same period last year?

This was because of the absence of one-off expenses related to trust-type stock options of ¥499 million recorded in the same period last year, in addition to a significant increase in adjusted operating profit.

Q4: What factors contributed to the turnaround in profit attributable to owners of parent from a loss in the same period last year?

This was because of a decrease in extraordinary losses compared with the same period last year, during which loss on valuation of investment securities of ¥980 million was recorded, and the booking of deferred income taxes, on top of the significant increase in ordinary profit.

Sansan/Bill One Business

Q5: What was a major factor behind Sansan's sales growth rate for Q4 alone being more accelerated than that for Q3 alone?

Backed not only by the growth of Sansan recurring sales as a fixed revenue but also by a strong contract-winning status, Sansan other sales, which were mainly composed of initial revenue recorded upon start of contract, were stronger than those for Q3 alone, resulting in accelerated sales growth of the overall Sansan business.

Q6: What was a reason for a lower net increase in the number of Bill One subscriptions in Q4 alone than in the past?

In the process of strengthening our sales structure and optimizing the price structure, we are allocating our sales resources more intensively to medium- and large-sized companies. So., we would say that the lower net increase in the number of Bill One subscriptions in Q4 alone reflects our business strategies.

Q7: How did the launch of the Invoice System impact the growth of Bill One?

Although there was a slight slowdown in the speed of growth as the last-minute demand related to the Invoice System dissipated, the impact has been minor. Sales activities during Q4 (in terms of the amount of new contracts won) was as solid as Q3. Considering the effect of increasing the headcount of sales reps as one of measures for our growth strategy, we can expect to win even more contracts in the early stage of the next fiscal year.

Eight Business

Q8: What factors contributed to the turnaround in adjusted operating profit on a full year basis from a loss in the previous fiscal year?

Throughout the period, we not only pursued profitability-focused operations, but also achieved strong net sales for B2B services, including Eight Team and business events. That's why we achieved profitability on a full year basis.

Forecasts for FY2024 onward

Q9: What is the underlying assumption for setting the upper and lower ends of the range in the forecasts for FY2024?

Sansan and Bill One, our mainstay service lines, have most recently optimized price structure and the effects from this initiative are factored into the forecasts for FY2024 to a certain extent. However, it is difficult to predict exact impacts on our business performance at this point. Therefore, we have adopted a reasonable range with upper and lower ends, taking into account a reasonable contract winning forecast for the main services.

Q10: How do you justify an accelerated growth of adjusted operating profit you expect in FY2024?

Despite incurrence of head office relocation expenses, we expect an accelerated growth of adjusted operating profit because we expect that sales will continue to grow strongly and the growth rate of advertising expenses as one of major expense items will settle around 16%, resulting in a lower rate of SG&A expenses to net sales.

Q11: We have learned that you are going to repurchase treasury shares, but how about dividends? Do you still have no intention of paying them?

We are going to repurchase treasury shares as part of shareholder returns by comprehensively considering our current financial conditions, medium-term financial policy, recent stock price trends, and a share dilution rate through the exercise of stock options. We will continue to flexibly consider shareholder returns in reference to the development of these factors. Additionally, we plan to disclose a quantitative shareholder return policy in the medium-term.

That being said, however, at this point, we adhere to our belief that the best measure to maximize returns to shareholders is to reinvestment funds in business expansion and have decided not to pay dividends.

Q12: What is the background for announcing the new medium-term financial policy?

As the ongoing FY2024 is the final year for the medium-term financial policy set at the beginning of the fiscal year of FY2022, we have taken this occasion to set our new policy to show the direction for the next three years, taking into account recent stock market conditions.

For us to increase our corporate value over the medium and long term, we believe that net sales growth continues to be the most important management indicator. Nevertheless, we also believe that we have entered in a phase where we can comfortably achieve accelerated growth of adjusted operating profit even after making investment for sales growth.

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