

## **Anticipated High-interest Items in Full-year Results for Fiscal Year Ended May 31, 2020 (“FY2019”)**

### **Impact of Novel Coronavirus (COVID-19) Infections**

#### **Q1: What impact did the spread of the novel coronavirus infectious disease (“COVID-19”) have on FY2019?**

In the Eight Business, the wait-and-see attitude on the holding of several business events had a negative impact on revenue. In the Sansan Business, there was a partial negative impact from April to May 2020, for example on the gaining of new subscriptions and on the recording of initial sales after the gaining of subscriptions (income from bulk business card data digitization generated at the time of initial installation).

In accordance with the cancellation of a large-scale, Sansan-sponsored conference, which had been scheduled in March 2020, and a partial review of our recruitment plans, we recorded extraordinary losses and non-operating expenses.

#### **Q2: What assumptions do you have for the impact from the COVID-19 outbreak on FY2020?**

For the time being, as the uncertain business environment is expected to continue and due to factors such as the more cautious approach in corporate investment behavior and mindsets, the Sansan Business is assuming that this will bring about a certain ongoing negative impact on the gaining of new subscriptions. Furthermore, since it is difficult to hold customer events that had previously been held offline, we are expecting reductions in the number of leads that result in the gaining of new subscriptions and in the number of business negotiations.

In the Eight Business, also for the time being, we are not planning to hold offline business events such as “Meets.” Also, we are anticipating that the slowdown of our personnel recruitment activities due to the worsening outlook for the economic environment will have a negative impact on “Eight Career Design” (our personnel recruitment service).

Although it is difficult to give a reasonable estimate of when things will return to normal following the effects of the COVID-19 outbreak, we are assuming that a certain amount of negative impact will continue at least during the first and second quarters of FY2020.

#### **Q3: How did the number of business cards digitized (number of card exchanges) change due to the impact from the COVID-19 outbreak?**

As changes in work styles—including the exercising of self-restraint in going out, remote working and non-face-to-face sales activities—became more prevalent following the declaration of a state of emergency in April 2020, the number of business cards digitized decreased compared with the same period of the previous year. On the other hand, having in a year-on-year comparison basis bottomed out at -65.1% in the week commencing May11, 2020, and recovered to -13.6% in the week commencing June 26, we consider further significant declines to be unlikely.

In addition, there are two main pricing models, and each involves an annual subscription, but since the fees for one plan are determined by the number of users and IDs, that plan is thus not greatly affected by the number of business card exchanges. Also, in the case of the second plan, the system for determining fees involves the number of business cards converted to data. However, since subscriptions do not fluctuate in accordance with monthly data conversion figures, but rather the annual figures for data conversion—that is to say, subscriptions in which annual usage fees are specified—short-term business card exchanges are not affected.

**Q4: How do you think the medium-term business environment will change due to the COVID-19 outbreak?**

In the short term, corporate capital investment is expected to stagnate due to the worsening economic outlook. In contrast, responding to diverse work styles, including remote working, and the new business environments, such as non-face-to-face meetings and online sales activities, will eventually necessitate modified behavior to drastically improve labor productivity and efficiency. For that reason, we believe that digital transformation efforts may accelerate rapidly throughout society in general.

To benefit from these kinds of market conditions, in FY2020, we would like to change the business environment by expanding the market penetration of the “Virtual Cards” function and developing new services, such as “Bill One” (in the invoice field) and “Contract One” (contract field).

**FY2019 Results**

**Consolidated Results**

**Q5: What is the reason for the net sales growth rate in Q4 (three-month financial results) being faster than Q3?**

The main contributory factor was that growth in net sales in the Eight Business increased significantly compared with +39.6% in Q3 (+80.3% in Q4). In Q4, the B2B service sales growth rate recovered significantly due to the expansion of temporary planning-based advertising services.

**Q6: What were the factors contributing to operating income in Q4 (three-month financial results) being higher than in the other quarters?**

In addition to the favorable growth in net sales, the main contributory factor was a large decrease in advertising costs (-46.8% in Q4) due to the cancelation of a large-scale business conference brought about by the spread of COVID-19 infections.

**Q7: Is there any special reason why the corporate tax burden should seem low?**

As a result of careful consideration of the recoverability of deferred tax assets based on FY2019, future performance trends and other factors, we have decided to book deferred tax assets of ¥145 million for FY2019. As a result, it is expected that the corporate tax adjustment amount (- denotes profit) will be recorded as -¥145 million in FY2019.

**Sansan Business**

**Q8: Any reason for the growth rate of stock sales being higher than segment sales overall?**

As a result of ongoing expansion in the number of “Sansan” subscriptions, there was a steady +29.6% growth in recurring net sales in Q4. In contrast, however, income other than from recurring net sales was sluggish (-1.1% in Q4), as this is mainly based on the bulk business card data digitization service provided at the time of initial installation and was thus impacted by the spread of COVID-19 infections.

**Q9: What were the contributory factors behind the higher operating margin in Q4 (three-month financial results)? How high is it possible for you to go?**

In addition to the favorable growth in net sales, this was due to decreases in various operating expenses from having canceled a large-scale business conference and having reviewed some investment plans due to the effects of the spread of COVID-19 infections.

As net sales growth continues, we expect the operating profit margin to grow too. However, our priority at present is not to focus on the profit margin, but on maintaining the strong net sales growth by necessary investment. Thus, we do not disclose any target profit margin.

**Q10: What were the reasons for the moderate growth in the number of subscriptions compared with the previous quarter?**

This was due to the new sales activities from April through May 2020 having been negatively impacted by the spread of COVID-19 infections. Taking the business environment into consideration, during the period we focused mainly on sales activities designed to expand usage by existing customers.

**Q11: Why did the growth rate for monthly sales per subscription decline significantly compared with the end of the previous quarter?**

As a result of ongoing expansion in the number of “Sansan” subscriptions, there was a steady +29.6% growth in recurring net sales in Q4. In contrast, however, income other than from recurring net sales was sluggish (-1.1% in Q4), as this is mainly based on the bulk business card data digitization service provided at the time of initial installation and was thus impacted by the spread of COVID-19 infections.

If monthly sales per subscription were calculated solely on recurring net sales, the growth rate would be 10.9% compared with the same period of the previous year.

**Q12: How many salespeople do you have in the Sansan Business?**

Including Inside Sales and Customer Success, we have 247 salespeople as of May 31, 2020, which increased by 71 compared with the same period of the previous year and by 28 compared with the last quarter.

## **Eight Business**

**Q13: What is the reason for the net sales growth rate in Q4 (three-month financial results) being faster than Q3?**

This was mainly due to a significant recovery in the B2B service sales growth rate during Q4, brought about by the expansion in temporary planning-based advertising services. Also, “Meets” business events were held on four occasions in the fourth quarter, against twice in Q3.

**Q14: What were the factors that led to the B2C service sales growth rate in Q4 (three-month financial results) dropping compared with previous results?**

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 users utilizing “Eight” to exchange business cards online for a specific use.

Implemented in May 2020, we will also be implementing this campaign from June to July 2020. However, the short-term decline in the B2C service sales growth rate caused by this is within the expected range, and the impact on consolidated business performance minimal.

## **FY2020 Forecasts**

**Q15: What factors are you expecting will cause the net sales growth rate to decline significantly year on year?**

As Q2 above, for the time being, as the uncertain business environment is expected to continue and due to factors such as the more cautious approach in corporate investment behavior and mindsets, the Sansan Business is assuming that this will bring about a certain ongoing negative impact on the gaining of new subscriptions. Furthermore, since it is difficult to hold customer events that had previously been held offline, we are expecting reductions in the number of leads that result in the gaining of new subscriptions and in the number of business negotiations.

In the Eight Business, also for the time being, we are not planning to hold offline business events such as “Meets.” Also, we are anticipating that the slowdown of our personnel recruitment activities due to the worsening outlook for the economic environment will have a negative impact on “Eight Career Design” (our personnel recruitment service).

In addition, consolidated monthly net sales (see Note) in June 2020 were +18.1% compared with the same month of the previous year due to the abovementioned effects.

(Note) Management accounting results (unaudited)

**Q16: Is it not possible to expect that growth in operating profit will exceed the net sales growth rate?**

As net sales growth continues, we expect the operating profit margin to grow too. However, our priority at present is not to focus on the profit margin, but on maintaining the strong net sales growth by necessary investment.

We are aiming for net sales growth of 30% or more in FY2021 by actively promoting strategies to realize growth in the medium to long term and the investments to do so in FY2020.

**Q17: What is your plan for hiring?**

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.

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