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April 13, 2021

Financial Results for FY2020 Q3

Company name: Sansan, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date to file quarterly securities report: April 13, 2021
 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 nine months of the fiscal year ending May 31, 2021 (from June 1, 2020 to February 28, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended February 28, 2021	11,753	21.5	823	324.5	479	490.4	413	–
February 29, 2020	9,671	31.4	193	–	81	–	(94)	–

Note: Comprehensive income Nine months ended February 28, 2021: ¥400 million [–%]
 Nine months ended February 29, 2020: ¥(96) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
February 28, 2021	13.29	13.12
February 29, 2020	(3.05)	–

Note: Diluted earnings per share for the nine months ended February 29, 2020 is not stated because, although potential shares exist, basic loss per share was recorded.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
February 28, 2021	20,232	11,091	54.5
May 31, 2020	22,819	10,552	46.2

Reference: Equity
 As of February 28, 2021: ¥11,032 million
 As of May 31, 2020: ¥10,541 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, 2020	–	0.00	–	0.00	0.00
Fiscal year ending May 31, 2021	–	0.00	–		
Fiscal year ending May 31, 2021 (Forecast)				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, 2021 (from June 1, 2020 to May 31, 2021)

(Percentages indicate year-on-year changes.)

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

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

2. Although the Company is expecting to record a surplus in both 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.

*** 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: Yes
 - 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 February 28, 2021	31,165,234 shares
As of May 31, 2020	31,138,853 shares

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

As of February 28, 2021	40 shares
As of May 31, 2020	—

- c. Average number of outstanding shares during the period

For the nine months ended February 28, 2021	31,139,989 shares
For the nine months ended February 29, 2020	30,857,908 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 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 developing services tied to solving various issues that companies and business people face by using new approaches that combine “technology and data-input-based business card digitization systems” with “cloud software.”

In the first nine months of the fiscal year ending May 31, 2021, the Group engaged in initiatives such as strengthening the sales structure, including human resources, in order to realize continuous growth of net sales. Furthermore, the Group promoted the expanded use of the “Virtual Cards” function usable within “Sansan,” a B2B business card-based contact management service and “Eight,” a business card management app. Additionally, we focused on the launch of “Bill One,” an online invoice receiving solution.

As a result, net sales totaled ¥11,753,209 thousand (up 21.5% year on year) in the period under review, and despite a slight negative effect from the declaration of a state of emergency issued in some areas of Japan in January 2021, results were overall solid. Gross profit totaled ¥10,321,127 thousand (up 24.1% year on year), and gross profit margin was 87.8% (up 1.8 points year on year). All profit items following operating profit improved due to the large improvement in profit margin following increased net sales, despite an increase in advertising expenses and personnel expenses associated with the implementation of aggressive growth strategies. Operating profit was ¥823,156 thousand (up 324.5% year on year), ordinary profit was ¥479,331 thousand (up 490.4% year on year), and profit attributable to owners of parent was ¥413,870 thousand (compared to loss attributable to owners of parent of ¥94,154 thousand in the same period of the previous fiscal year).

Results by segment are as follows.

Our services of each business, 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 18-fold expansion from 2010 to 2018. 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 digital transformation, and greater attention being attracted to the SaaS (Software as a Service) products. As for the digital transformation 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 period under review, the Company continued to engage in initiatives, such as strengthening the sales structure through strategic hiring and expanding use of “Virtual Cards” function, 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, the number of “Sansan” subscriptions at the end of the period under review increased steadily to 7,523, up 14.2% year on year. In addition, monthly sales per subscription rose only slightly to ¥167 thousand, up 2.5% 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. Furthermore, 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 0.67% (an increase of 0.11 points year on year), maintaining a low churn rate of below 1% despite COVID-19 pandemic.

As a result, net sales totaled ¥10,651,094 thousand (up 19.3% year on year), of which recurring net sales (fixed revenue) in “Sansan” totaled ¥10,100,598 thousand (up 24.6% year on year) in the period under review. Segment profit totaled ¥4,528,774 thousand (up 40.0% 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 Ads,” a service that enables advertisements to be disseminated to “Eight” users, “Meets,” a business event that increases productivity by efficiently matching buyers and sellers, and “Eight Career Design,” a recruitment related service that enables hiring companies (corporate client users) to approach job seekers (individual users) on the job search platform.

In the period under review, the Company worked on strengthening monetization of the B2B service through “Eight Company Premium” and other methods. As a result, the number of “Eight Company Premium” subscriptions at the end of the period under review totaled 2,132, an increase of 57.5% year on year. The number of “Eight” users (Note 5.) totaled 2.86 million, an increase of 0.2 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 period under review totaled ¥1,104,415 thousand (up 49.1% year on year), of which net sales from B2C services totaled ¥221,820 thousand (up 1.9% year on year), and net sales from B2B services totaled ¥882,595 thousand (up 68.8% year on year). Segment loss was recorded at ¥538,710 thousand (compared to segment loss of ¥715,289 thousand in the same period of 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

Net sales and part of cost of sales related to “Bill One”, the online invoice receiving solution launched in May 2020, are allocated to each segment based on internally established rules, while the rest of cost of sales and all selling, general and administrative expenses are recorded as corporate expenses that are not allocated to each segment.

In the period under review, the number of subscriptions grew steadily by 86.5% compared to the end of the previous quarter as a result of strengthening the sales structure and advertising activities centered on TV commercials to realize the growth of “Bill One.” Going forward, we aim to have more than 1,000 subscriptions by the end of the fiscal year ending May 31, 2022 by promoting human resource recruitment, advertising activities, and service improvements, etc.

(2) Explanation of financial position

Assets

Total assets at the end of the third quarter of the fiscal year ending May 31, 2021 were ¥20,232,511 thousand, down ¥2,587,256 thousand from the end of the previous fiscal year. This was primarily due to a decrease of ¥2,154,945 thousand in cash and deposits, a decrease of ¥930,823 thousand in investment securities, an increase of ¥190,680 thousand in goodwill recorded as a result of making logmi a subsidiary through the acquisition of its shares, and an increase of ¥105,981 thousand in deferred tax assets.

Liabilities

Total liabilities at the end of the quarter under review were ¥9,141,085 thousand, down ¥3,126,061 thousand from the end of the previous fiscal year. This was primarily due to a decrease of ¥2,744,750 thousand in long-term borrowings, a decrease of ¥588,044 thousand in advances received from receiving a lump-sum payment of contract term fees from customers, and an increase of ¥489,015 thousand in accounts payable - other.

Net assets

Net assets at the end of the quarter under review were ¥11,091,426 thousand, up ¥538,805 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥413,870 thousand in retained earnings due to recording of profit attributable to owners of parent.

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

Although operating profit for the first nine months of the fiscal year ending May 31, 2021 has already exceeded the lower limit of the forecasts range, the full-year earnings forecasts announced at the beginning of the fiscal year remain unchanged, as we plan to consider and implement investments to achieve medium- to long-term growth in the fourth quarter.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of May 31, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	12,815,225	10,660,280
Accounts receivable - trade	441,060	442,953
Prepaid expenses	410,582	434,513
Other	176,945	140,569
Allowance for doubtful accounts	(3,621)	(4,630)
Total current assets	13,840,192	11,673,686
Non-current assets		
Property, plant and equipment	414,467	531,461
Intangible assets		
Software	925,803	1,007,208
Goodwill	-	190,680
Other	261	164
Total intangible assets	926,064	1,198,052
Investments and other assets		
Investment securities	6,941,596	6,010,773
Leasehold deposits	549,412	560,383
Deferred tax assets	145,185	251,166
Other	2,850	6,988
Total investments and other assets	7,639,043	6,829,311
Total non-current assets	8,979,576	8,558,825
Total assets	22,819,768	20,232,511

(Thousands of yen)

	As of May 31, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	102,922	108,926
Short-term borrowings	20,000	200,000
Current portion of long-term borrowings	1,267,490	1,171,872
Accounts payable - other	596,265	1,085,280
Income taxes payable	225,471	103,486
Accrued consumption taxes	429,584	224,361
Advances received	5,289,822	4,701,778
Provision for bonuses	289,551	173,612
Other	114,449	188,270
Total current liabilities	8,335,558	7,957,588
Non-current liabilities		
Long-term borrowings	3,892,598	1,147,847
Other	38,990	35,649
Total non-current liabilities	3,931,588	1,183,497
Total liabilities	12,267,147	9,141,085
Net assets		
Shareholders' equity		
Share capital	6,236,650	6,281,556
Capital surplus	3,977,043	4,021,948
Retained earnings	344,184	758,054
Treasury shares	–	(262)
Total shareholders' equity	10,557,879	11,061,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	(23,301)
Foreign currency translation adjustment	(15,921)	(5,876)
Total accumulated other comprehensive income	(15,921)	(29,178)
Share acquisition rights	10,663	54,887
Non-controlling interests	–	4,419
Total net assets	10,552,621	11,091,426
Total liabilities and net assets	22,819,768	20,232,511

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended February 29, 2020	Nine months ended February 28, 2021
Net sales	9,671,494	11,753,209
Cost of sales	1,357,551	1,432,082
Gross profit	8,313,942	10,321,127
Selling, general and administrative expenses	8,120,038	9,497,971
Operating profit	193,904	823,156
Non-operating income		
Interest and dividend income	1,590	536
Cancellation penalty income	2,149	3,249
Subsidy income	-	5,295
Gain on sales of investment securities	-	32,897
Gain on investments in investment partnerships	-	2,802
Other	921	933
Total non-operating income	4,660	45,714
Non-operating expenses		
Interest expenses	10,329	19,527
Share issuance costs	28,102	-
Stock market listing expenses	15,049	-
Commission expenses	19,457	24,135
Foreign exchange losses	1,309	1,433
Share of loss of entities accounted for using equity method	37,914	232,439
Penalty loss on cancellation of rental contracts	-	92,953
Other	5,215	19,049
Total non-operating expenses	117,378	389,538
Ordinary profit	81,186	479,331
Extraordinary losses		
Loss on retirement of non-current assets	6,421	3,798
Impairment loss	37,854	-
Loss on cancellation of events	54,087	-
Total extraordinary losses	98,363	3,798
Profit (loss) before income taxes	(17,177)	475,533
Income taxes - current	76,977	167,775
Income taxes - deferred	-	(105,981)
Total income taxes	76,977	61,794
Profit (loss)	(94,154)	413,739
Loss attributable to non-controlling interests	-	(130)
Profit (loss) attributable to owners of parent	(94,154)	413,870

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended February 29, 2020	Nine months ended February 28, 2021
Profit (loss)	(94,154)	413,739
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(23,301)
Foreign currency translation adjustment	(1,990)	10,044
Total other comprehensive income	(1,990)	(13,256)
Comprehensive income	(96,145)	400,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(96,145)	400,613
Comprehensive income attributable to non-controlling interests	-	(130)

(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.

(Segment information, etc.)

[Segment information]

I First nine months of the fiscal year ended May 31, 2020 (from June 1, 2019 to February 29, 2020)

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

(Thousands of yen)

	Reportable segments			Adjustments (Note) 1	Amount in the quarterly consolidated financial statement (Note) 2
	Sansan Business	Eight Business	Total		
Net sales					
Sales to external customers	8,930,916	740,577	9,671,494	–	9,671,494
Intersegment sales or transfers	–	–	–	–	–
Total	8,930,916	740,577	9,671,494	–	9,671,494
Segment profit (loss)	3,235,948	(715,289)	2,520,658	(2,326,754)	193,904

Notes: 1. The adjustments stated for segment profit (loss) of negative ¥2,326,754 thousand comprises the amounts of corporate expenses not attributable to any reportable segment and mostly consists of general and administrative expenses.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

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

(Significant impairment loss on non-current assets)

As corporate expenses not belonging to the Sansan Business, Eight Business and any reportable segment, the Company reduced the carrying amounts for software to their recoverable amounts and recorded the amounts of reduction in impairment loss.

The relevant amounts recorded in impairment loss for the nine months ended February 29, 2020 were ¥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.

II First nine months of the fiscal year ending May 31, 2021 (from June 1, 2020 to February 28, 2021)

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

(Thousands of yen)

	Reportable segments			Adjustments (Note) 1	Amount in the quarterly consolidated financial statement (Note) 2
	Sansan Business	Eight Business	Total		
Net sales					
Sales to external customers	10,651,094	1,102,115	11,753,209	–	11,753,209
Intersegment sales or transfers	–	2,300	2,300	(2,300)	–
Total	10,651,094	1,104,415	11,755,509	(2,300)	11,753,209
Segment profit (loss)	4,528,774	(538,710)	3,990,064	(3,166,908)	823,156

Notes: 1. The adjustments stated for segment profit (loss) of negative ¥3,166,908 thousand comprises the amounts of corporate expenses not attributable to any reportable segment and mostly consists of general and administrative expenses.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

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

(Significant change in goodwill amount)

During the first quarter of the fiscal year ending May 31, 2021, goodwill was recorded in the “Eight Business” segment due to the inclusion of logmi in the scope of consolidation as a consolidated subsidiary through the purchase of that company’s shares. In the nine months ended February 28, 2021, the resulting increase in goodwill amounted to ¥190,680 thousand.

(Significant events after reporting period)

Not applicable.