

## **Anticipated High-Interest Items in Q1 Results for Fiscal Year Ending May 31, 2025 (“FY2024”)**

### **Consolidated Results/Others**

#### **Q1: How is your progress against the full-year forecasts?**

Both net sales and adjusted operating profit showed steady progress in line with the median range of the full-year forecasts.

Since our sales primarily consist of recurring sales, our business model is one in which sales gradually accumulate and increase in scale with each passing quarter. Therefore, adjusted operating profit tends to be greater in the second half.

#### **Q2: What factors contributed to the significant increase in adjusted operating profit beyond the growth rate of net sales?**

Despite the rise in rents and one-off relocation expenses due to the head office relocation as well as increased personnel expenses due to aggressive hiring in the previous fiscal year, advertising expenses increased only slightly. This, along with other factors, resulted in an improved adjusted operating profit margin.

#### **Q3: What factors contributed to the significant increase in share-based payment expenses and the decrease (deficit) in operating profit and items below it on the income statement?**

We issue stock options to our executives and employees mainly for the purpose of further sharing value with shareholders. Some are stock options with share price condition, which require our share price to reach a predetermined level to exercise the options.

The accounting for the expensing of such stock options varies depending on the share price and other factors. Specifically, if the share price reaches the level specified by the exercise conditions during the exercise period, the full amount of the stock option is expensed; or otherwise, a certain amount is expensed in accordance with the share price at the end of the quarter.

For the 7th and 9th Series Stock Options issued in 2022, we had previously recorded a certain amount as share-based payment expenses based on the share price and other factors, but as our share price rose and the exercise conditions were met, the entire remaining amount not previously expensed was recorded as an expense this quarter. As a result, share-based payment expenses increased.

#### **Q4: You disclosed that you planned to book gain on sale of investment securities. What is the current status on that?**

As announced on August 19, 2024, we expect to book gain on sale of investment securities of ¥416 million following the sale of shares of one unlisted equity security, but we plan for this to happen in the second quarter instead of the first quarter of this fiscal year.

#### **Q5: Why did you change the method for calculating segment profit?**

Previously, we had not allocated corporate expenses to each segment but recorded them under adjustments. However, to better manage these expenses, we have decided to allocate them to each segment based on certain rules starting from this quarter.

## Sansan/Bill One Business

### **Q6: What factors led to the decrease in adjusted operating profit despite the steady increase in net sales?**

This was mainly due to an increase in personnel expenses in line with our growth strategy; however, we are making steady progress consistent with our initial forecasts.

### **Q7: What caused the significant drop in the growth rate of Sansan other sales compared with Q4 of the previous fiscal year?**

When introducing a new product, initial revenue is recorded under Sansan other sales, but depending on the size and form of the subscriptions acquired, the amount and timing of net sales will vary. This is because the growth rate has a tendency to fluctuate easily when viewed on a quarterly basis.

Performance has been strong for Sansan recurring sales and new contracts won, so there is no cause for concern.

### **Q8: Why did the growth rate of the number of Sansan subscriptions accelerate while the growth rate of the monthly recurring sales per subscription slowed down?**

As a result of steady progress in acquiring relatively small-scale customers during the process of training the sales personnel recruited in the previous fiscal year, the growth rate of the number of subscriptions has accelerated significantly, while the growth rate of monthly recurring sales per subscription has slowed down.

We have not set separate targets for each of these indicators but rather use the net sales resulting from the multiplication of the two as a management indicator. Consequently, we view the first quarter results as steady progress.

### **Q9: What factors contributed to the slowdown in the amount of growth in Bill One MRR and what is your outlook for the future?**

There was a slight slowdown in the speed of growth as the last-minute demand related to the Invoice System dissipated. However, we expect the amount of new contracts in the second quarter to exceed that in the first quarter as the training progresses for our new sales personnel, whose numbers were significantly increased in the previous fiscal year. As a result, we anticipate the amount of growth in MRR to surpass the current level.

## Eight Business

### **Q10: What factors were behind the significant increase in net sales?**

In addition to the steady growth of both B2C and B2B services, Kaede IR Advisory, Inc., which was acquired in June 2024, has contributed to our results since the beginning of the first quarter of this fiscal year. Note that Kaede IR Advisory, Inc. was merged with our group company logmi, Inc. on September 1, 2024.

### **Q11: What factors contributed to the loss in adjusted operating profit despite achieving profitability in the previous full-year period?**

The change in the method for calculating segment profit (described in our response to Q5) resulted in a ¥225 million increase in expenses in the first quarter compared to the previous calculation method. This level would have achieved profitability under the previous method.

We will continue to emphasize profitability in our business operations, and we will work to strengthen the monetization of each service to achieve full-year profitability under the new standards.

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