

Anticipated High-Interest Items in Q2 Results for Fiscal Year Ending May 31, 2025 (“FY2024”)

Consolidated Results/Others

Q1: How is your progress against the full-year forecasts?

Both net sales and adjusted operating profit are progressing steadily within the range of the full-year forecasts.

Since our sales primarily consist of recurring sales, our business model is one in which sales gradually accumulate and increase in scale with each passing quarter. Therefore, adjusted operating profit tends to be greater in the second half.

Q2: What factors contributed to the year-on-year increase in the gross profit margin for Q2 alone (3-month period)?

This is primarily due to an increase in the gross profit margin of Bill One as a result of improved operation to digitize analog information.

Q3: What factors contributed to the significant increase in adjusted operating profit beyond the growth rate of net sales?

Despite the rise in rents and one-off relocation expenses due to the head office relocation as well as increased personnel expenses due to aggressive hiring in the previous fiscal year, net sales grew and gross profit margin increased. This, along with other factors, resulted in an improved adjusted operating profit margin.

Q4: What factors contributed to the year-on-year decreases in operating profit and ordinary profit?

We issue multiple series of stock options to our executives and employees mainly for the purpose of further sharing value with shareholders. Some are stock options with a share price condition, which requires our share price to reach a predetermined level to exercise the options.

The accounting for the expensing of such stock options varies depending on the share price and other factors. Specifically, if the share price reaches the level specified by the exercise conditions during the exercise period, the full amount of the stock option is expensed; or otherwise, a certain amount is expensed in accordance with the share price at the end of the quarter.

Until the fiscal year ended May 2024, we had recorded a certain amount as share-based payment expenses based on the share price and other factors. As our share price rose and the exercise conditions were met for the 7th and 9th Series Stock Options issued in 2022, the entire remaining amount not previously expensed was recorded as an expense. Consequently, share-based payment expenses for the first quarter increased, leading to the decreases in the profits.

The 7th and 9th Series Stock Options were fully expensed in the first quarter, and share-based payment expenses for the second quarter alone came to ¥78 million.

Q5: What caused ordinary profit to decrease year on year, while profit attributable to owners of parent increased?

As was announced on August 19, 2024, we recorded a gain on sale of investment securities of ¥416 million as extraordinary income in the second quarter, following the sale of one issue of unlisted securities held by the Company.

Sansan/Bill One Business

Q6: What are the factors behind the sharp decline in the net growth of Sansan subscription for Q2 alone (3-month period) compared to Q1?

We believe this to be seasonal effects, as our new contracts tend to be higher in the second and fourth quarters of each fiscal year. Normally, it takes one to two months for new contracts to be reflected in actual results of net sales and the number of subscriptions. The net increase in the number of subscriptions in the first quarter grew sharply, reflecting the strong new contracts in the fourth quarter of the previous fiscal year, and therefore was larger than the net increase in the second quarter under review.

Q7: What were the results of new contracts for Sansan in Q2 alone (3-month period)?

Reflecting the progress made in developing our new sales personnel, whose number was increased in the previous fiscal year, the amount of new contracts won in the second quarter grew by 56.2% year on year, achieving a record high on a quarterly basis.

Q8: What were the results of new contracts for Bill One in Q2 alone (3-month period)?

Since the introduction of the Invoice System, the amount of new contracts had continued to decrease. However, the amount of new contracts in the second quarter increased by 31.0% quarter on quarter, reversing the downward trend, as the training progressed for our new sales personnel, whose number was significantly increased in the previous fiscal year. On a year-on-year basis, the amount grew by 8.3%.

Part of the amount of new contracts has already been incorporated in net sales for the second quarter. A quarterly net increase in MRR has also turned around from the shrinking trend.

Q9: How have Bill One Expense and Bill One Issue been performing?

Bill One Expense, which was launched in June 2024, has been performing well, with dozens of new contracts won each month. For Bill One Issue, which launched in September 2024, we will step up our sales efforts from the third quarter onwards.

Eight Business

Q10: What factors led to a significant quarter-on-quarter increase in net sales and a profitability of adjusted operating profit for Q2 alone (3-month period)?

This was primarily attributable to large-scale business events held in the second quarter.

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