

Anticipated High-interest Items in Q3 Results for Fiscal Year Ending May 31, 2022

Consolidated Results

Q1: With regard to the Q2 cumulative results, what progress have you made against the full-year forecasts?

Both net sales and operating profit are progressing within the range of the full-year forecasts announced at the beginning of the fiscal year.

The Q3 net sales growth rate slowed slightly due to the ongoing negative effects caused by the COVID pandemic. In Q4, however, we are expecting opportunities to record net sales that were not possible in Q3, such as the holding of business events in the Eight Business. Net sales grew steadily during Q3, meanwhile advertising expenses decreased due to the fact that marketing activities were not carried out as much as they had been in the same period of the previous year, and we thus posted operating profit and are expecting to record operating profit in Q4 as well.

Q2: What factors contributed to the decrease in the Q3 cumulative operating profit compared with the same period of the previous fiscal year?

This is because we promoted company-wide recruitment and marketing activities in the first half of the year 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 Q3 under review, year-on-year consolidated advertising expenses increased by ¥424 million (21.9%) compared with the same period of the previous fiscal year. In addition, the number of consolidated employees at the end of Q3 was 1,118, which increased by 268 compared with the end of the same period of the previous fiscal year, and personnel expenses increased by ¥1,492 million (43.9%) compared with the same period of the previous fiscal year.

Q3: What factors contributed to the significant increase in the Q3 cumulative 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 in Q1 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.

Sansan/Bill One Business

Q4: What were the factors that contributed to the growth rate of net sales and subscriptions for Sansan being slower than those in Q2?

The main reason for this was the weakening of new subscription acquisition due to the negative effects caused by the prolonged COVID pandemic.

Although the numerical values do not exactly match the net sales results disclosed, if you look at the amounts for new orders received in a single month, the actual results for February 2022 were the highest in the current fiscal year, and we believe that they will contribute to steady growth from Q4 onward.

Q5: You will be undertaking a reform of Sansan products. How would you summarize the product reform?

We will work to add or enhance functions at two points—the corporate database and the company's contact database—while undertaking the reform of products, from the conventional Sansan B2B business card-based contact management service to the Sansan – the service for sales DX.

Previously, in the case of the corporate database, only corporate information with contacts could be viewed on Sansan. Going forward, however, it will be possible for users to browse corporate information that has no contacts by strengthening our cooperation with TEIKOKU DATABANK, Ltd. In addition, with regard to the company's contact database, users will be able to register as contact information on Sansan not only the previous business card information but also the signature information stated in emails and the information provided from website inquiry forms. As a result, as all contact information with customers is accumulated and appears in visual form on Sansan, users will be able to build databases unique to the user company on Sansan in combination with the above-mentioned corporate database, enabling strategic and effective sales activities for new customers and existing customers based on relevant data.

The main functions in the product reform are scheduled to be available during Q1 of the fiscal year ending May 2023, and we would like that to lead to Sansan's growth from the next fiscal year onward by promoting new value that goes beyond business card management.

Q6: What are the factors contributing to Bill One's continued high growth?

As a result of continuing to promote a raft of measures, such as strengthening the sales system, implementing marketing activities, and enhancing product functions, both the number of paid subscriptions and monthly sales per paid subscription have continued to grow at a high rate.

The nature of the Bill One service is creating a new market, and because there is a vast potential market said to be about 2 million companies in Japan, we will continue to work on a variety of measures to maintain the high growth rate going forward.

Q7: What was the reason for the net increase in the number of paid subscriptions for Bill One slowing down compared with Q2?

The Revision of Act Concerning Preservation of Electronic Books came into effect in January 2022, and we believe that in Q2 there was temporary last-minute rush in demand for the purpose of responding to that revision.

Q8: What is the number of companies in Bill One network?

The number includes not only companies that use the Bill One service for a fee but also those that use the service for free plus those that send invoices to user companies. Due to the nature of the service, if the number of users increases, the number of companies participating in the network also tends to increase. As of the end of February 2022, the number of companies participating in the network stood at around 32,000.

Eight Business

Q9: What were the factors behind the decrease in the Q3 net sales compared with that in Q2?

The "Climbers" business event was held in Q2, but the main factor was that this event was not held in Q3.

In Q4, we plan to hold various types of business event, including "Climbers", and are anticipating

opportunities to record sales that were not possible in Q3.

Q10: 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.

Q11: What were the factors behind the steady increase in B2C service sales year on year?

This is mainly due to the steady growth of Eight Team, a business card management service for small and medium-sized companies, and Eight Career Design, a platform for the targeted recruitment of professionals, etc.

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