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October 13, 2022

Financial Results for FY2022 Q1

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 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date to file quarterly securities report: October 13, 2022
 Scheduled date to commence dividend payment: –
 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 first three months of the fiscal year ending May 31, 2023 (from June 1, 2022 to August 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended										
August 31, 2022	5,714	24.3	(227)	–	(265)	–	(173)	–	(325)	–
August 31, 2021	4,597	25.4	(85)	–	(102)	–	754	644.3	652	662.8

Note: Comprehensive income Three months ended August 31, 2022: ¥(282) million[–%]
 Three months ended August 31, 2021: ¥(456) million[–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 31, 2022	(2.61)	–
August 31, 2021	5.23	5.15

- Notes: 1. The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, basic earnings per share and diluted 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 first quarter of the fiscal year ending May 31, 2023 are not shown in the above table, as although there are dilutive securities, net loss per share was reported for the first quarter of the fiscal year ending May 31, 2023.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
August 31, 2022	25,490	11,889	45.9
May 31, 2022	26,292	12,093	45.4

Reference: Equity

As of August 31, 2022:

¥11,706 million

As of May 31, 2022:

¥11,944 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2022	—	0.00	—	0.00	0.00
Fiscal year ending May 31, 2023	—				
Fiscal year ending May 31, 2023 (Forecast)		0.00	—	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit	
	Millions of yen	%	Millions of yen	%
Fiscal year ending May 31, 2023	25,117	23.0	917	25.5
	to	to	to	to
	25,764	26.2	1,288	76.3

Notes: 1. Revisions to the earnings forecasts most recently announced: None

2. For multi-step profit or loss under operating profit or loss, the Company refrains from disclosing a concrete forecast because it is difficult to make a reasonable estimate of share-based payment expenses, which may vary significantly depending on the level of the Company's stock price, and some non-operating profit or loss items.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

(4) Number of issued shares (Common shares)

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

As of August 31, 2022	125,020,436 shares
As of May 31, 2022	124,963,596 shares

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

As of August 31, 2022	785 shares
As of May 31, 2022	736 shares

- c. Average number of outstanding shares during the period

For the three months ended August 31, 2022	124,975,016 shares
For the three months ended August 31, 2021	124,740,273 shares

Note: The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, 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 outstanding shares during the period are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

- * Quarterly financial results reports are exempt from quarterly review 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 quarterly consolidated financial results

(1) Explanation of operating results

Under the mission of “Turning encounters into innovation” and the vision of “Become business infrastructure,” the Group is providing cloud-based solutions that promote digital transformation (DX) and reshape how we work, leading to encounters with people and companies that become business opportunities by using approaches that combine systems that use technology and data input to digitize analog information with cloud software.

Specifically, the Group is developing solutions to promote DX for corporate sales activities, invoicing work, contract work, etc. Moreover, as a result of new ways of thinking toward DX, changes to working styles due to the COVID-19 pandemic, and greater attention being attracted to the SaaS (Software as a Service) products, the DX market is forecast to reach ¥5,195.7 billion by 2030 (an increase of ¥3,813.6 billion since 2020) (Note 1.), while the SaaS market in Japan is forecast to reach ¥1,668.1 billion by 2026 (an increase of ¥579.0 billion since 2022) (Note 2.). A sales DX solution Sansan, provided by the Company, holds 83.1% share (Note 3.) of the B2B business card management service market, and this market has seen 13-fold expansion from 2013 to 2020 in conjunction with the growth in the Company’s services. In addition, Bill One, a cloud-based invoice management solution provided by the Company, captured the number one market share of the online invoice receiving solution in terms of net sales (Note 4.), with this market seeing a 226.0% increase year on year in FY2021.

Consolidated financial results for the first three months of the fiscal year ending May 31, 2023 (hereinafter, the “period under review”) is as follows.

	(Millions of yen)		
	Three months ended August 31, 2021	Three months ended August 31, 2022	YoY change
Net sales	4,597	5,714	+24.3%
Gross profit	4,088	4,930	+20.6%
Adjusted operating profit (Note 5.)	(85)	(227)	–
Ordinary profit	754	(173)	–
Profit attributable to owners of parent	652	(325)	–

For the period under review, the Group engaged in strengthening the sales structure and marketing activities for Sansan and Bill One in order to realize mid-term growth of net sales, as well as enhancing functions for each service.

As a result, net sales increased 24.3% year on year, gross profit increased 20.6% year on year, and gross profit margin was 86.3%, down 2.6 points year on year, so results were solid in the period under review. On the other hand, although adjusted operating profit decreased ¥142 million year on year, this was attributed to the ¥439 million year on year increase in personnel expenses due to the progress in active personnel hiring as well as the ¥285 million year on year increase in advertising expenses due to enhanced marketing activities, which was the result in line with full-year consolidated earnings forecasts announced at the beginning of the fiscal year. In addition, ordinary profit decreased ¥927 million year on year and profit attributable to owners of parent decreased ¥978 million year on year. This was mainly the result of recording a gain on sale of investment securities of ¥979 million in non-operating income in the same period of the previous fiscal year.

- Notes:
1. Based on Market Edition and Vendor Strategy Edition of 2022 Outlook of the Digital Transformation Market by Fuji Chimera Research Institute
 2. Based on 2022 New Software Business Markets by Fuji Chimera Research Institute
 3. Based on Latest Trends in Business Card Management Services in Sales Support DX 2022 (December 2021, survey by Seed Planning, in Japanese)

4. Deloitte Tohmatsu MIC Research Institute, “The Present and Future of the Market of Online Invoice Receiving Solution Expected to Grow at a Staggering Rate” (MIC IT Report, July 2022)
5. Previously, operating profit (loss) was shown. However, from the first quarter of the current fiscal year, this was changed so that operating profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting expenses related to share-based payments, which may vary significantly depending on the level of the Company’s stock price, and expenses that arise from business combinations. For the first quarter of the previous fiscal year, operating profit (loss) is also shown as adjusted operating profit (loss) after the change.

Results by segment are as follows.

(i) Sansan/Bill One Business

This business segment includes services such as sales DX solution Sansan, and cloud-based invoice management solution Bill One.

Results for Sansan/Bill One Business in the period under review are as follows.

	(Millions of yen)		
	Three months ended August 31, 2021	Three months ended August 31, 2022	YoY change
Net sales (Note 6.)	4,160	5,147	+23.7%
Sansan	4,068	4,701	+15.5%
Sansan recurring sales	3,899	4,451	+14.1%
Sansan other sales	169	250	+48.1%
Bill One	89	401	+346.1%
Others	2	44	+1,916.7%
Adjusted operating profit	1,142	1,221	+6.9%
Sansan			
Number of subscriptions	7,992 subscriptions	8,644 subscriptions	+8.2%
Monthly recurring sales per subscription	¥164 thousand	¥173 thousand	+5.5%
Last 12 months average of monthly churn rate (Note 7.)	0.62%	0.59%	(0.03 pt.)
Bill One			
MRR (Note 8.)	32	140	+332.1%
Number of paid subscriptions (Note 9.)	280 subscriptions	930 subscriptions	+232.1%
Monthly recurring sales per paid subscription	¥116 thousand	¥151 thousand	+30.2%
Last 12 months average of monthly churn rate (Note 7.)	–	0.45%	–

Notes: 6. The sum of sales to external customers and intersegment sales or transfers

7. Ratio of decrease in monthly fees associated with subscription cancellations to total monthly fees for existing subscriptions for each service

8. Monthly Recurring Revenue, changed value for the first three months of the fiscal year ended May 31, 2022 due to revision of calculation method

9. Changed value for the first three months of the fiscal year ended May 31, 2022 due to the revision of the timing of collecting the data from the conclusion of the contract to the start of the service usage (value for the first three months of the fiscal year ending May 31, 2023 when applying the pre-revision calculation method is 1,015)

a. Sansan

The Company revamped the product Sansan, a B2B business card-based contact management service, based on the concept of “The database to power your sales” to create Sansan, a sales DX solution to further expand the number of Sansan subscriptions and the monthly recurring sales per subscription, and has worked to add new functions. Specifically, apart from a corporate database that allows users to view over 1 million pieces of company information on Sansan, the Company installed functions able to store and visualize contact information not only from business cards but also email signatures, etc. By combining this contact information with a corporate database, users of Sansan can build custom databases that also include information for companies with which they have no current contacts.

As a result of these initiatives related to the product revamp and of strengthening the sales structure, and with steady progress in acquiring new subscriptions mainly from small and medium enterprises, for Sansan, the number of subscriptions increased 8.2% year on year and monthly recurring sales per subscription increased 5.5% year on year. Furthermore, as a result of carrying out ongoing initiatives to expand use among existing customers, the last 12 months average of monthly churn rate was 0.59%, a decrease of 0.03 points year on year, maintaining a low churn rate.

As a result, net sales in Sansan increased 15.5% year on year, of which recurring sales (fixed revenue) was up 14.1% year on year and other sales was up 48.1% year on year.

b. Bill One

As a result of efforts such as strengthening our sales system through measures including personnel hiring and enhancing service functions for continued high growth of Bill One, in August 2022, MRR was up 332.1% year on year and ARR (Note 10.) was ¥1,690 million. In addition, steady progress in acquiring new subscriptions from medium and large enterprises resulted in the increase of number of paid subscriptions, up 232.1% year on year, and the increase of monthly recurring sales per paid subscription, up 30.2% year on year.

As a result, net sales in Bill One increased 346.1% year on year. By working on personnel hiring, strengthening marketing activities and enhancing service functions, the Group aims to double the ARR year on year by May 31, 2023.

Note: 10. Annual Recurring Revenue

c. Others

The Group focused on the launch of Contract One, a cloud-based contract management solution, etc., utilizing the strengths, knowledge, know-how, etc. cultivated through existing services.

As a result, net sales of others was up 1,916.7% year on year.

As a result, net sales in Sansan/Bill One Business increased 23.7% year on year. Adjusted operating profit increased 6.9% year on year despite increased investment to realize further growth of Sansan and Bill One.

(ii) Eight Business

Apart from Eight, a contact and career management app, this business segment includes the event transcription service logmi series.

Results for Eight Business in the period under review are as follows.

	(Millions of yen)		
	Three months ended August 31, 2021	Three months ended August 31, 2022	YoY change
Net sales (Note 11.)	424	533	+25.8%
B2C services	71	72	+2.1%
B2B services	352	460	+30.6%
Adjusted operating profit	(176)	(135)	-
Eight			
Number of Eight users (Note 12.)	2.96 million people	3.15 million people	+0.18 million people
Number of subscriptions for Eight Team	2,342 subscriptions	3,008 subscriptions	+28.4%

Notes: 11. The sum of sales to external customers and intersegment sales or transfers

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

a. B2C services

Due to the efforts to enhance service functions, such as adding new functions for newly registering users, the number of Eight users totaled 3.15 million, an increase of 0.18 million year on year, and net sales from B2C services increased 2.1% year on year.

b. B2B services

The Company worked on strengthening monetization of the various B2B services. As a result, net sales from B2B services increased 30.6% year on year, and the number of subscriptions for Eight Team increased 28.4% year on year.

As a result, net sales in Eight Business increased 25.8% year on year, and adjusted operating loss was curtailed by ¥40 million year on year.

(2) Explanation of financial position

	(Millions of yen)		
	As of May 31, 2022	As of August 31, 2022	Change from previous fiscal year-end
Total assets	26,292	25,490	(801)
Total liabilities	14,199	13,600	(598)
Total net assets	12,093	11,889	(203)
Total liabilities and net assets	26,292	25,490	(801)

Assets

Total assets at the end of the first quarter of the fiscal year ending May 31, 2023 were ¥25,490 million, down ¥801 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥284 million in accounts receivable - trade, a decrease of ¥1,077 million from sale of investment securities, an increase of ¥565 million in cash and deposits, and an increase of ¥198 million in prepaid expenses.

Liabilities

Total liabilities at the end of the quarter under review were ¥13,600 million, down ¥598 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥146 million in accounts payable - other, a decrease of ¥328 million in income taxes payable, a decrease of ¥141 million in accrued consumption taxes, a decrease of ¥211 million in provision for bonuses, a decrease of ¥118 million in long-term borrowings, and an increase of ¥432 million in advances received from receiving a lump-sum payment of contract term fees from customers.

Net assets

Total net assets at the end of the quarter under review were ¥11,889 million, down ¥203 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥325 million in retained earnings due to the recording of loss attributable to owners of parent, an increase of ¥24 million in share capital as a result of exercise of share acquisition rights, an increase of ¥24 million in capital surplus, and an increase of ¥30 million in share acquisition rights.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The forecasts of consolidated financial results for the fiscal year ending May 31, 2023 have not changed from the forecast announced on July 14, 2022. As advertising activities to be carried out in the fiscal year ending May 31, 2023, were planned to hold a great deal of weight in the first three months, adjusted operating profit for the period under review were recorded in the red, but they are expected to return to the black from the nine months ending February 28, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of May 31, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	15,432	15,997
Accounts receivable - trade	756	471
Prepaid expenses	478	676
Other	194	238
Allowance for doubtful accounts	(3)	(4)
Total current assets	16,856	17,380
Non-current assets		
Property, plant and equipment	806	764
Intangible assets		
Software	917	901
Goodwill	229	222
Other	0	0
Total intangible assets	1,147	1,125
Investments and other assets		
Investment securities	6,262	5,184
Leasehold deposits	793	765
Deferred tax assets	416	263
Other	10	7
Total investments and other assets	7,481	6,221
Total non-current assets	9,435	8,110
Total assets	26,292	25,490

(Millions of yen)

	As of May 31, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	253	153
Current portion of long-term borrowings	477	474
Accounts payable - other	1,081	934
Income taxes payable	380	51
Accrued consumption taxes	398	257
Advances received	8,199	8,631
Provision for bonuses	487	276
Other	229	237
Total current liabilities	11,507	11,017
Non-current liabilities		
Long-term borrowings	2,547	2,429
Other	144	154
Total non-current liabilities	2,691	2,583
Total liabilities	14,199	13,600
Net assets		
Shareholders' equity		
Share capital	6,426	6,450
Capital surplus	4,023	4,047
Retained earnings	1,384	1,059
Treasury shares	(1)	(1)
Total shareholders' equity	11,832	11,555
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	85	111
Foreign currency translation adjustment	26	39
Total accumulated other comprehensive income	112	151
Share acquisition rights	142	173
Non-controlling interests	5	9
Total net assets	12,093	11,889
Total liabilities and net assets	26,292	25,490

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statement of income

(Millions of yen)

	Three months ended August 31, 2021	Three months ended August 31, 2022
Net sales	4,597	5,714
Cost of sales	508	784
Gross profit	4,088	4,930
Selling, general and administrative expenses	4,190	5,196
Operating loss	(102)	(265)
Non-operating income		
Interest and dividend income	0	0
Cancellation penalty income	0	–
Subsidy income	0	3
Gain on sale of investment securities	979	291
Other	21	1
Total non-operating income	1,002	297
Non-operating expenses		
Interest expenses	3	3
Foreign exchange losses	0	12
Commission expenses	6	1
Share of loss of entities accounted for using equity method	128	179
Loss on investments in investment partnerships	–	1
Other	5	7
Total non-operating expenses	145	204
Ordinary profit (loss)	754	(173)
Extraordinary income		
Gain on reversal of share acquisition rights	–	0
Total extraordinary income	–	0
Profit (loss) before income taxes	754	(172)
Income taxes - current	113	4
Income taxes - deferred	(7)	144
Total income taxes	105	149
Profit (loss)	648	(322)
Profit (loss) attributable to non-controlling interests	(3)	3
Profit (loss) attributable to owners of parent	652	(325)

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended August 31, 2021	Three months ended August 31, 2022
Profit (loss)	648	(322)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,102)	25
Foreign currency translation adjustment	(2)	13
Total other comprehensive income	(1,105)	39
Comprehensive income	(456)	(282)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(452)	(286)
Comprehensive income attributable to non-controlling interests	(3)	3

(3) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes regarding changes in accounting policy)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) effective from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27(2) of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

It should be noted that there is no impact on the quarterly consolidated financial statements for the first three months of the current fiscal year as a result of applying the Implementation Guidance on Accounting Standard for Fair Value Measurement.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Application of specific accounting for preparing the quarterly consolidated financial statements)

Not applicable.

(Segment information, etc.)

[Segment information]

I First three months of the fiscal year ended May 31, 2022 (from June 1, 2021 to August 31, 2021)

1. Information on the amount of sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments			Others (Note) 1	Total
	Sansan/ Bill One Business	Eight Business	Total		
Net sales					
Sales to external customers	4,160	422	4,583	13	4,597
Intersegment sales or transfers	–	1	1	0	1
Total	4,160	424	4,584	13	4,598
Segment profit (loss) (Note) 2	1,142	(176)	966	2	969

- Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.
2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

	Sansan/ Bill One Business	Eight Business	Others	Adjustments (Note)	Amount in the quarterly consolidated financial statement
Segment profit (loss)	1,142	(176)	2	(1,054)	(85)
Share-based payment expenses	5	1	–	4	11
Amortization of goodwill and amortization of intangible assets	–	5	0	–	5
Operating profit (loss)	1,137	(182)	2	(1,059)	(102)

Note Adjustments are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses.

II First three months of the fiscal year ending May 31, 2023 (from June 1, 2022 to August 31, 2022)

1. Information on the amount of sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments			Others (Note) 1	Total
	Sansan/ Bill One Business	Eight Business	Total		
Net sales					
Sales to external customers	5,146	533	5,680	34	5,714
Intersegment sales or transfers	0	0	0	21	21
Total	5,147	533	5,680	55	5,736
Segment profit (loss) (Note) 2	1,221	(135)	1,086	(9)	1,077

Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.

2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

	Sansan/ Bill One Business	Eight Business	Others	Adjustments (Note)	Amount in the quarterly consolidated financial statement
Segment profit (loss)	1,221	(135)	(9)	(1,304)	(227)
Share-based payment expenses	12	5	–	12	31
Amortization of goodwill and amortization of intangible assets	–	5	1	–	6
Adjusted operating profit (loss)	1,208	(145)	(10)	(1,317)	(265)

(Note) Adjustments are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses.

2. Matters regarding changes in reportable segments

(Change in the method of measurement of profit (loss) of reportable segments)

Previously, segment profit (loss) was shown as operating profit (loss). However, from the first quarter of the current fiscal year, this was changed so that segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting expenses related to share-based payments, which may vary significantly depending on the level of the Company’s stock price, and expenses that arise from business combinations.

Segment profit (loss) for the first quarter of the previous fiscal year is also shown with the adjusted operating profit (loss) after the change.

(Significant events after reporting period)

Not applicable.