

## **Anticipated High-interest Items in Q2 Results for Fiscal Year Ending May 31, 2023**

### **Consolidated Results**

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

In contrast to the Eight Business, which was slightly sluggish, the Sansan/Bill One Business performed solidly. As a result, both net sales and adjusted operating profit are within the range of the full-year earnings forecasts announced at the beginning of the current fiscal year.

#### **Q2: What factors contributed to turn into the black in adjusted operating profit?**

This was mainly due to net sales that grew steadily and to advertising expenses that decreased in Q2 compared with Q1.

In the current fiscal year, we are strengthening our recruitment of human resources and marketing activities to achieve net sales growth over the medium to long term. However, as marketing activities for the current fiscal year are planned to be weighted the heaviest in Q1, the expectation is that we will record further 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 decrease in Q2 cumulative 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 ¥979 million in gain on sale of investment securities was recorded as non-operating profit in the same period of the previous fiscal year.

#### **Q5: At the end of Q1, the number of employees was down compared with the end of the previous quarter. What was the situation at the end of Q2?**

At the end of Q1, the number of employees decreased compared with the end of the previous quarter due to seasonal and other factors. However, the recruitment of human resources is progressing smoothly, and the number of employees at the end of Q2 was 1,253 (an increase of 181 people compared with the end of the same period in the previous fiscal year and of 54 people compared with the end of the previous quarter).

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

**Q6: What was the reason for the net increase in the number of Sansan subscriptions being down in Q2?**

This was because, from the perspective of sales productivity, we are concentrating and allocating Sansan's new sales resources to medium-sized and large companies. As a result, the number of new acquisitions of small clients with less than 99 employees decreased, as did the net increase in the number of contracts and the growth rate. Nevertheless, the growth rate of monthly recurring sales per subscription is accelerating and following the trend we envisioned when formulating our strategy.

**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 the main functions.

We have already received positive feedback from existing users and, since the average churn rate for the last 12 months has improved, believe that we are starting to see a certain effect. In the case of new users, however, we are not yet at the stage at which we can tell you about any quantitative effects, as we are allocating sales resources to medium-sized and large companies, and it will take a certain amount of time to acquire them. We do feel, however, that the responses will lead to the realization of solid growth going forward.

**Q8: What are the factors behind the accelerated growth of Bill One's MRR?**

This is because, as a result of having strengthened the sales structure and marketing activities, the acquisition of new medium- and large-sized companies progressed smoothly, and both the number of paid subscriptions and the monthly recurring sales per paid subscription were strong.

The new order value for the single month of November 2022 reached a record high since service-in, and the current situation remains favorable. In May 2023, we are aiming for ARR of ¥3 billion or more (12 times the MRR in May 2023).

**Eight Business**

**Q9: The net sales growth rate is below the lower limit of the segment's full-year earnings forecasts range. What are the factors behind this?**

Among the B2B services, while business event services continued to grow steadily, the main factor was that the recruiting platform was slightly sluggish compared with the plan.

**Q10: Will you be able to return adjusted operating profit to the black?**

In the current fiscal year, on the assumption of solid growth in net sales, we are aiming to achieve adjusted operating profit for the full year. However, since cumulative Q2 net sales were slightly slower than planned, the rate of progress in returning to profitability is also somewhat slow. While continuing to work on net sales growth, we plan to emphasize the profit management angle by implementing cost controls and other initiatives.

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