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April 13, 2020

Financial Results for FY2019 Q3

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 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date to file quarterly securities report: April 13, 2020
 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, 2020 (from June 1, 2019 to February 29, 2020)

(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 29, 2020	9,671	31.4	193	–	81	–	(94)	–
February 28, 2019	7,361	–	(655)	–	(684)	–	(688)	–

Note: Comprehensive income Nine months ended February 29, 2020: ¥ (96) million [–%]
 Nine months ended February 28, 2019: ¥ (686) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
February 29, 2020	(3.05)	–
February 28, 2019	(32.25)	–

Note: Diluted earnings per share 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 29, 2020	21,253	10,125	47.6
May 31, 2019	9,079	3,372	37.0

Reference: Equity

As of February 29, 2020: ¥10,114 million

As of May 31, 2019: ¥3,362 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, 2019	–	0.00	–	0.00	0.00
Fiscal year ending May 31, 2020	–	0.00	–		
Fiscal year ending May 31, 2020 (Forecast)				–	–

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

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2020 (from June 1, 2019 to May 31, 2020)

(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, 2020	13,221	29.5	591	–	485	–	–	–	–

Notes: 1. Revisions to the earnings forecasts most recently announced: Yes

2. Although the Company is expecting to return to the black and post a 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: 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 February 29, 2020	31,138,853 shares
As of May 31, 2019	29,432,353 shares

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

As of February 29, 2020	–
As of May 31, 2019	–

- c. Average number of outstanding shares during the period

For the nine months ended February 29, 2020	30,857,908 shares
For the nine months ended February 28, 2019	21,359,481 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,” the Group is developing services tied to solving various issues that companies and business people face, such as business card management, by using new approaches that combine “technology and data-input-based business card digitization systems” with “cloud software.” Specifically, the Group operates the Sansan Business, which provides “Sansan,” a cloud-based business card management service that enables users to digitize business cards in order to visualize and share the networks between individuals, and the Eight Business, which operates “Eight”: Your Business Card Management App that incorporates a system of social networking services and changes business cards into a business network. In addition, the DSOC (Data Strategy & Operation Center), which serves as Data Integration Division, takes on the job of digitizing business cards as both business’s shared infrastructure. The DSOC continues to pursue new technology development and improvement in data-input operations.

The Sansan and Eight Businesses that the Group provides are services used by many companies and business people and are based on a basic business need of business card management, and the data and information collected form the backbone of those services. Therefore, we believe that there is high potential for syncing with other services and databases and that all the requirements are there for a business platform. Accordingly, by increasing the value of these two businesses as a business platform, we believe they have the special characteristic of providing easy access to various business opportunities.

In the first nine months of the fiscal year ending May 31, 2020, the Company engaged in initiatives such as strengthening the sales structure, including human resources, in order to realize continuous growth of net sales.

As a result, the Sansan Business and the Eight Business have performed steadily, and net sales totaled ¥9,671,494 thousand (up 31.4% year on year), gross profit totaled ¥8,313,942 thousand (up 34.4% year on year), and gross profit margin was 86.0% (up 1.9 points year on year) in the period under review. In addition, operating profit was ¥193,904 thousand (compared to operating loss of ¥655,001 thousand in the previous fiscal year), and ordinary profit was ¥81,186 thousand (compared to ordinary loss of ¥684,255 thousand in the previous fiscal year). The Company has suspended the holding of “Sansan Innovation Project 2020,” a business conference sponsored by the Company that was to be held on March 12-13, 2020, and various seminars due to the spread of a novel coronavirus (COVID-19). As a result of recording extraordinary losses of ¥54,087 thousand in various costs for the preparation to hold these events, etc., loss attributable to owners of parent of ¥94,154 thousand (compared to loss attributable to owners of parent of ¥688,904 thousand in the previous fiscal year) was recorded.

Results by segment are as follows.

(i) Sansan Business

In the Sansan Business, the Company develops “Sansan,” the B2B cloud-based business card management service, based on the concept of “Effortless organization. Seamlessly simple.” By using “Sansan” to solve various issues faced by companies, such as “information on the exchange of business cards is not shared within the company” and “we don’t think about the value held by business card information,” and change the business cards with dormant potential in the company into an asset that can be used through business activities, we believe we are able to maximize the value of business “encounters.” Simply by having the user companies scan their business cards, it becomes possible to accurately digitize the business card information using data input operators, etc. of the Group and of external information processing partners and use the business card management functions through the cloud-based applications. With these features, not only can individual employees manage their business cards, it also becomes possible to share Contact Data throughout the organization. Furthermore, Sansan provides a broad range of customer management tools, such as the distribution of news on personnel changes to inform people of the latest personnel information and the ability to send batch emails.

Through the ability to quickly access the cloud-based Contact Data from PCs or smartphones and the ability to utilize the functions to search such data and use call/messaging functions, etc., business people are able to realize improvements in productivity, general office operations, and cost cutting benefits. Moreover, we believe that the ability to share Contact Data inside the organization, aggregate the customer data existing inside the company and other such benefits will give shape to advanced marketing activities, customer management, and the like that will lead to the creation of business opportunities for the user company.

As a business model, the Company is pursuing a monthly fee for licenses on the premise of all staff members in the user company using the service (company-wide use). The monthly usage fee is calculated by the usage fees of the optional functions, scanner rental fees, etc. being added to the license cost, which is calculated based on the number of business cards that are digitized in the user company. In addition, at the time the service is being introduced, additional paid services are provided relating to the digitization of the existing large volumes of paper-format business cards retained by the user company, activities to support introduction, etc.

For the period under review, the Company continued to engage in initiatives such as strengthening the sales structure, including hiring of salespeople, in order to further increase the number of subscriptions and increase monthly sales per subscription for “Sansan,” a cloud-based business card management service. As a result, in addition to progress in the use of our services by major manufacturers, the Company has also steadily acquired new subscriptions among medium to small enterprises due to a revision of pricing strategy. At the end of the third quarter of the fiscal year ending May 31, 2020, the number of “Sansan” subscriptions totaled 6,587, up 14.8% year on year, and monthly sales per subscription was ¥163 thousand, up 14.0% year on year. Furthermore, as a result of carrying out ongoing initiatives to expand use among existing customers to achieve a stronger customer foundation, the last 12 months average of monthly churn rate (Note 1.) was 0.55%, an improvement of 0.18 points year on year.

As a result, net sales totaled ¥8,930,916 thousand (up 27.9% year on year) and segment profit totaled ¥3,235,948 thousand (up 64.3% year on year) in the period under review.

The Company announced “Sansan Plus,” a new business strategy, on March 11, 2020. “Sansan Plus” is a business platform that can improve work efficiency and enhance the value of data, and it enables “Sansan” users to consolidate various operations on “Sansan”.

Sansan Plus comprises three concepts: “Sansan Plus App,” “Sansan Plus Consulting,” and “Sansan Plus Integration.” Together with each partner company, “Sansan Plus” provides various applications, consolidates various data accumulated within a company, and provides consultation on digital initiatives, based on the accurate business card data created through “Sansan.” Through these efforts, “Sansan Plus” can propel corporate growth.

First, “Sansan Plus App” is a package of optional functions usable within “Sansan” by integrating “Sansan” with external services, and it provides value and functionality that did not previously exist by serving as the gateway for integrating business card data with these external services. Optional functions are shown in the table below.

Table of optional functions in the “Sansan Plus App”

Name of function	Overview of function	Date of provision (planned)
Salesforce Opportunity Integration	Enables users to check Salesforce data related to the companies of people with whom they have exchanged business cards, and understand the status of business negotiations	Now available
Risk Intelligence powered by Refinitiv	Enables users to check for antisocial forces just by scanning a business card	Now available
Questionnaires powered by CREATIVE SURVEY	Enables efficient use of questionnaires when holding seminars	Now available
Referral Recruitment for Eight	Enables use of human networks of internal staff in recruitment activities through integration with “Eight Career Design”	Now available
Contract Management for CloudSign	Enables understanding of the status of contracts concluded between one’s own company and the companies of people with whom one has exchanged business cards	May 2020
Corporate Information Database powered by Teikoku Databank	Enables visualization of Teikoku Databank information held by the user after linking it with business cards	June 2020

Next, the Company worked in collaboration with Accenture Japan Ltd for “Sansan Plus Consulting,” which provides consulting support for digitization for companies using the various services within “Sansan.”

Finally, the Company worked in collaboration with toBe marketing, inc. and Realize Corporation on data integration efforts for “Sansan Plus Integration,” which provides consultation for the integration of internal data that is scattered throughout a company. The Company will provide data consulting services for using “Sansan Data Hub,” which is the data integration solution provided by “Sansan,” together with solutions at individual companies.

In addition, against a backdrop of remote working and working styles that use the internet rapidly expanding, the Company has decided to install “Online Business Cards / Online Business Card Exchange” functions to “Sansan.” By using these functions, “Sansan” users will be able to easily send their business card information using the internet. The Company is planning to provide this function as a basic function of “Sansan” in June 2020.

Note 1. 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 operates the business card application “Eight” as the new business network service that goes beyond pure business card management to incorporate a system of social networking services based on the concept of “Business-Focused SNS Connected with Business Cards.”

We believe that through using “Eight,” it will be possible to resolve issues that business people struggle with such as “I’m not making use of my business encounters” and “I cannot easily access my business card information.” “Eight,” like “Sansan,” is a service whereby the business card information of the user and their contacts are accurately digitized simply through scanning the business cards. In the case of “Eight,” first, by registering their own business card, the user creates their own page, which they can use throughout their business life, and on that page, they are able to manage their profile. Next, by registering the business cards of their contacts, the user is able to make use of the business card management functions, and all the Contact Data that has been converted to cloud-based data can be accessed at any time from either a smartphone or a PC. Furthermore, when the information of a contact who is connected through the networking service changes, the most recent information will be automatically updated in the registered Contact Data, and the user will be notified of this change. Users are also able to use a messaging function for

business chats, and they are able to more smoothly utilize their own personal business networks. Users can also use the service for collecting corporate information that interests them and performing job searching activities.

As a business model, the Company bases the business on the application 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 through “Eight Company Premium,” the B2B service, and other methods in “Eight,” the business card application. As a result, the number of “Eight Company Premium” subscriptions at the end of the quarter under review totaled 1,354, an increase of 116.6% year on year and the number of “Eight” users (Note 2.) totaled 2.65 million, an increase of 0.29 million year on year.

As a result, net sales for the period under review totaled ¥740,577 thousand (up 95.2% year on year), of which net sales from B2C services totaled ¥217,687 thousand (up 27.1% year on year), and net sales from B2B services totaled ¥522,890 thousand (up 151.3% year on year). Segment loss was recorded at ¥715,289 thousand (compared to ¥907,819 thousand in the previous fiscal year) due to being in the phase in which upfront investments were being made to increase future profitability.

Note 2. Number of confirmed users that downloaded the application and registered their own business cards.

(2) Explanation of financial position

Assets

Total assets at the end of the third quarter of the fiscal year ending May 31, 2020 were ¥21,253,128 thousand, up ¥12,174,012 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥6,555,520 thousand in cash and deposits from issuing new shares, etc. and an increase of ¥5,235,820 thousand in investment securities as a result of investment into WingArc1st.

Liabilities

Total liabilities at the end of the quarter under review were ¥11,128,010 thousand, up ¥5,421,858 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥4,030,112 thousand in long-term borrowings as a result of borrowing money to procure investment capital for WingArc1st, an increase of ¥1,063,302 thousand in current portion of long-term borrowings and an increase of ¥87,839 thousand in advances received from receiving a lump-sum payment of contract term fees from customers.

Net assets

Net assets at the end of the quarter under review were ¥10,125,118 thousand, up ¥6,752,153 thousand from the end of the previous fiscal year. This was primarily due to increases of ¥3,424,149 thousand in each of share capital and capital surplus from issuing new shares in association with the listing of the Company’s common shares on the Tokyo Stock Exchange Mothers, and a decrease of ¥94,154 thousand in retained earnings due to recording of loss attributable to owners of parent. In addition, the Company reduced capital surplus by ¥947,106 thousand and transferred them to retained earnings in order to achieve future flexible and dynamic capital policy by eliminating cumulative loss early based on the resolution at the meeting of the Board of Directors that took place on July 30, 2019.

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

In the Eight Business, the Company revised the number of events to be held downward as a result of greatly revising the events planned to be held for the business event “Meets” after taking performance, etc. until the second quarter into consideration. In addition, as a result of circumstances such as the possible postponement of a large-scale event and other events that were planned for the fourth quarter due to the spread of the novel coronavirus (COVID-19), the Company is expecting financial results to fall short of the earnings forecasts made at the beginning of the fiscal year.

In the Sansan Business, as a result of the strengthening of the sales structure, which proceeded from the second half of the previous fiscal year, steady growth continued year on year through the third quarter. Due to the spread of the novel coronavirus (COVID-19), the business environment is partially uncertain in the fourth quarter from the aspect of new subscription acquisition, but the Sansan Business performance is expected to be largely in line with the earnings forecasts made at the beginning of the fiscal year. Although there is a rapidly growing trend of expanding diverse working styles such as remote work and non-face-to-face sales, significant impacts on existing subscriptions in the Sansan Business, which accounts for a large portion of the Company’s financial results, are not expected to occur. This is because “Sansan,” a cloud-based business card management service, has the ability to support a variety of working styles such as remote work due to having the special characteristic of being able to access customer information with a high level of security regardless of time and place, in addition to having a low average monthly churn rate of 0.55% for the most recent 12 months at the end of February 2020. Furthermore, the payment model has been constructed in a manner where it is difficult to feel the impact of short-term changes in the business environment by concluding yearly contracts where the yearly usage fee is set in advance.

As a result of the above, consolidated sales are expected to total ¥13,221,000 thousand (¥595,000 thousand decrease from the previous forecast). In light of the uncertain business environment, consolidated operating profit is expected to total ¥591,000 thousand (¥133,000 thousand decrease from the previous forecast) as a result of flexibly reviewing a portion of the investment plan, focusing on advertising activities. Furthermore, consolidated ordinary profit is expected to total ¥485,000 thousand (¥185,000 thousand decrease from the previous forecast).

For details, please see “Notification regarding Booking of Non-operating Expenses and Extraordinary Losses, and Revision of Consolidated Full-year Earnings Forecasts,” which was separately disclosed on April 13, 2020.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of May 31, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	5,627,035	12,182,555
Accounts receivable - trade	318,354	330,996
Prepaid expenses	322,660	471,167
Consumption taxes receivable	266	301
Other	32,996	26,216
Allowance for doubtful accounts	(2,704)	(3,154)
Total current assets	6,298,608	13,008,083
Non-current assets		
Property, plant and equipment	406,924	469,339
Intangible assets		
Software	834,737	887,218
Other	390	293
Total intangible assets	835,127	887,512
Investments and other assets		
Investment securities	1,093,800	6,329,620
Leasehold deposits	439,537	555,155
Other	5,118	3,417
Total investments and other assets	1,538,455	6,888,193
Total non-current assets	2,780,508	8,245,045
Total assets	9,079,116	21,253,128

(Thousands of yen)

	As of May 31, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	96,169	92,989
Short-term borrowings	18,000	80,000
Current portion of long-term borrowings	133,134	1,196,436
Accounts payable - other	770,424	760,223
Income taxes payable	41,283	141,354
Accrued consumption taxes	184,745	251,566
Advances received	3,923,177	4,011,016
Provision for bonuses	199,010	140,154
Provision for loss on closure of business locations	6,960	-
Other	55,868	146,353
Total current liabilities	5,428,772	6,820,094
Non-current liabilities		
Long-term borrowings	233,714	4,263,826
Other	43,664	44,089
Total non-current liabilities	277,378	4,307,915
Total liabilities	5,706,151	11,128,010
Net assets		
Shareholders' equity		
Share capital	2,812,501	6,236,650
Capital surplus	1,500,000	3,977,043
Retained earnings	(942,592)	(89,640)
Total shareholders' equity	3,369,909	10,124,053
Accumulated other comprehensive income		
Foreign currency translation adjustment	(7,607)	(9,598)
Total accumulated other comprehensive income	(7,607)	(9,598)
Share acquisition rights	10,663	10,663
Total net assets	3,372,965	10,125,118
Total liabilities and net assets	9,079,116	21,253,128

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

(Thousands of yen)

	Nine months ended February 28, 2019	Nine months ended February 29, 2020
Net sales	7,361,986	9,671,494
Cost of sales	1,175,608	1,357,551
Gross profit	6,186,378	8,313,942
Selling, general and administrative expenses	6,841,380	8,120,038
Operating profit	(655,001)	193,904
Non-operating income		
Interest and dividend income	1,462	1,590
Cancellation penalty income	6,750	2,149
Other	3,840	921
Total non-operating income	12,054	4,660
Non-operating expenses		
Interest expenses	3,506	10,329
Loss on cancellation of leases	8,836	–
Share issuance cost	10,530	28,102
Stock market listing expenses	–	15,049
Commission expenses	2,002	19,457
Foreign exchange losses	190	1,309
Loss on cancellation of rental contracts	16,130	–
Share of loss of entities accounted for using equity method	–	37,914
Other	112	5,215
Total non-operating expenses	41,307	117,378
Ordinary profit	(684,255)	81,186
Extraordinary income		
Gain on reversal of share acquisition rights	4,725	–
Total extraordinary income	4,725	–
Extraordinary losses		
Loss on retirement of non-current assets	3,976	6,421
Impairment loss	–	37,854
Loss on cancellation of events	–	54,087
Total extraordinary losses	3,976	98,363
Loss before income taxes	(683,507)	(17,177)
Income taxes - current	5,397	76,977
Loss	(688,904)	(94,154)
Loss attributable to owners of parent	(688,904)	(94,154)

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended February 28, 2019	Nine months ended February 29, 2020
Loss	(688,904)	(94,154)
Other comprehensive income		
Foreign currency translation adjustment	2,639	(1,990)
Total other comprehensive income	2,639	(1,990)
Comprehensive income	(686,264)	(96,145)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(686,264)	(96,145)

(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)

The share capital and the capital surplus both received an addition of ¥3,424,149 thousand due to the new issuance of shares in association with the listing of the Company's common shares on the Tokyo Stock Exchange Mothers. On the other hand, mainly as a result of deducting the amount of ¥947,106 thousand of capital surplus and transferring it to retained earnings in order to eliminate cumulative loss, the share capital, capital surplus and retained earnings were ¥6,236,650 thousand, ¥3,977,043 thousand, and ¥(89,640) thousand, respectively.

(Segment information, etc.)

[Segment information]

First nine months of the fiscal year ended May 31, 2019 (from June 1, 2018 to February 28, 2019)

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

(Thousands of yen)

	Reportable segment			Adjustments (Note) 1	Amount in the quarterly consolidated financial statement (Note) 2
	Sansan Business	Eight Business	Total		
Net sales					
Sales to external customers	6,982,603	379,383	7,361,986	–	7,361,986
Inter-segment sales and transfers	–	–	–	–	–
Total	6,982,603	379,383	7,361,986	–	7,361,986
Segment profit (loss)	1,969,968	(907,819)	1,062,149	(1,717,151)	(655,001)

- Notes: 1. The adjustments stated for segment profit (loss) of negative ¥1,717,151 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 loss in the quarterly consolidated statement of income.

First nine months of the fiscal year ending 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 segment			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
Inter-segment sales and 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.

(Significant events after reporting period)

Addition of equity-method affiliate through acquisition of shares

The Company resolved at an extraordinary meeting of the Board of Directors held on April 3, 2020 to acquire shares of SATORI, Inc. (hereinafter “SATORI”), and purchased the shares on April 9, 2020. As a result of acquiring the shares, the Company’s ownership of SATORI became 27.4%, making SATORI an equity-method affiliate of the Company.

1. Purpose

With the aim of enhancing both its shareholder and corporate value over the medium- to long-term, the Group is working for further growth in the Sansan Business and monetization of the Eight Business. In the Sansan Business, in addition to expanding usage of “Sansan,” promoting the involvement of the “Sansan” business platform by linking with external services and strengthening in-house development is one of the Company’s key growth strategies.

Under these strategies, the Company acquired shares of SATORI, which develops and sells marketing automation tools, and by making SATORI an equity-method affiliate, is working to further increase its service value.

2. Overview of the company whose shares were acquired

- (1) Company name: SATORI, Inc.
- (2) Head office: SHIBUYA CULTURAL CENTER OWADA 11F, 23-21 Sakuragaoka-cho, Shibuya-ku, Tokyo
- (3) Representative: Kosuke Ueyama
- (4) Description of business: Development and sales of marketing automation tools
- (5) Capital: 1,513 million yen
- (6) Founded: September 2015

3. Number of shares held after acquisition, acquisition costs and ownership after acquisition

- (1) Number of shares held after acquisition: 46,646 shares
- (2) Acquisition costs: Due to a confidentiality requirement for the related parties, the Company is refraining from disclosing the acquisition costs. However, fair and valid acquisition costs were ensured based on the stock valuation by an expert and were decided after discussions were held with the parties involved in the acquisition.
- (3) Ownership after acquisition: 27.4%

4. Method of procurement of payment funds and payment

Using own capital