

Anticipated High-Interest Items in Q3 Results for Fiscal Year Ending May 31, 2023

Consolidated Results

Q1: With regard to the Q3 cumulative results, what progress have you made against the full-year forecasts?

As a result of the Sansan/Bill One Business having performed solidly, net sales are within the range of the full-year earnings forecasts announced at the beginning of the current fiscal year. In addition, as a result of the steady progress made in adjusted operating profit, the results are already close to the lower end of the full-year earnings forecast range. In Q4, we plan to make various investments to achieve medium-term growth in net sales, and there are no changes to the full-year earnings forecasts announced at the beginning of the fiscal year.

Q2: What was the reason for the significant increase in adjusted operating profit?

This was mainly due to net sales that grew steadily and to advertising expenses that decreased.

Q3: What were the factors that contributed to the large increase in ordinary profit in Q3 (three months)?

This was due to factors such as a reduction in equity in loss of affiliates of ¥254 million compared with the same period of the previous year due to the sale of shares and in accordance with EventHub, Inc. and SATORI, Inc. having been excluded from equity-method affiliates.

Q4: It seems that you have made CREATIVE SURVEY INC. a subsidiary, so could you provide an outline of that company?

CREATIVE SURVEY INC. plans, develops, operates, and sells CREATIVE SURVEY, a questionnaire communication platform that enables one-stop creation and aggregation of web-based questionnaires. Previously, the company had been an equity-method affiliate of the Company. However, having taken into consideration the growth potential of the company's services, collaboration with our services, the synergistic effects, etc., we made CREATIVE SURVEY INC. a Group company in March 2023 with the aim of further improving the value of both our companies.

CREATIVE SURVEY INC.'s performance will contribute to the Company's consolidated business performance from Q4 of the current fiscal year, but we are expecting that its impact on our consolidated performance for the current fiscal year will be minimal.

Sansan/Bill One Business

Q5: What factors were behind Sansan's accelerated quarter-on-quarter growth rate in net sales?

This was mainly because the growth rate of monthly recurring sales per subscription accelerated and recurring sales remained firm as a result of our having strengthened the sales system for medium- and large-sized companies.

The reason why the growth rate of the number of subscriptions remains low when compared with the growth rate of monthly recurring sales per subscription is that the resources for new Sansan sales are concentrated and allocated to medium- and large-sized companies. This is the trend we envisioned when formulating our strategy.

Q6: What factors contributed to the slowdown in the Sansan other sales growth compared with the previous quarter?

This was due to factors such as the recovery of initial costs having come full circle. Sansan other sales include the initial revenue generated when a new system is installed and the revenue charged on a pay-as-you-go basis when the maximum number of subscriptions for data conversion has been exceeded. The amount and timing of the recording of initial revenue varies depending on the scale and type of newly acquired subscriptions, so other net sales tend to fluctuate from quarter to quarter.

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

To reform the product from a business card-based contact management service to a sales DX solution, we had worked to augment the functions to visualize over 1 million corporate information and a variety of contact information such as emails and seminars in addition to business cards, from June 2022, started using the main functions.

Since the implementation of the main functions, the last 12 months average of churn rate and the order situation since Q2 have improved, so we feel that the product reform has had a certain effect. Going forward, we plan to add a function that can accumulate the exchanges of emails themselves as contact points. Working to further strengthen the functions as a sales DX solution will lead to medium-term net sales growth for Sansan.

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 February 2023 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). We would like to aim to double ARR to ¥6 billion or more in the next fiscal year, ending May 2024.

Eight Business

Q9: The net sales growth rate of the Q3 cumulative results 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, cumulative Q3 net sales progressed below the growth rate of the lower end of the forecast range, so the rate of progress toward achieving profitability was also low. Based on the performance so far, from Q4 onwards, we will implement business operations with a greater focus on profitability, for example by emphasizing the profit management perspective and implementing cost controls.

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