

## **Anticipated High-interest Items in Q1 Results for Fiscal Year Ending May 31, 2023 (“FY2022”)**

### **Consolidated Results**

#### **Q1: What factors contributed to the decelerated net sales growth rate for Q1 when compared with Q4 of the previous fiscal year?**

In Q4 of the previous fiscal year, the holding of large-scale business events and sales of planned advertising services in the Eight Business contributed to the increase in the consolidated net sales growth rate. In Q1, the growth rate slowed down because we did not conduct sales of those kinds of services, but the performance is favorable and in line with the full-year earnings forecasts announced at the beginning of the current fiscal year.

#### **Q2: What were the factors behind the deficit and decrease in adjusted operating profit?**

The main factor was the strengthening of the recruitment of human resources and marketing activities for the net sales growth over the medium to long term, and the results are in line with the full-year earnings forecasts announced at the beginning of the current fiscal year. The number of consolidated employees at the end of Q1 was 1,199 which increased by 188 compared with the same period of the previous fiscal year. Personnel expenses increased by ¥439 million (28.1%) and advertising expenses increased by ¥285 million (33.4%) compared with the same period of the previous fiscal year.

As advertising activities carried out during the current fiscal year are weighted heavily toward Q1, we recorded a deficit in adjusted operating profit but are expecting to record a profit from the second half onward.

#### **Q3: What is the definition of adjusted operating profit?**

In addition to increasing incentives to raise our corporate value, we issued stock options with stock price condition to our directors and some employees for the purpose of further sharing value with our shareholders. For said stock options, since the system is such that expenses are recorded according to the level of the Company's stock price at the end of each quarter and other factors, we adopted adjusted operating profit as an important management indicator as one that shows the profitability of a permanent company after deducting such temporary expenses. Specifically, in addition to share-based payment expenses, various expenses arising from the business combinations (amortization of goodwill and depreciation of intangible assets) are adjusted items.

#### **Q4: What factors contributed to the significant decrease in Q1 ordinary profit and profit attributable to owners of parent compared with the same period of the previous fiscal year?**

The main contributory factor was that 291 million yen in gain on sale of investment securities was recorded as non-operating profit in this Q1, whereas 979 million yen had been recorded in the same period of the previous fiscal year.

### **Sansan/Bill One Business**

#### **Q5: What factors contributed to the decline in adjusted segment operating profit margin?**

The main factor was the strengthening of the recruitment of human resources and marketing activities for ongoing high growth in Sansan and Bill One.

Of the adjusted segment operating profit, the margin for Sansan alone was 47.9% (up 9.0 pt. from the same period of the previous year), and profit margin improved in accordance with steady growth in net sales.

**Q6: What factors contributed to the high sales growth rate of Sansan other sales?**

Sansan other sales consist of the service charges provided at the time of the initial installation of Sansan and the fees for use beyond the predetermined range, and this was mainly due to the recovery in net sales related to initial installations of Sansan, which had been sluggish due to the COVID-19 pandemic.

**Q7: What have been the effects of and responses to the Sansan product reform?**

To reform the product from a cloud-based business card contact management service to a service for sales DX, we had worked to augment the functions at two points, namely the corporate database and the contact database and, from June 2022, started using some of the main functions. We are also planning to add more functions from October 2022 onward.

Since it has only been a short while since the product reform, we are not yet at the stage at which we can tell you of its quantitative effects. What we can say is that the reform has been highly rated by user companies, and we are sensing a response that will lead to the realization of steady growth for Sansan going forward.

**Q8: Can you provide some background as to why the definition of the number of Bill One paid subscriptions was reviewed?**

Previously, the number had been counted from the time when the paid subscription was concluded. However, to bring the management method into line with that of Sansan, we reviewed the timing of aggregation to when the use of paid services started. The results of this revision are retroactively reflected in the results disclosed in the past, but if the pre-revision calculation method had been applied, the number of paid subscriptions in this Q1 would have been 1,015.

**Q9: What were the reasons for the high growth rate in monthly recurring sales per Bill One paid subscription?**

Amid the steady progress being made in the acquisition of new paid subscriptions, we were able to obtain subscriptions from medium-sized and large companies for which the sales per subscription levels are relatively high. Additional factors that can be mentioned include the increases in the usage fees in some existing subscriptions.

Previously, we had been disclosing monthly net sales per paid subscription but, from this Q1, have changed to monthly recurring sales per paid subscription to fall into line with the Sansan management method.

**Eight Business**

**Q10: What were the reasons for the significant decrease in net sales in Q1 compared with Q4 of the previous fiscal year?**

In Q4 of the previous fiscal year, we held large-scale business events and sold, for example, planned advertising services, but the decrease is due to the fact that we did not sell these kinds of services in this Q1. These results are in line with the full-year earnings forecasts announced at the beginning of the current fiscal year.

**Q11: What factors contributed to adjusted operating profit going from positive in Q4 of the previous fiscal year to negative?**

In Q4 of the previous fiscal year, sales increased due to the holding of large-scale business events and sales that included planned advertising services, and we posted our first quarterly profit. However, as we did not sell such services in this Q1, net sales have not yet reached a level sufficient to cover our operating expenses.

In the current fiscal year, we are planning to hold large-scale business events in Q2 and Q4, while aiming to return adjusted operating profit to profitability for the full year.

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