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MEMBERSHIP

July 14, 2021

Financial Results for FY2020 Q4

Company name: Sansan, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date of annual general meeting of shareholders: August 31, 2021
 Scheduled date to commence dividend payment: -
 Scheduled date to file annual securities report: August 31, 2021
 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, 2021 (from June 1, 2020 to May 31, 2021)

(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, 2021	16,184	21.1	736	(2.7)	375	(13.9)	182	(46.2)
May 31, 2020	13,362	30.9	757	-	435	-	339	-

Note: Comprehensive income For the fiscal year ended May 31, 2021: ¥1,820 million [449.3%]
 For the fiscal year ended May 31, 2020: ¥331 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, 2021	5.86	5.78	1.6	1.6	4.6
May 31, 2020	10.98	10.86	4.9	2.7	5.7

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended May 31, 2021: ¥(285) million
 For the fiscal year ended May 31, 2020: ¥(51) million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
May 31, 2021	24,310	12,584	51.5	403.57
May 31, 2020	22,819	10,552	46.2	338.89

Reference: Equity
 As of May 31, 2021: ¥12,516 million
 As of May 31, 2020: ¥10,541 million

(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, 2021	3,011	(551)	(2,902)	12,223
May 31, 2020	2,822	(7,189)	11,563	12,663

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, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended May 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending May 31, 2022 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2022 (from June 1, 2021 to May 31, 2022)

(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, 2022	20,230 to 20,716	25.0 to 28.0	450 to 800	(38.9) to 8.6	–	–	–	–	–

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, 2021” 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: Yes
 - Restatement: None

Note: For details, please refer to the section of “Changes in accounting estimates” of “(5) Notes to consolidated financial statements” under “3. Consolidated financial statements and significant notes thereto” on page 15 of the attached materials.

- (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, 2021	31,183,645 shares
As of May 31, 2020	31,138,853 shares

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

As of May 31, 2021	40 shares
As of May 31, 2020	–

- c. Average number of shares outstanding during the period

Fiscal year ended May 31, 2021	31,147,577 shares
Fiscal year ended May 31, 2020	30,928,528 shares

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended May 31, 2021 (from June 1, 2020 to May 31, 2021)

(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, 2021	16,042	20.1	765	0.9	684	41.4	490	26.3
May 31, 2020	13,358	31.0	758	–	484	–	388	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
May 31, 2021	15.75	15.53
May 31, 2020	12.56	12.42

(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, 2021	24,610	12,933	52.3	414.74
May 31, 2020	22,881	10,612	46.3	340.82

Reference: Equity

As of May 31, 2021: ¥12,867 million

As of May 31, 2020: ¥10,602 million

* 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, 2021

(1) Explanation of operating results

Under the mission of “Turning encounters into innovation” and the vision of “Become business infrastructure,” the Group is developing services to promote digital transformation (DX) to change the working styles of companies and businesspeople facing various business issues by using new approaches that combine “systems that use technology and data input to digitize analog data” with “cloud software.”

In the fiscal year under review, the Group engaged in initiatives such as strengthening the sales structure, including strategic hiring, in order to realize continuous growth of net sales. Furthermore, the Group enhanced various functions for “Sansan,” a B2B business card-based contact management service, and “Eight,” a business card management app.

Moreover, as a result of working on strengthening the sales structure and conducting advertising, focused on TV commercials, aimed at realizing growth in “Bill One,” the Group acquired 239 subscriptions in the fiscal year under review, which constituted high growth of 73.2% from the previous quarter-end. By working on personnel hiring, advertising activities, and making improvements to the service, the Group aims to amass more than 1,000 subscriptions by the fiscal year ending May 31, 2022.

In addition, as announced on May 19, 2021, the Company has concluded a capital and business alliance agreement with Fringe81 Co., Ltd. (hereinafter “Fringe81”) and acquired preferred stock in accordance with a capital increase through third-party allotment conducted by Fringe81. Through collaboration between “Sansan” and Fringe81’s “Unipos” service, provision of the Company’s expertise cultivated in various areas of the SaaS business and other measures, the Company aims to increase the corporate value of both companies over the medium to long term. Furthermore, if “Unipos” grows into a service of a certain scale, the Company will consider making Fringe81 a consolidated subsidiary in the future and pursuing further synergistic effects.

As a result, net sales for the fiscal year under review totaled ¥16,184,553 thousand (up 21.1% year on year), and despite the negative impact from the COVID-19 pandemic, results were overall solid. Gross profit totaled ¥14,192,200 thousand (up 23.0% year on year), and gross profit margin was 87.7% (up 1.3 points year on year). Operating profit was ¥736,613 thousand (down 2.7% year on year) due to an increase in advertising expenses, personnel expenses, etc. in the fourth quarter to further promote strategies to realize growth in the medium to long term in light of the steady progress in business performance to date. Ordinary profit was ¥375,062 thousand (down 13.9% year on year). Profit attributable to owners of parent was ¥182,654 thousand (down 46.2% year on year) due to various investments aimed at achieving medium- to long-term sales growth, just as for operating profit and ordinary profit, and greater loss from share of loss of entities accounted for using equity method, among other factors. Note the forecast for profit attributable to owners of parent has not been disclosed because the amount of deferred tax assets to be recorded is still under analysis.

Results by segment are as follows.

Our services, our business models, our competitive advantages, etc. 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 12-fold expansion from 2012 to 2019. The Sansan Business, operated by the Company, holds an 83.5% 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 DX, and greater attention being attracted to the SaaS (Software as a Service) products. As for the DX market, its worth in 2030 is forecasted to be ¥3,042.5 billion (an increase of ¥2,251.3 billion since 2019) (Note 2.), while the SaaS market in Japan is forecasted to reach ¥1,117.8 billion by 2024 (an increase of ¥516.2 billion since 2019) (Note 3.).

For the fiscal year under review, the Company engaged in 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.” While the spread of COVID-19 negatively affected the acquisition of new subscriptions, we succeeded in enhancing our sales system and steadily acquired new customers among major manufacturers and medium to small enterprises. As a result, at the end of the fiscal year under review, the number of “Sansan” subscriptions increased steadily to 7,744, up 14.7% year on year. In addition, monthly sales per subscription rose only slightly to ¥170 thousand, up 4.9% year on year due to sluggishness in some sales comprised of fees for the service of providing “Sansan” during the initial adoption period as a result of the effect of COVID-19. As a result of carrying out ongoing initiatives to expand use among existing customers to achieve a stronger customer foundation, the average monthly churn rate over the past 12 months (Note 4.) was 0.63% (an increase of 0.03 points year on year), maintaining a low churn rate of below 1% despite COVID-19 pandemic.

As a result, net sales for the fiscal year under review totaled ¥14,583,951 thousand (up 18.7% year on year), of which recurring net sales (fixed revenue) in “Sansan” totaled ¥13,800,163 thousand (up 23.6% year on year) and other net sales totaled ¥783,787 thousand (down 29.7% year on year). Segment profit totaled ¥6,143,129 thousand (up 28.1% year on year).

- Notes:1. Based on “Latest trends in business card management services and sales services [SFA/CRM/online business card exchange]” by Seed Planning, Inc.
2. Based on “2020 Outlook of the Digital Transformation Market” by Fuji Chimera Research Institute
3. Based on “2020 New Software Business Markets” by Fuji Chimera Research Institute
4. Ratio of decrease in monthly fees associated with subscription cancellations to total monthly fees for existing subscriptions for “Sansan.”

(ii) Eight Business

In the Eight Business, the Company bases the business on the business card management app “Eight” 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 Marketing Solutions,” 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 year under review, the Company worked on strengthening monetization of various B2B services through “Eight Company Premium” and other methods, and held two “Climbers” events online as new business events targeting young businesspeople. For the second event, which was held in May 2021, the Company received the highest number of entries for one of its events. In addition, aiming to increase the number of users of “Eight,” the Company started providing “Eight ONAIR,” business event media, in May 2021 to provide business event information to “Eight” users and support event organizers in attracting attendees to events. As a result, the number of “Eight Company Premium” subscriptions at the end of the fiscal year under review totaled 2,253, an increase of 46.8% year on year and the number of “Eight” users (Note 5.) totaled 2.92 million, an increase of 0.21 million year on year. Additionally, results from our consolidated subsidiary logmi, Inc. (“logmi”) began to contribute to results in September 2020 (recorded in the segment’s B2B services sales).

As a result, net sales for the fiscal year under review totaled ¥1,604,351 thousand (up 48.8% year on year), of which net sales from B2C services totaled ¥296,722 thousand (up 1.8% year on year) and net sales from B2B services totaled ¥1,307,629 thousand (up 66.3% year on year). Segment loss was recorded at ¥732,622 thousand (compared to ¥894,281 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 ¥24,310,195 thousand, up ¥1,490,427 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥1,403,351 thousand as a result of the purchase of investment securities and year-end valuation, and an increase of ¥185,662 thousand in goodwill recorded as a result of making logmi a subsidiary through the acquisition of its shares.

Liabilities

Total liabilities at the end of the fiscal year under review were ¥11,725,297 thousand, down ¥541,849 thousand from the end of the previous fiscal year. This was primarily due to a decrease of ¥3,013,174 thousand in repayments of long-term borrowings, a decrease of ¥181,922 thousand in current portion of long-term borrowings, an increase of ¥1,429,855 thousand in advances received from receiving a lump-sum payment of contract term fees from customers and an increase of ¥571,290 thousand in deferred tax liabilities.

Net assets

Net assets at the end of the fiscal year under review were ¥12,584,898 thousand, up ¥2,032,276 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥76,295 thousand in capital as a result of exercise of share acquisition rights, an increase of ¥76,295 thousand in capital surplus, an increase of ¥1,622,129 thousand in valuation difference on available-for-sale securities as a result of the year-end valuation of investment securities and an increase of ¥182,654 thousand in retained earnings due to recording of profit attributable to owners of parent.

(3) Overview of cash flows

Cash and cash equivalents (hereinafter “capital”) for the fiscal year ended May 31, 2021 totaled ¥12,223,291 thousand, a decrease of ¥440,154 thousand compared to the previous fiscal year (down 3.5% year on year). This decrease includes the effect of ¥2,357 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 ¥3,011,227 thousand (compared to ¥2,822,265 thousand provided in the same period of the previous fiscal year). The main reasons for this increase in capital were recognition of profit before income taxes of ¥370,414 thousand, recognition of depreciation, non-cash expense, of ¥691,356 thousand, and an increase of accounts payable - other of ¥620,663 thousand, as well as an increase of ¥1,401,290 thousand in advances received, and the main factors for the decrease in capital were an increase in trade receivables of ¥121,524 thousand, a decrease in accrued consumption taxes of ¥162,259 thousand, a decrease in other liabilities of ¥66,088 thousand and a decrease in income taxes paid of ¥246,997 thousand.

Cash flows from investing activities

The amount of capital used in investing activities totaled ¥551,416 thousand (¥7,189,107 thousand used in the previous fiscal year). This was primarily due to purchase of shares of subsidiaries and associates of ¥660,573 thousand, purchase of intangible assets of ¥636,059 thousand, purchase of investment securities of ¥336,320 thousand, purchase of property, plant and equipment of ¥273,646 thousand and proceeds from sales of investment securities of ¥1,680,107 thousand.

Cash flows from financing activities

The amount of capital used by financing activities totaled ¥2,902,323 thousand (compared to ¥11,563,071 thousand provided in the same period of the previous fiscal year). This was primarily due to repayments of long-term borrowings of ¥3,220,929 thousand, a net increase in short-term borrowings of ¥173,938 thousand and proceeds from issuance of shares of ¥152,292 thousand.

(4) Future outlook

In the fiscal year ending May 31, 2022, in addition to expecting that this uncertain business environment caused by the COVID-19 crisis will continue, the Company has adopted a range-based outlook disclosure as the Company plans to make various investments in an agile and flexible manner according to the business environment and business progress in order to accelerate the net sales growth rate over the medium to long term.

As consolidated net sales are expected solid growth in each business because the negative impact of the COVID-19 crisis on business results has run its course, the growth rate is expected to accelerate compared to the same period of the previous year. Specifically, we expect a steady increase in the number of subscriptions for “Sansan” and a recovery in other net sales other than recurring net sales. In addition, “Bill One” is expected to see continued expansion in the number of subscriptions.

Many of the services that the Group is engaged in are growing rapidly while creating new markets, and at this point in time, we are not focusing on maximizing profits, but rather on the medium to long term net sales growth. Based on this policy, in the fiscal year ending May 31, 2022, we plan to mainly strengthen group-wide recruitment of human resources and marketing and advertising activities for “Sansan” and “Bill One.”

As a result of the above, in the fiscal year ending May 31, 2022, the Company is expecting to see consolidated net sales between ¥20,230 million and ¥20,716 million (up 25.0% to 28.0% year on year), and consolidated operating profit between ¥450 million and ¥800 million (down 38.9% to up 8.6% year on year). Consolidated ordinary profit and profit attributable to owners of parent are expected to be in the black, but specific outlook figures are not disclosed at this time due to the difficulty in making reasonable estimates for some non-operating profit and loss items. Net sales of the Sansan Business, which accounts for the majority of the current consolidated results, are expected to increase by approximately 24% to 27% year on year.

As assumptions for the earnings forecast, the upper end of the range assumes that social concerns about COVID-19 will recede significantly by the end of 2021 due to various factors, including vaccination, and that the economy will enter a more recovery phase. On the other hand, the lower end of the range assumes that there is no improvement in the number of infected people, etc., and that the negative impact of the COVID-19 crisis continues throughout the period.

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, 2020	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	12,815,225	12,389,111
Accounts receivable - trade	441,060	571,096
Prepaid expenses	410,582	469,588
Other	176,945	117,263
Allowance for doubtful accounts	(3,621)	(4,877)
Total current assets	13,840,192	13,542,182
Non-current assets		
Property, plant and equipment		
Buildings and structures	653,544	825,692
Accumulated depreciation	(302,127)	(405,842)
Buildings and structures, net	351,416	419,849
Other	186,405	257,213
Accumulated depreciation	(123,354)	(172,164)
Other, net	63,051	85,049
Total property, plant and equipment	414,467	504,899
Intangible assets		
Software	925,803	1,023,375
Goodwill	–	185,662
Other	261	149
Total intangible assets	926,064	1,209,187
Investments and other assets		
Investment securities	6,941,596	8,344,948
Leasehold deposits	549,412	702,472
Deferred tax assets	145,185	–
Other	2,850	6,505
Total investments and other assets	7,639,043	9,053,926
Total non-current assets	8,979,576	10,768,012
Total assets	22,819,768	24,310,195

(Thousands of yen)

	As of May 31, 2020	As of May 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	102,922	195,216
Short-term borrowings	20,000	200,000
Current portion of long-term borrowings	1,267,490	1,085,568
Accounts payable - other	596,265	1,175,172
Income taxes payable	225,471	154,825
Accrued consumption taxes	429,584	271,263
Advances received	5,289,822	6,719,677
Provision for bonuses	289,551	359,373
Other	114,449	82,115
Total current liabilities	8,335,558	10,243,213
Non-current liabilities		
Long-term borrowings	3,892,598	879,423
Deferred tax liabilities	–	571,290
Other	38,990	31,369
Total non-current liabilities	3,931,588	1,482,083
Total liabilities	12,267,147	11,725,297
Net assets		
Shareholders' equity		
Share capital	6,236,650	6,312,946
Capital surplus	3,977,043	4,053,338
Retained earnings	344,184	526,839
Treasury shares	–	(262)
Total shareholders' equity	10,557,879	10,892,863
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	1,622,129
Foreign currency translation adjustment	(15,921)	1,130
Total accumulated other comprehensive income	(15,921)	1,623,260
Share acquisition rights	10,663	65,886
Non-controlling interests	–	2,888
Total net assets	10,552,621	12,584,898
Total liabilities and net assets	22,819,768	24,310,195

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Net sales	13,362,370	16,184,553
Cost of sales	1,821,319	1,992,352
Gross profit	11,541,051	14,192,200
Selling, general and administrative expenses	10,783,785	13,455,587
Operating profit	757,266	736,613
Non-operating income		
Interest income	1,989	612
Dividend income	–	57,475
Subsidy income	2,198	10,544
Cancellation penalty income	3,007	3,654
Gain on sale of investment securities	–	32,897
Other	1,030	1,788
Total non-operating income	8,226	106,972
Non-operating expenses		
Interest expenses	18,681	23,378
Share issuance costs	28,102	–
Stock market listing expenses	15,410	–
Commission expenses	19,458	25,232
Foreign exchange losses	1,012	1,829
Loss on cancellation of rental contracts	187,784	–
Penalty loss on cancellation of rental contracts	–	92,953
Loss on investments in investment partnerships	2,285	12,746
Share of loss of entities accounted for using equity method	51,247	285,143
Other	6,064	27,239
Total non-operating expenses	330,047	468,522
Ordinary profit	435,444	375,062
Extraordinary income		
Gain on reversal of share acquisition rights	–	47
Total extraordinary income	–	47
Extraordinary losses		
Loss on retirement of non-current assets	8,428	4,695
Impairment losses	37,854	–
Loss on cancellation of events	54,087	–
Total extraordinary losses	100,370	4,695
Profit before income taxes	335,074	370,414
Income taxes - current	140,588	202,530
Income taxes - deferred	(145,185)	(13,109)
Total income taxes	(4,596)	189,421
Profit	339,670	180,993
Loss attributable to non-controlling interests	–	(1,661)
Profit attributable to owners of parent	339,670	182,654

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Profit	339,670	180,993
Other comprehensive income		
Valuation difference on available-for-sale securities	–	1,622,129
Foreign currency translation adjustment	(8,313)	17,052
Total other comprehensive income	(8,313)	1,639,181
Comprehensive income	331,357	1,820,174
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	331,357	1,821,836
Comprehensive income attributable to non-controlling interests	–	(1,661)

(3) Consolidated statement of changes in equity

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

Fiscal year ended May 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,236,650	3,977,043	344,184	–	10,557,879
Changes during period					
Issuance of new shares	76,295	76,295	–	–	152,591
Purchase of treasury shares	–	–	–	(262)	(262)
Profit attributable to owners of parent	–	–	182,654	–	182,654
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	76,295	76,295	182,654	(262)	334,983
Balance at end of period	6,312,946	4,053,338	526,839	(262)	10,892,863

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	–	(15,921)	(15,921)	10,663	–	10,552,621
Changes during period						
Issuance of new shares	–	–	–	–	–	152,591
Purchase of treasury shares	–	–	–	–	–	(262)
Profit attributable to owners of parent	–	–	–	–	–	182,654
Net changes in items other than shareholders' equity	1,622,129	17,052	1,639,181	55,223	2,888	1,697,292
Total changes during period	1,622,129	17,052	1,639,181	55,223	2,888	2,032,276
Balance at end of period	1,622,129	1,130	1,623,260	65,886	2,888	12,584,898

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Cash flows from operating activities		
Profit before income taxes	335,074	370,414
Depreciation	615,862	691,356
Amortization of goodwill	–	15,053
Impairment losses	37,854	–
Loss on retirement of non-current assets	8,428	4,695
Share-based payment expenses	–	33,690
Gain on reversal of share acquisition rights	–	(47)
Share issuance costs	28,102	–
Loss on cancellation of rental contracts	187,784	–
Increase (decrease) in allowance for doubtful accounts	916	1,225
Increase (decrease) in provision for bonuses	90,587	69,658
Increase (decrease) in provision for loss on closure of business locations	(6,960)	–
Interest and dividend income	(1,989)	(58,087)
Interest expenses	18,681	23,378
Commission expenses	19,454	157
Loss (gain) on sale of investment securities	–	(32,897)
Loss (gain) on investments in investment partnerships	2,285	12,746
Share of loss (profit) of entities accounted for using equity method	51,247	285,143
Decrease (increase) in trade receivables	(118,352)	(121,524)
Decrease (increase) in prepaid expenses	(84,692)	(50,571)
Decrease (increase) in other assets	6,268	61,034
Increase (decrease) in trade payables	6,753	90,035
Increase (decrease) in accounts payable - other	(108,523)	620,663
Increase (decrease) in advances received	1,366,665	1,401,290
Increase (decrease) in accrued consumption taxes	246,512	(162,259)
Increase (decrease) in other liabilities	102,380	(66,088)
Other, net	43,387	35,031
Subtotal	2,847,728	3,224,100
Interest and dividends received	2,216	58,608
Interest paid	(19,721)	(24,483)
Income taxes paid	(7,957)	(246,997)
Net cash provided by (used in) operating activities	2,822,265	3,011,227

(Thousands of yen)

	Fiscal year ended May 31, 2020	Fiscal year ended May 31, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	(260,527)	(273,646)
Purchase of intangible assets	(535,874)	(636,059)
Purchase of investment securities	(5,901,328)	(336,320)
Proceeds from sale of investment securities	–	1,680,107
Purchase of shares of subsidiaries and associates	–	(660,573)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(132,529)
Payments of leasehold deposits	(507,635)	(186,678)
Other, net	16,259	(5,715)
Net cash provided by (used in) investing activities	(7,189,107)	(551,416)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,000	173,938
Proceeds from long-term borrowings	5,460,545	–
Repayments of long-term borrowings	(686,760)	(3,220,929)
Proceeds from issuance of shares	6,820,196	152,292
Proceeds from issuance of share acquisition rights	–	21,879
Other, net	(32,910)	(29,504)
Net cash provided by (used in) financing activities	11,563,071	(2,902,323)
Effect of exchange rate change on cash and cash equivalents	(1,279)	2,357
Net increase (decrease) in cash and cash equivalents	7,194,950	(440,154)
Cash and cash equivalents at beginning of period	5,468,495	12,663,445
Cash and cash equivalents at end of period	12,663,445	12,223,291

(5) Notes to consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in accounting estimates

Changes in the useful lives of property, plant and equipment.

From the fiscal year under review, the Company has revised its estimates of the useful lives of some property, plant and equipment from three years to five years. This change was made to change the useful lives of facilities attached to buildings and tools, furniture and fixtures primarily related to the head office to better reflect reality in light of actual utilization of the office and relevant assets. As a result of this change, operating profit, ordinary profit and profit before income taxes for the fiscal year ended May 31, 2021 are each ¥105,386 thousand higher than they would have been under the previous estimates of useful lives.

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. In the next fiscal year, 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, 2022, 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 segments	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 accounting method employed to prepare 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, 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.

Fiscal year ended May 31, 2021

(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	14,583,951	1,600,601	16,184,553	–	16,184,553
Intersegment sales or transfers	–	3,750	3,750	(3,750)	–
Total	14,583,951	1,604,351	16,188,303	(3,750)	16,184,553
Segment profit (loss)	6,143,129	(732,622)	5,410,507	(4,673,894)	736,613
Other items					
Depreciation	415,278	17,456	432,735	258,621	691,356

- 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 losses on non-current assets for each reportable segment

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.

Fiscal year ended May 31, 2021

Not applicable.

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

Fiscal year ended May 31, 2020

Not applicable.

Fiscal year ended May 31, 2021

(Thousands of yen)

	Sansan Business	Eight Business	Corporate and eliminations	Total
Amount of amortization	–	15,053	–	15,053
Balance at end of period	–	185,662	–	185,662

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

Not applicable.

Per share information

(Yen)

	Fiscal year ended May 31, 2020 (from June 1, 2019 to May 31, 2020)	Fiscal year ended May 31, 2021 (from June 1, 2020 to May 31, 2021)
Net assets per share	338.89	403.57
Basic earnings per share	10.98	5.86
Diluted earnings per share	10.86	5.78

Note: Basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended May 31, 2020 (from June 1, 2019 to May 31, 2020)	Fiscal year ended May 31, 2021 (from June 1, 2020 to May 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	339,670	182,654
Amounts not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	339,670	182,654
Average number of common shares outstanding during the period (Shares)	30,928,528	31,147,577
Diluted earnings per share		
Adjustments stated for profit attributable to owners of parent (Thousands of yen)	–	–
Increase in number of common shares (Shares)	340,707	448,866
[Of which share acquisition rights] (Shares)	[340,707]	[448,866]
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects	–	–

Significant events after reporting period

Purchase of investment securities

The Company used ¥1,900,000 thousand to acquire 1,900 shares of Class A preferred stock issued by Fringe81 Co., Ltd. through third-party allotment on June 30, 2021, based on the resolution at the meeting of the Board of Directors that took place on May 19, 2021.

The total amount of funds required for acquiring the Class A preferred stock is provided through borrowing from financial institutions.

Issuance of share acquisition rights (compensatory stock options)

At the meeting of the Board of Directors held on July 14, 2021, the Company resolved to issue the 6th 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.

6th Share Acquisition Rights

Number of share acquisition rights	200 units
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 20,000 shares (100 shares per one unit acquisition right)
Issuance price of share acquisition rights	¥109,000 per one unit acquisition right
Exercise price of share acquisition rights	¥837,000 per one unit acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	Issuance price: ¥8,370 per one share Additional paid-in capital: ¥4,185 per one share
Allotment date of share acquisition rights	August 24, 2021
Persons subject to allotment of share acquisition rights	6 Directors of the Company 13 Executive Officers of the Company
Exercise period of share acquisition rights	From September 1, 2022 to August 23, 2031
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, 2022 has exceeded ¥20,386 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.