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October 12, 2023

Financial Results for FY2023 Q1

Company name: Sansan, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4443
 URL: <https://www.corp-sansan.com/>
 Representative: Chikahiro Terada, Representative Director & CEO
 Inquiries: Muneyuki Hashimoto, Director, Executive Officer, CFO
 TEL: +81-3-6758-0033
 Scheduled date to file quarterly securities report: October 12, 2023
 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, 2024 (from June 1, 2023 to August 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit (Note 1)		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, 2023	7,504	31.3	143	–	120	–	110	–	25	–
August 31, 2022	5,714	24.3	(227)	–	(265)	–	(173)	–	(325)	–

Note: Comprehensive income Three months ended August 31, 2023: ¥49 million [–%]
 Three months ended August 31, 2022: ¥(282) million [–%]

	Basic earnings per share	Diluted earnings per share (Note 2)
Three months ended	Yen	Yen
August 31, 2023	0.21	0.20
August 31, 2022	(2.61)	–

Notes: 1. Adjusted operating profit = operating profit + share-based payment expenses + expenses that arise from business combinations (amortization of goodwill and amortization of intangible assets)
 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, 2023	31,625	13,427	40.5
May 31, 2023	31,200	13,190	40.6

Reference: Equity

As of August 31, 2023:

¥12,821 million

As of May 31, 2023:

¥12,660 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, 2023	—	0.00	—	0.00	0.00
Fiscal year ending May 31, 2024	—				
Fiscal year ending May 31, 2024 (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, 2024 (from June 1, 2023 to May 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Adjusted operating profit	
	Millions of yen	%	Millions of yen	%
Fiscal year ending May 31, 2024	32,653	28.0	1,240	31.7
	to	to	to	to
	33,674	32.0	1,852	96.6

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 income or expenses.

*** 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: None
 - 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, 2023	125,530,452 shares
As of May 31, 2023	125,410,584 shares

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

As of August 31, 2023	871 shares
As of May 31, 2023	871 shares

c. Average number of outstanding shares during the period

For the three months ended August 31, 2023	125,440,913 shares
For the three months ended August 31, 2022	124,975,016 shares

* 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 earnings 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 forecasts due to various factors.

Attached Material

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

Under the mission of “Turning encounters into innovation” and the vision of “Become business infrastructure,” the Company group (the “Group”) is providing cloud-based solutions that promote digital transformation (DX) and reshape how people work, leading to encounters with people and companies that become business opportunities by using approaches that combine systems that use technology and manpower 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 reforming awareness regarding DX, changes to working styles due to the COVID-19 pandemic, and greater attention being given to SaaS (Software as a Service) products, the DX market is forecast to reach ¥5,195.7 billion by FY2030 (an increase of ¥3,813.6 billion since FY2020) (Note 1), while the SaaS market in Japan is forecast to reach ¥1,668.1 billion by FY2026 (an increase of ¥579.0 billion since FY2022) (Note 2). A sales DX solution Sansan, provided by the Company, holds 81.6% share (Note 3) of the B2B business card management service market, and this market has seen approximately 14-fold expansion from 2013 to 2021 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, 2024 (hereinafter, the “period under review”) is as follows.

	(Millions of yen)		
	Three months ended August 31, 2022	Three months ended August 31, 2023	YoY change
Net sales	5,714	7,504	+31.3%
Gross profit	4,930	6,510	+32.0%
Adjusted operating profit	(227)	143	–
Ordinary profit	(173)	110	–
Profit attributable to owners of parent	(325)	25	–

In the period under review, backed by the positive order situation for Sansan and Bill One, the Group strengthened the sales structure for each service and enhanced service functions in order to improve medium-term net sales growth and adjusted operating profit margin. In the Eight business, alongside switching its development concept to that of a specialized app for virtual card exchange and business card management, the Group also worked to increase future profitability.

Consequently, results were strong in the period under review with net sales increasing 31.3% year on year, gross profit increasing 32.0% year on year, and a gross profit margin of 86.8%, up 0.5 points year on year. Adjusted operating profit was in the black, at ¥143 million. This was attributed to year-on-year improvements such as growth in net sales and reduced advertising expenses. Furthermore, mainly owing to adjusted operating profit entering the black, ordinary profit and profit attributable to owners of parent likewise moved into the black.

- 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 2023 (December 2022, 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)

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, 2022	Three months ended August 31, 2023	YoY change
Net sales (Note 5)	5,147	6,816	+32.4%
Sansan	4,701	5,439	+15.7%
Sansan recurring sales	4,451	5,114	+14.9%
Sansan other sales	250	324	+29.8%
Bill One	401	1,160	+189.2%
Others	44	216	+385.9%
Adjusted operating profit	1,221	1,899	+55.5%
Sansan			
Number of subscriptions	8,644 subscriptions	9,067 subscriptions	+4.9%
Monthly recurring sales per subscription	¥173 thousand	¥189 thousand	+9.2%
Last 12 months average of monthly churn rate (Note 6)	0.59%	0.46%	(0.13) pts.
Bill One			
MRR (Note 7)	140	404	+187.4%
Number of paid subscriptions	930 subscriptions	1,952 subscriptions	+109.9%
Monthly recurring sales per paid subscription	¥151 thousand	¥207 thousand	+37.1%
Last 12 months average of monthly churn rate (Note 6)	0.45%	0.56%	+0.11 pts.

Notes: 5. The sum of sales to external customers and intersegment sales or transfers

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

7. Monthly Recurring Revenue

a. Sansan

To further expand the number of Sansan subscriptions and the monthly recurring sales per subscription, the Group strengthened the sales structure while enhancing functions for Sansan. Specifically, functions were added whereby e-mails with customers are automatically stored in Sansan, and contact information, such as the transmission and receipt of e-mails, is visualized in chronological order. By combining this contact information with over 1 million items of company information, users of Sansan can build custom databases that also include information for companies with which they have no current contacts. In addition, with the aim of maximizing sales for Sansan, the Group has switched from a common sales structure used by Sansan and other services to a dedicated sales structure tailored to Sansan.

Consequently, progress has been made in acquiring new subscriptions, mainly from medium and large enterprises, and the number of subscriptions and the monthly recurring sales per

subscription for Sansan were up 4.9% year on year and 9.2% year on year, respectively. Furthermore, the last 12 months average of monthly churn rate was 0.46%, a decrease of 0.13 points year on year, maintaining a low churn rate of less than 1%.

As a result, net sales in Sansan increased 15.7% year on year, of which recurring sales (fixed revenue) was up 14.9% year on year and other sales was up 29.8% year on year.

b. Bill One

With the objective of achieving continued high growth for Bill One, in addition to boosting the sales structure through active personnel hiring, the Group strove to further enhance functions through such means as launching the corporate credit card Bill One Business Card.

Consequently, in August 2023, MRR was up 187.4% year on year and ARR (Note 8) was ¥4,859 million. In addition, steady progress in acquiring new subscriptions from medium and large enterprises resulted in the increase of number of paid subscriptions, up 109.9% year on year, and the increase of monthly recurring sales per paid subscription, up 37.1% year on year. Furthermore, the last 12 months average of monthly churn rate was 0.56%, an increase of 0.11 points year on year, maintaining a low churn rate of less than 1%.

As a result, net sales in Bill One increased 189.2% year on year. By working on personnel hiring, strengthening marketing activities and enhancing service functions, the Group aims for an ARR of at least ¥7.0 billion in May 2024.

Note: 8. Annual Recurring Revenue

c. Others

The Group focused on the launch of services including Contract One, a contract DX solution, utilizing the strengths, knowledge, know-how, etc. cultivated through existing services. In addition, CREATIVE SURVEY INC. became a consolidated subsidiary in March 2023 and its contributions to consolidated earnings have been recorded from the fourth quarter of the fiscal year ended May 31, 2023.

As a result, net sales of others was up 385.9% year on year.

As a result of these efforts, net sales in Sansan/Bill One Business increased 32.4% year on year. Adjusted operating profit increased 55.5% due to an improvement in profit margin as a result of the strong growth in net sales.

(ii) Eight Business

This business segment includes Eight, a business card app, as well as 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, 2022	Three months ended August 31, 2023	YoY change
Net sales (Note 9)	533	599	+12.4%
B2C services	72	81	+12.1%
B2B services	460	518	+12.4%
Adjusted operating profit	(135)	(91)	-
Eight			
Number of Eight users (Note 10)	3.15 million people	3.37 million people	+0.21 million people
Number of subscriptions for Eight Team	3,008 subscriptions	4,023 subscriptions	+33.7%

Notes: 9. The sum of sales to external customers and intersegment sales or transfers

10. Number of confirmed users who registered their business card to their profile after downloading the app

a. B2C services

Owing to the normalization of business due to the ending of the COVID-19 pandemic, and also the enhancement of functions such as the virtual card exchange function, the number of Eight users totaled 3.37 million, a steady increase of 0.21 million year on year, and net sales from B2C services increased 12.1% year on year.

b. B2B services

The Group worked on strengthening monetization of the various B2B services. As a result, net sales from B2B services increased 12.4% year on year. In addition, the number of subscriptions for Eight Team increased 33.7% year on year.

As a result of these efforts, net sales in Eight Business increased 12.4% year on year, and adjusted operating loss was curtailed by ¥44 million year on year.

In the Eight business, the Group is working to solve the problems associated with physical business cards, namely “running out of business cards when you need them” and “misplacing the business cards you receive,” by offering a smart way to manage and utilize business card information. With this purpose in mind, in September 2023 the Group switched the concept of Eight from a contact and career management app to a business card app, and installed the new one-touch business card exchange function as an addition to the existing virtual card exchange and business card management functions.

(2) Explanation of financial position

	(Millions of yen)		
	As of May 31, 2023	As of August 31, 2023	Change from previous fiscal year-end
Total assets	31,200	31,625	425
Total liabilities	18,009	18,198	188
Total net assets	13,190	13,427	236
Total liabilities and net assets	31,200	31,625	425

Assets

Total assets at the end of the period under review were ¥31,625 million, up ¥425 million from the end of the previous fiscal year. This was primarily due to an increase of ¥398 million in prepaid expenses, an increase of ¥296 million in goodwill, an increase of ¥899 million in leasehold deposits, a decrease of ¥506 million in cash and deposits, and a decrease of ¥515 million in accounts receivable - trade.

Liabilities

Total liabilities at the end of the period under review were ¥18,198 million, up ¥188 million from the end of the previous fiscal year. This was primarily due to an increase of ¥1,102 million in advances received from receiving a lump-sum payment of contract term fees from customers, a decrease of ¥151 million in accounts payable - trade, a decrease of ¥384 million in accounts payable - other, a decrease of ¥134 million in income taxes payable, a decrease of ¥221 million in provision for bonuses, and a decrease of ¥135 million in long-term borrowings.

Net assets

Net assets at the end of the period under review were ¥13,427 million, up ¥236 million from the end of the previous fiscal year. This was primarily due to an increase of ¥51 million in share capital as a result of exercise of share acquisition rights, an increase of ¥51 million in capital surplus, and an increase of ¥82 million in non-controlling interests.

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

The forecasts of consolidated financial results for the fiscal year ending May 31, 2024 have not changed from the forecast announced on July 13, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of May 31, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	21,114	20,607
Accounts receivable - trade	1,180	664
Prepaid expenses	604	1,002
Other	341	309
Allowance for doubtful accounts	(32)	(33)
Total current assets	23,207	22,550
Non-current assets		
Property, plant and equipment	770	748
Intangible assets		
Software	827	797
Goodwill	706	1,002
Other	0	0
Total intangible assets	1,533	1,800
Investments and other assets		
Investment securities	3,705	3,723
Leasehold deposits	885	1,784
Deferred tax assets	595	513
Other	502	503
Total investments and other assets	5,689	6,525
Total non-current assets	7,993	9,075
Total assets	31,200	31,625

(Millions of yen)

	As of May 31, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	338	186
Current portion of long-term borrowings	558	550
Accounts payable - other	1,929	1,544
Income taxes payable	206	71
Accrued consumption taxes	410	363
Advances received	10,729	11,831
Provision for bonuses	601	379
Other	207	268
Total current liabilities	14,982	15,196
Non-current liabilities		
Long-term borrowings	2,838	2,703
Retirement benefit liability	–	50
Provision for retirement benefits for directors (and other officers)	–	53
Other	188	194
Total non-current liabilities	3,027	3,002
Total liabilities	18,009	18,198
Net assets		
Shareholders' equity		
Share capital	6,582	6,633
Capital surplus	4,178	4,229
Retained earnings	1,695	1,721
Treasury shares	(2)	(2)
Total shareholders' equity	12,454	12,582
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	156	178
Foreign currency translation adjustment	49	60
Total accumulated other comprehensive income	206	238
Share acquisition rights	457	450
Non-controlling interests	72	155
Total net assets	13,190	13,427
Total liabilities and net assets	31,200	31,625

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

(Millions of yen)

	Three months ended August 31, 2022	Three months ended August 31, 2023
Net sales	5,714	7,504
Cost of sales	784	994
Gross profit	4,930	6,510
Selling, general and administrative expenses	5,196	6,389
Operating profit (loss)	(265)	120
Non-operating income		
Interest and dividend income	0	1
Subsidy income	3	1
Gain on sale of investment securities	291	-
Surrender value of insurance policies	-	12
Other	1	3
Total non-operating income	297	18
Non-operating expenses		
Interest expenses	3	3
Foreign exchange losses	12	7
Commission expenses	1	0
Share of loss of entities accounted for using equity method	179	-
Loss on investments in investment partnerships	1	9
Other	7	7
Total non-operating expenses	204	28
Ordinary profit (loss)	(173)	110
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Total extraordinary income	0	0
Profit (loss) before income taxes	(172)	111
Income taxes - current	4	16
Income taxes - deferred	144	78
Total income taxes	149	95
Profit (loss)	(322)	16
Profit (loss) attributable to non-controlling interests	3	(9)
Profit (loss) attributable to owners of parent	(325)	25

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended August 31, 2022	Three months ended August 31, 2023
Profit (loss)	(322)	16
Other comprehensive income		
Valuation difference on available-for-sale securities	25	21
Foreign currency translation adjustment	13	11
Total other comprehensive income	39	32
Comprehensive income	(282)	49
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(286)	58
Comprehensive income attributable to non-controlling interests	3	(9)

(3) Notes to the quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(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, 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
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.

II First three months of the fiscal year ending May 31, 2024 (from June 1, 2023 to August 31, 2023)

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	6,814	599	7,413	90	7,504
Intersegment sales or transfers	1	0	2	27	29
Total	6,816	599	7,416	117	7,534
Segment profit (loss) (Note) 2	1,899	(91)	1,808	(26)	1,782

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)	1,899	(91)	(26)	(1,638)	143
Share-based payment expenses	(0)	(0)	–	(3)	(5)
Amortization of goodwill and amortization of intangible assets	12	5	9	–	27
Operating profit (loss)	1,887	(95)	(36)	(1,635)	120

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

2. Information on impairment losses of non-current assets or goodwill, etc. for each reportable segment

(Significant change in goodwill amount)

In the “Others” segment, the Company acquired shares of Institute of Language Understanding Inc. in the first quarter of the current fiscal year and included the company in the scope of consolidation. In the three months ended August 31, 2023, the resulting increase in goodwill amounted to ¥316 million.

(Significant events after reporting period)

Not applicable.