

## Anticipated High-interest Items in Q1 Results for Fiscal Year Ending May 31, 2021 (“FY2020”)

### Consolidated Results

#### **Q1: What impact did the spread of the novel coronavirus infectious disease (“COVID-19”) have on Q1 FY2020?**

In Q1 FY2020, we perceived a certain negative impact on the acquisition of new “Sansan” subscriptions, mainly in the Sansan Business. Although on a recovery trend compared with April and May 2020, when the state of emergency had been declared and was still in place, it is expected that, for the time being, the uncertain business environment will continue. It is also assumed that certain negative impacts will continue to occur due to, for example, corporations displaying greater caution in their investment behavior and mindset.

The impact is within the range of the initial forecast, and there is no change in the outlook for the full-year consolidated financial results for the current fiscal year.

#### **Q2: Can you provide any contributory factors for the net sales growth rate, which had exceeded 30% in FY2019, slowing down to 18.3% compared with the same period in the previous year?**

This was mainly due to a certain negative impact on the acquisition of new “Sansan” subscriptions in the Sansan Business, brought about by, for example, the ongoing uncertain business environment due to the effects of COVID-19 and corporations displaying greater caution in their investment behavior and mindset.

To achieve medium- to long-term growth in net sales, in the current fiscal year our policy is to aggressively promote the necessary growth strategies and investments, aiming for consolidated net sales of 30% or more in the next fiscal year, ending May 2022.

#### **Q3: What is the reason for the decreases in profit at each stage below operating profit compared with the same period of the previous fiscal year?**

The main reason for this is that advertising expenses increased by ¥338 million and personnel expenses increased by ¥229 million compared with the same period of the previous fiscal year, but the results for Q1 FY2020 are progressing in line with the initial assumptions.

In the Sansan Business, we produce and broadcast new TV commercials every fiscal year. Whereas in FY2019 these were aired from Q2, in the current fiscal year we aired a new commercial focusing on the “Virtual Cards” function from Q1, so advertising expenses increased compared with the same period of the previous year. In addition, the increase in labor costs is due to the strengthening of personnel recruitment that we have been promoting.

#### **Q4: What is the reason for the increase in advertising expenses compared with the same period in the previous fiscal year?**

In the Sansan Business, we produce and broadcast new TV commercials every fiscal year. Whereas in FY2019 these were aired from Q2, in the current fiscal year we aired a new commercial focusing on the “Virtual Cards” function from Q1, so advertising expenses increased compared with the same period of the previous year. Accordingly, it is not expected at this time that the upward trend will continue every quarter, largely due to the difference in the timing of starting new commercials.

## Sansan Business

### **Q5: Whereas the growth rate of recurring net sales was strong when compared with the same period in the previous fiscal year, what were the factors behind the decrease in other net sales?**

Steady growth in recurring net sales continued since the number of "Sansan" subscriptions has been steadily increasing since Q1 FY2019, and the "Sansan" churn rate has remained at a low level even in the COVID-19 pandemic.

On the other hand, since other net sales mainly consist of the service charges provided at the time of the initial installation of "Sansan," and the number of new subscriptions acquired slowed down due to the impact of COVID-19 infections, income decreased compared with the same period in the previous fiscal year.

### **Q6: Amid the increasing number of "Sansan" subscriptions, what is the reason for the slight increase in net sales compared with Q4 (three-month results) in FY2019?**

Recurring net sales increased 4.5% compared with Q4 FY2019, while (for the reasons described in the answer to Q5 above) other net sales decreased 46.3% due to the impact of COVID-19 infections.

The number of "Sansan" subscriptions increased by 215 compared with the end of Q4 FY2019. However, the initial service charges recorded as other net sales will vary depending on the size of new subscription companies, contract details, expansion status of existing contracts, etc., so they are not completely proportional to the number of contracts.

### **Q7: When broken down into monthly results, is there a recovery trend in the acquisition of new subscriptions and orders?**

Compared with April and May 2020, when the state of emergency had been declared and was still in place, there is a recovery trend in new subscription and lead acquisition status, but we are expecting that the uncertain business environment will continue for the time being.

### **Q8: What was the reason for the growth rate of monthly sales per subscription remaining at the low level of the same quarter in the previous fiscal year?**

Monthly sales per subscription are calculated based on the sales of the entire Sansan Business at the end of the month (August 2020 in this Q1). Other net sales, however, which consist of the service charges provided at the time of the initial installation of "Sansan," were sluggish due to the impact of COVID-19 infections.

If monthly sales per subscription were calculated based on recurring net sales only, the increase was 9.2% compared with the end of the same period in the previous fiscal year.

### **Q9: How many salespeople do you have in the Sansan Business?**

Including Inside Sales and Customer Success, we have 259 salespeople as of August 31, 2020, which increased by 59 compared with the same period of the previous year and by 12 compared with the last quarter.

We plan to conduct a review in an appropriate and flexible manner in accordance with changes in the business environment brought about by the COVID-19 outbreak and other factors. At the present time, however, we plan to hire a total of about 200 people to strengthen the development and sales departments of the Sansan Business in FY2020.

## Eight Business

### **Q10: What was the factor behind the decrease in income compared with Q4 (3-month results) in FY2019?**

In the area of B2B services, this was because some of the planned advertising services that were sold in Q4 FY2019 were not sold in Q1 FY2020, and the content was as expected at the beginning of the quarter.

### **Q11: What was the reason for the growth rate of B2C service sales remaining at the low level of the same quarter in the previous fiscal year?**

Impacted by the spread of COVID-19 infections amid rapid expansion of various work styles, including remote working, the main factor was the implementation of a campaign for the purpose of supporting these behavioral changes. Under the campaign, we are providing premium services (paid services) free of charge for one year to some users.

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