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MEMBERSHIP

July 14, 2020

Financial Results for FY2019 Q4

Company name: Sansan, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date of ordinary general meeting of shareholders: August 26, 2020
 Scheduled date to commence dividend payment: –
 Scheduled date to file annual securities report: August 27, 2020
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended May 31, 2020 (from June 1, 2019 to May 31, 2020)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2020	13,362	30.9	757	–	435	–	339	–
May 31, 2019	10,206	39.3	(849)	–	(891)	–	(945)	–

Note: Comprehensive income For the fiscal year ended May 31, 2020: ¥331 million [–%]
 For the fiscal year ended May 31, 2019: ¥(950) million [–%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
May 31, 2020	10.98	10.86	4.9	2.7	5.7
May 31, 2019	(40.42)	–	(40.5)	(12.4)	(8.3)

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended May 31, 2020: ¥(51) million
 For the fiscal year ended May 31, 2019: ¥– million

- Notes: 1. The Company conducted a stock split of common share at a ratio of 10,000-for-1 on June 15, 2018. Basic earnings per share is calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.
2. Diluted earnings per share for the fiscal year ended May 31, 2019 is not stated because, although potential shares exist, basic loss per share was recorded.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
May 31, 2020	22,819	10,552	46.2	338.89
May 31, 2019	9,079	3,372	37.0	114.60

Reference: Equity

As of May 31, 2020: ¥10,541 million

As of May 31, 2019: ¥3,362 million

Note: The Company conducted a stock split of common share at a ratio of 10,000-for-1 on June 15, 2018. Net assets per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
May 31, 2020	2,822	(7,189)	11,563	12,663
May 31, 2019	1,072	(2,282)	3,132	5,468

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended May 31, 2019	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended May 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending May 31, 2021 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2021 (from June 1, 2020 to May 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending May 31, 2021	15,767 to 16,302	18.0 to 22.0	757 to 1,010	0.0 to 33.4	–	–	–	–	–

Note: Although the Company is expecting to record a surplus in ordinary profit and profit attributable to owners of parent, it is difficult to make a precise forecast. Accordingly, the Company will refrain from disclosing a concrete forecast at this point in time. For details, please refer to “(4) Future outlook” under “1. Qualitative information on consolidated financial results for the fiscal year ended May 31, 2020” on page 5 of the attached materials.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None

(3) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2020	31,138,853 shares
As of May 31, 2019	29,432,353 shares

- b. Number of treasury shares at the end of the period

As of May 31, 2020	–
As of May 31, 2019	–

- c. Average number of shares outstanding during the period

Fiscal year ended May 31, 2020	30,928,528 shares
Fiscal year ended May 31, 2019	23,394,286 shares

Note: The Company conducted a stock split of common share at a ratio of 10,000-for-1 on June 15, 2018. “Total number of issued shares at the end of the period,” “Number of treasury shares at the end of the period,” and “Average number of shares outstanding during the period” are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended May 31, 2020 (from June 1, 2019 to May 31, 2020)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
May 31, 2020	13,358	31.0	758	–	484	–	388	–
May 31, 2019	10,200	39.4	(848)	–	(893)	–	(947)	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 31, 2020	12.56	12.42
May 31, 2019	(40.48)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
May 31, 2020	22,881	10,612	46.3	340.82
May 31, 2019	9,082	3,376	37.1	114.71

Reference: Equity

As of May 31, 2020: ¥10,602 million

As of May 31, 2019: ¥3,365 million

- Notes: 1. The Company conducted a stock split of common share at a ratio of 10,000-for-1 on June 15, 2018. Net assets per share and basic earnings per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.
2. Diluted earnings per share for the fiscal year ended May 31, 2019 are not described here because, although there are potentially dilutive shares, basic loss per share was recorded.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the consolidated forecasts due to various factors.

Attached Material

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1. Qualitative information on consolidated financial results for the fiscal year ended May 31, 2020

(1) Explanation of operating results

Under the mission of “Turning encounters into innovation,” the Group is developing services tied to solving various issues that companies and business people face, such as business card management, by using new approaches that combine “technology and data-input-based business card digitization systems” with “cloud software.”

In the fiscal year ended May 31, 2020, the Company engaged in initiatives, such as strengthening the sales structure through strategic hiring, aimed at realizing continuous growth of net sales and expanding its optional functions usable within “Sansan,” a cloud-based business card management service. Some negative effects arose in the fourth quarter under review due to the impact of the spread of a novel coronavirus (COVID-19), which included impacts on the number of new subscriptions acquired for the Sansan Business, and the holding of business events in the Eight Business. Moreover, we recorded extraordinary losses and non-operating expenses associated with the cancellation of a large-scale conference sponsored by the Company that was to be held in March 2020, a partial review of recruitment plans and other factors.

As a result, net sales totaled ¥13,362,370 thousand (up 30.9% year on year), gross profit totaled ¥11,541,051 thousand (up 34.1% year on year), and gross profit margin was 86.4% (up 2.1 points year on year) in the fiscal year under review. Although currently still in a phase of implementing aggressive investment aimed at maximizing shareholder value and corporate value over the medium to long term, the steady growth in net sales allowed us to move into the black with operating profit of ¥757,266 thousand (compared with operating loss of ¥849,739 thousand in the previous fiscal year). Ordinary profit totaled ¥435,444 thousand (compared to ordinary loss of ¥891,689 thousand in the previous fiscal year), due to the recording of loss on cancellation of rental contracts of a portion of office, occurring in the fourth quarter under review, of ¥187,784 thousand in non-operating expenses. In addition, profit attributable to owners of parent totaled ¥339,670 thousand (compared to loss attributable to owners of parent of ¥945,539 thousand in the previous fiscal year).

Results by segment are as follows.

Our services of each business and our business models are described on the following IR section of the Company’s website. Please refer to the URL below for details.

IR section (description of Business Information):

<https://ir.corp-sansan.com/en/ir/management/businessinformation.html>

(i) Sansan Business

The Company is developing services in the B2B business card management service market. As the Company has grown, this market has seen 18-fold expansion from 2010 to 2018. The Sansan Business, operated by the Company, holds an 82.8% share (Note 1.) in this market. Moreover, further expansion of the size of this market is continuing, which is mainly a result of recent changes to employee working styles like remote work due to the spread of COVID-19, new ways of thinking toward digital transformation, and greater attention being attracted to the SaaS (Software as a Service) products. As for the digital transformation market, its worth in 2021 is forecasted to be ¥1,435.7 billion (an increase of ¥870.4 billion since 2017) (Note 2.), while the SaaS market in Japan is forecasted to reach ¥817.4 billion by 2023 (an increase of ¥337.6 billion since 2018) (Note 3.).

For the fiscal year under review, the Company continued to engage in initiatives, such as strengthening the sales structure through strategic hiring and expanding its optional functions, aimed at further increasing the number of subscriptions and the monthly sales per subscription for “Sansan.” As a result, in addition to progress in the use of our services by major manufacturers and government agencies, the Company has also steadily acquired new subscriptions among medium to small enterprises due to a revision of pricing strategy. At the end of the fiscal year under review, the

number of “Sansan” subscriptions totaled 6,754, up 16.0% year on year. On the other hand, monthly sales per subscription rose only slightly to ¥161 thousand, up 3.2% year on year due to decreases in some sales regarding new contracts in May 2020 as a result of the spread of COVID-19. Furthermore, as a result of carrying out ongoing initiatives to expand use among existing customers to achieve a stronger customer foundation, the last 12 months average of monthly churn rate (Note 4.) was 0.60%, an improvement of 0.08 points year on year.

As a result, net sales for the fiscal year under review totaled ¥12,284,335 thousand (up 27.4% year on year), of which recurring net sales (fixed revenue) in “Sansan” totaled ¥11,169,485 thousand (up 30.0% year on year). Segment profit totaled ¥4,794,017 thousand (up 64.8% year on year).

In “Sansan,” against a backdrop of remote working and working styles that use the internet rapidly expanding, the Company has started to provide “Virtual Cards” function from June 16, 2020. By using the function, “Sansan” users will be able to easily send their business card information using the internet. As backed by the report by the government advisory body set up to examine COVID-19, and the conclusions of various industry groups, there is a rising social need for the exchange of business cards online as a new working styles necessary for the long-term prevention of the spread of COVID-19. Therefore, by meeting this need through the function, we will further raise the service value.

- Notes: 1. Based on “Contact Management Service Market and SFA/CRM Businesses 2020” by Seed Planning, Inc.
2. Based on “2018 Outlook of the Digital Transformation Market” by Fuji Chimera Research Institute
3. Based on “2019 New Software Business Markets” by Fuji Chimera Research Institute
4. Average monthly churn rate over the past 12 months, which is the ratio of decrease in monthly fees associated with contract cancellations to total monthly fees from existing contracts (results of the same period of the previous year also changed in line with the revision of a portion of calculation method)

(ii) Eight Business

In the Eight Business, the Company bases the business on the application that enables users to use the profile management and business card management features at no cost. On top of this, the Company provides the B2C services, “Eight Premium,” for individuals who want access to extra user functions and the B2B services such as “Eight Company Premium,” a service that allows the sharing of business cards registered on “Eight” within a company, “Eight Ads,” a service that enables advertisements to be disseminated to “Eight” users, “Meets,” a business event that increases productivity by efficiently matching buyers and sellers, and “Eight Career Design,” a recruitment related service that enables hiring companies (corporate client users) to approach job seekers (individual users) on the job search platform.

In the fiscal under review, the Company worked on strengthening monetization of the B2B service through “Eight Company Premium” and other methods. As a result, the number of “Eight Company Premium” subscriptions at the end of the fiscal year under review totaled 1,535, an increase of 85.4% year on year and the number of “Eight” users (Note 5.) totaled 2.70 million, an increase of 0.26 million year on year. During the fourth quarter under review, the holding of some business events such as “Meets” were canceled due to the impact of the spread of COVID-19.

As a result, net sales for the fiscal year under review totaled ¥1,078,035 thousand (up 90.3% year on year), of which net sales from B2C services totaled ¥289,286 thousand (up 21.7% year on year), and net sales from B2B services totaled ¥788,748 thousand (up 139.8% year on year). Segment loss was recorded at ¥894,281 thousand (compared to ¥1,212,980 thousand in the previous fiscal year) due to being in the phase in which upfront investments were being made to increase future profitability.

Note: 5. Number of confirmed users who registered their business card to their profile after downloading the application

(2) Review of financial position

Assets

Total assets at the end of the fiscal year under review were ¥22,819,768 thousand, up ¥13,740,651 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥7,188,190 thousand in cash and deposits from issuing new shares in association with the listing of the Company's common shares on the Tokyo Stock Exchange Mothers in June 2019, and an increase of ¥5,847,795 thousand in investment securities as a result of the acquisition of shares of WingArc1st Inc. (hereinafter "WingArc1st").

Liabilities

Total liabilities at the end of the fiscal year under review were ¥12,267,147 thousand, up ¥6,560,995 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥3,658,884 thousand in long-term borrowings as a result of borrowing money to procure investment capital for WingArc1st, an increase of ¥1,134,356 thousand in current portion of long-term borrowings and an increase of ¥1,366,645 thousand in advances received from receiving a lump-sum payment of contract term fees from customers.

Net assets

Net assets at the end of the fiscal year under review were ¥10,552,621 thousand, up ¥7,179,656 thousand from the end of the previous fiscal year. This was primarily due to increases of ¥3,424,149 thousand in each of share capital and capital surplus from issuing new shares in association with the listing of the Company's common shares on the Tokyo Stock Exchange Mothers in June 2019, and an increase of ¥339,670 thousand in retained earnings due to recording of profit attributable to owners of parent. In addition, the Company reduced capital surplus by ¥947,106 thousand and transferred that amount to retained earnings in order to eliminate cumulative loss early and achieve future flexible and dynamic capital policy based on the resolution at the meeting of the Board of Directors that took place on July 30, 2019.

(3) Overview of cash flows

Cash and cash equivalents (hereinafter "capital") for the fiscal year ended May 31, 2020 totaled ¥12,663,445 thousand, an increase of ¥7,194,950 thousand compared to the previous fiscal year (up 131.6% year on year). This increase includes the effect of ¥1,279 thousand due to exchange fluctuations on capital.

The respective cash flow positions and the factors thereof in the fiscal year under review are as follows.

Cash flows from operating activities

The amount of capital provided by operating activities totaled ¥2,822,265 thousand (up 163.1% year on year). The main reasons for this increase in capital were recognition of profit before income taxes of ¥335,074 thousand, recognition of depreciation, non-cash expense, of ¥615,862 thousand, and loss on cancellation of rental contracts of ¥187,784 thousand, as well as an increase of ¥1,366,665 thousand in advances received, and the main factors for the decrease in capital were an increase in trade receivables of ¥118,352 thousand and a decrease in accounts payable - other of ¥108,523 thousand.

Cash flows from investing activities

The amount of capital used in investing activities totaled ¥7,189,107 thousand (¥2,282,733 thousand used in the previous fiscal year). This was primarily due to purchase of investment securities including the acquisition of shares, etc. of WingArc1st of ¥5,901,328 thousand, purchase of property, plant and equipment of ¥260,527 thousand and purchase of intangible assets of ¥535,874 thousand.

Cash flows from financing activities

The amount of capital provided by financing activities totaled ¥11,563,071 thousand (up 269.2% year on year). This was primarily due to ¥6,820,196 thousand in proceeds from issuance of shares in association with the listing of the Company's common shares on the Tokyo Stock Exchange Mothers, and ¥5,460,545 thousand in proceeds from long-term borrowings including capital to acquire shares of WingArc1st.

(4) Future outlook

In the fiscal year ending May 31, 2021, the Company is expecting to see net sales between ¥15,767 million and ¥16,302 million (up 18.0% to 22.0% year on year) and operating profit between ¥757 million and ¥1,010 million (up 0.0% to 33.4% year on year).

In addition to expecting that this uncertain business environment caused by the impact of COVID-19 will continue, we are disclosing our forecasts in range as we plan to dynamically and flexibly make various investments to reaccelerate net sales growth in the medium to long term in response to the business environment, investment opportunities and the progress of new businesses.

Although the Company is expecting to record a surplus in ordinary profit and profit attributable to owners of parent in the fiscal year ending May 31, 2021, during this current phase in which active investments are being made with the aim of maximizing both its shareholder and corporate value over the medium to long term, it is difficult to make a reasonable forecast regarding parts of non-operating income and expenses. Accordingly, the Company will refrain from disclosing a concrete forecast at this point in time.

We are expecting COVID-19 to have a certain amount of negative impact on financial results for the first and second quarters of the fiscal year ending May 31, 2021, but the upper limit of the range assumes that this negative impact will not occur in the second quarter for the most part, and the lower limit assumes that this impact will continue until the end of the fiscal year ending May 31, 2021. In the Sansan Business, we are factoring in a weakening of the acquisition of new subscriptions to a certain extent, and we expect steady improvements as the overall economy continues to recover throughout the period. In the Eight Business, we have prepared forecasts on the assumption that business events will not be able to be held offline for the time being.

Consolidated monthly sales in June 2020 (Note 6.) has increased 18.1% year on year.

Specifically, we are planning to further strengthen existing businesses, such as by expanding the dissemination of "Virtual Cards" function, create new businesses and strengthen other types of solution services as various investment opportunities to reaccelerate net sales growth in the medium to long term.

We are aiming for net sales growth of 30% or more in the fiscal year ending May 31, 2022 by actively promoting strategies to realize growth in the medium to long term and the investments to do so in the fiscal year ending May 31, 2021.

Note: 6. Result under management accounting

2. Basic concept regarding selection of accounting standards

In consideration of comparability with other companies in Japan, the Group applies Japanese accounting standard.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of May 31, 2019	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	5,627,035	12,815,225
Accounts receivable - trade	318,354	441,060
Prepaid expenses	322,660	410,582
Consumption taxes receivable	266	338
Other	32,996	176,606
Allowance for doubtful accounts	(2,704)	(3,621)
Total current assets	6,298,608	13,840,192
Non-current assets		
Property, plant and equipment		
Buildings and structures	502,742	653,544
Accumulated depreciation	(164,952)	(302,127)
Buildings and structures, net	337,789	351,416
Other	158,434	186,405
Accumulated depreciation	(89,299)	(123,354)
Other, net	69,134	63,051
Total property, plant and equipment	406,924	414,467
Intangible assets		
Software	834,737	925,803
Other	390	261
Total intangible assets	835,127	926,064
Investments and other assets		
Investment securities	1,093,800	6,941,596
Leasehold deposits	439,537	549,412
Deferred tax assets	-	145,185
Other	5,118	2,850
Total investments and other assets	1,538,455	7,639,043
Total non-current assets	2,780,508	8,979,576
Total assets	9,079,116	22,819,768

(Thousands of yen)

	As of May 31, 2019	As of May 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	96,169	102,922
Short-term borrowings	18,000	20,000
Current portion of long-term borrowings	133,134	1,267,490
Accounts payable - other	770,424	596,265
Income taxes payable	41,283	225,471
Accrued consumption taxes	184,745	429,584
Advances received	3,923,177	5,289,822
Provision for bonuses	199,010	289,551
Provision for loss on closure of business locations	6,960	–
Other	55,868	114,449
Total current liabilities	5,428,772	8,335,558
Non-current liabilities		
Long-term borrowings	233,714	3,892,598
Other	43,664	38,990
Total non-current liabilities	277,378	3,931,588
Total liabilities	5,706,151	12,267,147
Net assets		
Shareholders' equity		
Share capital	2,812,501	6,236,650
Capital surplus	1,500,000	3,977,043
Retained earnings	(942,592)	344,184
Total shareholders' equity	3,369,909	10,557,879
Accumulated other comprehensive income		
Foreign currency translation adjustment	(7,607)	(15,921)
Total accumulated other comprehensive income	(7,607)	(15,921)
Share acquisition rights	10,663	10,663
Total net assets	3,372,965	10,552,621
Total liabilities and net assets	9,079,116	22,819,768

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Net sales	10,206,014	13,362,370
Cost of sales	1,597,573	1,821,319
Gross profit	8,608,441	11,541,051
Selling, general and administrative expenses	9,458,181	10,783,785
Operating profit (loss)	(849,739)	757,266
Non-operating income		
Interest income	2,079	1,989
Foreign exchange gains	1,492	-
Subsidy income	475	2,198
Cancellation penalty income	10,343	3,007
Other	1,679	1,030
Total non-operating income	16,069	8,226
Non-operating expenses		
Interest expenses	4,766	18,681
Foreign exchange losses	-	1,012
Loss on cancellation of leases	8,836	-
Share issuance costs	10,530	28,102
Stock market listing expenses	8,886	15,410
Loss on cancellation of rental contracts	16,130	187,784
Provision for loss on closure of business locations	6,960	-
Commission expenses	-	19,458
Loss on investments in investment partnerships	-	2,285
Share of loss of entities accounted for using equity method	-	51,247
Other	1,910	6,064
Total non-operating expenses	58,019	330,047
Ordinary profit (loss)	(891,689)	435,444
Extraordinary income		
Gain on reversal of share acquisition rights	4,725	-
Total extraordinary income	4,725	-
Extraordinary losses		
Loss on retirement of non-current assets	16,387	8,428
Impairment loss	34,250	37,854
Loss on cancellation of events	-	54,087
Total extraordinary losses	50,637	100,370
Profit (loss) before income taxes	(937,602)	335,074
Income taxes - current	7,937	140,588
Income taxes - deferred	-	(145,185)
Total income taxes	7,937	(4,596)
Profit (loss)	(945,539)	339,670
Profit (loss) attributable to owners of parent	(945,539)	339,670

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Profit (loss)	(945,539)	339,670
Other comprehensive income		
Foreign currency translation adjustment	(4,682)	(8,313)
Total other comprehensive income	(4,682)	(8,313)
Comprehensive income	(950,221)	331,357
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(950,221)	331,357

(3) Consolidated statement of changes in equity

Fiscal year ended May 31, 2019

(Thousands of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	3,164,128	1,443,034	(3,291,714)	1,315,448
Changes during period				
Issuance of new shares	1,500,000	1,500,000	–	3,000,000
Deficit disposition	(1,851,627)	(1,443,034)	3,294,661	–
Profit attributable to owners of parent	–	–	(945,539)	(945,539)
Net changes in items other than shareholders' equity	–	–	–	–
Total changes during period	(351,627)	56,965	2,349,122	2,054,460
Balance at end of period	2,812,501	1,500,000	(942,592)	3,369,909

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(2,925)	(2,925)	–	1,312,523
Changes during period				
Issuance of new shares	–	–	–	3,000,000
Deficit disposition	–	–	–	–
Profit attributable to owners of parent	–	–	–	(945,539)
Net changes in items other than shareholders' equity	(4,682)	(4,682)	10,663	5,981
Total changes during period	(4,682)	(4,682)	10,663	2,060,441
Balance at end of period	(7,607)	(7,607)	10,663	3,372,965

Fiscal year ended May 31, 2020

(Thousands of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	2,812,501	1,500,000	(942,592)	3,369,909
Changes during period				
Issuance of new shares	3,424,149	3,424,149	–	6,848,298
Deficit disposition	–	(947,106)	947,106	–
Profit attributable to owners of parent	–	–	339,670	339,670
Net changes in items other than shareholders' equity	–	–	–	–
Total changes during period	3,424,149	2,477,043	1,286,777	7,187,969
Balance at end of period	6,236,650	3,977,043	344,184	10,557,879

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(7,607)	(7,607)	10,663	3,372,965
Changes during period				
Issuance of new shares	–	–	–	6,848,298
Deficit disposition	–	–	–	–
Profit attributable to owners of parent	–	–	–	339,670
Net changes in items other than shareholders' equity	(8,313)	(8,313)	–	(8,313)
Total changes during period	(8,313)	(8,313)	–	7,179,656
Balance at end of period	(15,921)	(15,921)	10,663	10,552,621

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	(937,602)	335,074
Depreciation	459,657	615,862
Impairment loss	34,250	37,854
Increase (decrease) in provision for loss on closure of business locations	6,960	(6,960)
Share issuance costs	10,530	28,102
Loss on retirement of non-current assets	16,387	8,428
Loss on cancellation of rental contracts	16,130	187,784
Increase (decrease) in allowance for doubtful accounts	(1,812)	916
Increase (decrease) in provision for bonuses	65,605	90,587
Interest and dividend income	(2,079)	(1,989)
Interest expenses	4,766	18,681
Gain on reversal of share acquisition rights	(4,725)	–
Commission expenses	–	19,454
Loss (gain) on investments in investment partnerships	–	2,285
Share of loss (profit) of entities accounted for using equity method	–	51,247
Decrease (increase) in trade receivables	(111,289)	(118,352)
Decrease (increase) in prepaid expenses	(67,067)	(84,692)
Decrease (increase) in consumption taxes refund receivable	83,137	(88)
Decrease (increase) in other assets	49,929	6,356
Increase (decrease) in trade payables	36,285	6,753
Increase (decrease) in accounts payable - other	50,277	(108,523)
Increase (decrease) in advances received	1,125,161	1,366,665
Increase (decrease) in accrued consumption taxes	184,745	246,512
Increase (decrease) in other liabilities	24,351	102,380
Other, net	39,993	43,387
Subtotal	1,083,592	2,847,728
Interest and dividends received	1,297	2,216
Interest paid	(4,822)	(19,721)
Income taxes paid	(7,258)	(7,957)
Net cash provided by (used in) operating activities	1,072,808	2,822,265
Cash flows from investing activities		
Net decrease (increase) in time deposits	(163,176)	–
Purchase of property, plant and equipment	(316,310)	(260,527)
Purchase of intangible assets	(574,297)	(535,874)
Purchase of investment securities	(1,093,800)	(5,901,328)
Payments of leasehold deposits	(226,962)	(507,635)
Other, net	91,813	16,259
Net cash provided by (used in) investing activities	(2,282,733)	(7,189,107)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,500	2,000
Proceeds from long-term borrowings	290,000	5,460,545
Repayments of long-term borrowings	(145,392)	(686,760)
Proceeds from issuance of shares	2,989,470	6,820,196
Proceeds from issuance of share acquisition rights	15,388	–
Other, net	(21,662)	(32,910)
Net cash provided by (used in) financing activities	3,132,304	11,563,071

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Effect of exchange rate change on cash and cash equivalents	96	(1,279)
Net increase (decrease) in cash and cash equivalents	1,922,476	7,194,950
Cash and cash equivalents at beginning of period	3,546,018	5,468,495
Cash and cash equivalents at end of period	5,468,495	12,663,445

(5) Notes to consolidated financial statements

Notes on premise of going concern

Not applicable.

Additional information

Accounting estimates associated with the spread of COVID-19

Regarding the impact of COVID-19, it is difficult to accurately estimate how it will spread in the future, when it will end, etc. However, in the fiscal year under review, based on the assumption that the economic impact of the spread of COVID-19 will continue until the end of the fiscal year ending May 31, 2021, accounting estimates, such as the recoverability of deferred tax assets, were made.

Segment information

a. Segment information

1. Description of reportable segments

The reportable segments used by the Group are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors, in particular, to make decisions about resources to be allocated to the segments and assess their performance.

In the operation of its business activities, the Group has established business divisions and companies to engage in specific services, and it formulates comprehensive strategies for the services that each business division and company provides.

Accordingly, the Group's operations are made up of segments engaged in specific services under the basic operating structures of business divisions or companies, and it has two reportable segments of the "Sansan Business" and the "Eight Business."

Descriptions of the services belonging to each segment are stated below.

Reportable segment	Description of services in segment
Sansan Business	Provision of "Sansan," a B2B cloud-based business card management service
Eight Business	Provision of "Eight," a business card management app

2. Methods of calculating the amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting method used for operating segments reported is the same as the description in "Matters forming the basis of preparing the consolidated financial statements."

The profit stated for the reportable segments is a figure based on operating profit.

3. Information on the amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment

Fiscal year ended May 31, 2019

(Thousands of yen)

	Reportable segments			Adjustment (Note) 1	Amount in the consolidated financial statement (Note) 2
	Sansan Business	Eight Business	Total		
Net sales					
Sales to external customers	9,639,479	566,535	10,206,014	–	10,206,014
Intersegment sales or transfers	–	–	–	–	–
Total	9,639,479	566,535	10,206,014	–	10,206,014
Segment profit (loss)	2,909,507	(1,212,980)	1,696,526	(2,546,266)	(849,739)
Other items					
Depreciation	282,509	43,413	325,923	133,734	459,657

- Notes: 1. The adjustments stated for segment profit (loss) and depreciation are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses.
2. Segment profit (loss) is adjusted with operating loss in the consolidated statement of income.
3. Segment assets and liabilities have not been shown, as information relating to assets and liabilities are not regularly provided to the chief operating decision maker and are not subject to the assessment of performance.

Fiscal year ended May 31, 2020

(Thousands of yen)

	Reportable segments			Adjustment (Note) 1	Amount in the consolidated financial statement (Note) 2
	Sansan Business	Eight Business	Total		
Net sales					
Sales to external customers	12,284,335	1,078,035	13,362,370	–	13,362,370
Intersegment sales or transfers	–	–	–	–	–
Total	12,284,335	1,078,035	13,362,370	–	13,362,370
Segment profit (loss)	4,794,017	(894,281)	3,899,736	(3,142,469)	757,266
Other items					
Depreciation	319,930	12,085	332,016	283,845	615,862

- Notes: 1. The adjustments stated for segment profit (loss) and depreciation are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses.
2. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.
3. Segment assets and liabilities have not been shown, as information relating to assets and liabilities are not regularly provided to the chief operating decision maker and are not subject to the assessment of performance.

b. Information associated with reportable segments

1. Information for each product or service

This information is omitted because the same information has been presented in Segment information.

2. Information for each region

(1) Net sales

This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information for each of main customers

This has been omitted because there is no external customer that accounts for 10% or more of net sales recorded on the consolidated statement of income.

c. Disclosure of impairment loss on non-current assets for each reportable segment

Fiscal year ended May 31, 2019

Impairment losses of ¥13,157 thousand for the Sansan Business, and ¥21,092 thousand for corporate expenses not belonging to any reportable segment were recorded.

Fiscal year ended May 31, 2020

Impairment losses of ¥6,387 thousand for the Sansan Business, ¥9,648 thousand for the Eight Business, and ¥21,818 thousand for corporate expenses not belonging to any reportable segment were recorded.

d. Amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

e. Information about gain on bargain purchase for each reportable segment

Not applicable.

Per share information

(Yen)

	Fiscal year ended May 31, 2019 (from June 1, 2018 to May 31, 2019)	Fiscal year ended May 31, 2020 (from June 1, 2019 to May 31, 2020)
Net assets per share	114.60	338.89
Basic earnings (loss) per share	(40.42)	10.98
Diluted earnings per share	–	10.86

- Notes: 1. The Company conducted a stock split at 10,000-for-1 on June 15, 2018 based on resolution at the meeting of the Board of Directors held on May 29, 2018. Net assets per share and basic loss per share are calculated on the assumption that the stock split had been made at the beginning of the previous fiscal year.
2. Diluted earnings per share for the previous fiscal year is not stated because, although a balance of share acquisition rights existed, the Company's shares were unlisted as of the end of the previous fiscal year and it is therefore not possible to ascertain an average share price for that fiscal year, and also because a basic loss per share was recorded.
3. Basis for calculation of basic loss per share is as follows:

	Fiscal year ended May 31, 2019 (from June 1, 2018 to May 31, 2019)	Fiscal year ended May 31, 2020 (from June 1, 2019 to May 31, 2020)
Profit (loss) attributable to owners of parent (Thousands of yen)	(945,539)	339,670
Amounts not attributable to common shareholders (Thousands of yen)	–	–
[Of which preferred dividends (Thousands of yen)]	–	–
Profit (loss) attributable to owners of parent related to common shares (Thousands of yen)	(945,539)	339,670
Average number of common shares outstanding during the period (Shares)	23,394,286	30,928,528
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects	1st Share Acquisition Rights Number of share acquisition rights: 8 units (Common shares: 80,000 shares) 2nd Share Acquisition Rights Number of share acquisition rights: 45,000 units (Common shares: 45,000 shares) 3rd Share Acquisition Rights Number of share acquisition rights: 326,100 units (Common shares: 326,100 shares) 4th Share Acquisition Rights Number of share acquisition rights: 534,611 units (Common shares: 534,611 shares)	–

Significant events after reporting period

Issuance of share acquisition rights (compensatory stock options)

At the meeting of the Board of Directors held on July 14, 2020, the Company resolved to issue the 5th Share Acquisition Rights to Directors and Executive Officers of the Company in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

5th Share Acquisition Rights

Number of share acquisition rights	306 units
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 30,600 shares (100 shares per one share acquisition right)
Issuance price of share acquisition rights	¥71,500 per one share acquisition right
Exercise price of share acquisition rights	¥535,000 per one share acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	Issuance price: ¥5,350 per one share Additional paid-in capital: ¥2,675 per one share
Allotment date of share acquisition rights	August 26, 2020
Persons subject to allotment of share acquisition rights	6 Directors of the Company 12 Executive Officers of the Company
Exercise period of share acquisition rights	From September 1, 2021 to August 30, 2030
Exercise conditions of share acquisition rights	*

- * 1. The person to whom the share acquisition rights are allotted (the “share acquisition rights holder”) may exercise his or her share acquisition rights only if the amount of net sales in the Company’s consolidated statement of income for the fiscal year ending May 31, 2021 has exceeded ¥16,034 million.
2. The share acquisition rights holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
3. In the event the share acquisition rights holder dies, inheritance shall not be recognized.
4. Pledging of share acquisition rights, or the creation of security interests shall not be permitted.
5. The share acquisition rights may not be exercised if, in so doing, the total number of the Company’s issued shares at that time would exceed the total number of authorized shares.
6. It shall not be possible to exercise fractions less than one unit of the share acquisition rights.