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January 14, 2020

## Financial Results for FY2019 Q2

Company name: Sansan, Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4443  
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 Scheduled date to file quarterly securities report: January 14, 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 six months of the fiscal year ending May 31, 2020 (from June 1, 2019 to November 30, 2019)

#### (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	%
Six months ended								
November 30, 2019	6,294	–	109	–	17	–	(91)	–
November 30, 2018	–	–	–	–	–	–	–	–

Note: Comprehensive income Six months ended November 30, 2019: ¥(88) million [–%]  
 Six months ended November 30, 2018: ¥– million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
November 30, 2019	(2.97)	–
November 30, 2018	–	–

Notes: 1. As the Company has not prepared consolidated financial statements for the six months ended November 30, 2018, the financial figures and the percentage indicating year-on-year changes are not shown for the six months ended November 30, 2018 and the percentage indicating year-on-year changes is not shown for the six months ended November 30, 2019.

2. 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	%
November 30, 2019	21,208	10,127	47.7
May 31, 2019	9,079	3,372	37.0

Reference: Equity

As of November 30, 2019: ¥10,116 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	13,816	35.4	724	–	670	–	–	–	–

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

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 November 30, 2019	31,058,853 shares
As of May 31, 2019	29,432,353 shares

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

As of November 30, 2019	–
As of May 31, 2019	–

- c. Average number of outstanding shares during the period

For the six months ended November 30, 2019	30,726,509 shares
For the six months ended November 30, 2018	–

Note: As the Company has not prepared consolidated financial statements for the six months ended November 30, 2018, the average number of outstanding shares during the period for the six months ended November 30, 2018 is not shown.

- \* 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 B2B 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 six 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 ¥6,294,801 thousand, gross profit totaled ¥5,382,518 thousand, and gross profit margin was 85.5% in the period under review. In addition, for multi-step profit or loss under operating profit or loss, operating profit was ¥109,840 thousand, ordinary profit was ¥17,203 thousand, and loss attributable to owners of parent was ¥91,110 thousand.

As a result of the Company issuing a public offering of shares by original placement and a secondary offering of shares by an over-allotment to a third party through newly listing on the Tokyo Stock Exchange Mothers on June 19, 2019, the Company has increased its capital through an allotment of new shares. The Company plans to use the ¥6,843,498 thousand in proceeds as working capital by making marketing investments such as advertising expenses and sales promotion expenses, personnel expenses, and recruiting expenses.

Additionally, on November 1, 2019, the Company entered into a capital and business alliance agreement with WingArc1st Inc. (hereinafter, “WingArc1st”), with the aim of increasing the scalability and value of “Sansan” as a business platform, and acquired 11.44% of the total number of issued shares of WingArc1st for ¥4,998 million. All funds to acquire these shares were appropriated from ¥5,000 million of borrowings from financial institutions. Under this agreement, WingArc1st’s “MotionBoard” (Note 1.) is being developed as an application that can be used with “Sansan,” and the Company is planning to expand its analysis function for business card data and customer information, and cross-sell it through business activities.

Note 1. An information utilization dashboard service whose concept is to bring innovation to companies by integrating and visualizing various information and data that exists within and outside the company, and changing it into valuable information. Its characteristics include rich expression and real time processing, as well as superior usability and maintainability.

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 “AI Contact Management” 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.

Furthermore, in addition to these basic functions, we also provide “Collaboration with Colleagues” with a feature that provides access to in-house address books, thereby facilitating the smooth sharing of information among co-workers, and a feature that enables visualization of in-house strengths and knowledge, and “Sansan Data Hub,” which enables syncing with in-house databases and advanced aggregation of complex customer data. 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 B2B cloud-based business card management service. As a result, in addition to progress in the use of our services by financial institutions and government agencies, the Company has also steadily acquired new customers among medium to small enterprises. At the end of the period under review, the number of “Sansan” subscriptions totaled 6,263, up 11.5% 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 2.) was 0.54%, an improvement of 0.25 points year on year.

In addition, the Company has decided to jointly develop antisocial forces check optional function which can scan a business card and check if that company works with antisocial forces, with Refinitiv Japan K.K., which possesses data and information about antisocial forces, with the aim of promoting the platform development of “Sansan.”

As a result, net sales totaled ¥5,789,973 thousand and segment profit totaled ¥2,112,931 thousand in the period under review.

Note 2. 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. 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, 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 B2C Business Card Management App. As a result, the number of “Eight Company Premium” subscriptions under review totaled 1,164, an increase of 149.8% year on year and the number of “Eight” users (Note 3.) totaled 2.58 million, an increase of 0.29 million year on year at the end of the period under review.

As a result, net sales for the period under review totaled ¥504,828 thousand, of which net sales from B2C services totaled ¥143,207 thousand and net sales from B2B services totaled ¥361,621 thousand. Segment loss was recorded at ¥466,528 thousand due to being in the phase in which upfront investments were being made to increase future profitability.

Note 3. Number of confirmed users that downloaded the application and registered their own business cards.

**(2) Explanation of financial position**

(i) Status of assets, liabilities and equity

Assets

Total assets at the end of the second quarter of the fiscal year ending May 31, 2020 were ¥21,208,951 thousand, up ¥12,129,835 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥6,780,657 thousand in cash and deposits from issuing new shares, etc. and an increase of ¥5,019,029 thousand in investment securities as a result of investment into WingArc1st.

Liabilities

Total liabilities at the end of the quarter under review were ¥11,081,314 thousand, up ¥5,375,163 thousand from the end of the previous fiscal year. This was primarily due to an increase of ¥3,889,292 thousand in long-term borrowings as a result of borrowing money to procure investment capital for

WingArc1st, an increase of ¥1,045,540 thousand in current portion of long-term borrowings and an increase of ¥114,544 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 ¥10,127,637 thousand, up ¥6,754,671 thousand from the end of the previous fiscal year. This was primarily due to increases of ¥3,421,749 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 ¥91,110 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.

#### (ii) Status of cash flows

Cash and cash equivalents (hereinafter "capital") at the end of the quarter under review totaled ¥12,247,252 thousand, an increase of ¥6,778,757 thousand compared to the end of the previous fiscal year. This increase includes the effect of ¥235 thousand due to exchange fluctuations on capital.

#### Cash flows from operating activities

The amount of capital provided by operating activities totaled ¥728,706 thousand. The main reasons for this increase were recognition of depreciation, non-cash expense, of ¥291,422 thousand, an increase of ¥214,381 thousand in accounts payable - other and an increase of ¥114,534 thousand in advances received, and the main factor for the decrease was an increase of ¥125,713 thousand in prepaid expenses.

#### Cash flows from investing activities

The amount of capital used in investing activities totaled ¥5,664,749 thousand. This was primarily due to ¥5,045,734 thousand generated from the purchase of investment securities as a result of the acquisition of shares, etc. of WingArc1st.

#### Cash flows from financing activities

The amount of capital provided by financing activities totaled ¥11,714,565 thousand. This was primarily due to ¥6,815,396 thousand in proceeds from the issuance of shares in association with the listing of the Company's common shares on the Tokyo Stock Exchange Mothers, and ¥4,980,545 thousand in proceeds from long-term borrowings as capital to acquire shares of WingArc1st.

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

The forecasts of consolidated financial results for the fiscal year ending May 31, 2020 have not changed from the forecast announced on July 12, 2019. Note that because the Company actively carried out advertising activities, focusing on TV commercials implemented in the second quarter, the progress rate for achieving the targeted operating profit has become low in the period under review, but the results are in line with the initial targets.



## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of May 31, 2019	As of November 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	5,627,035	12,407,692
Accounts receivable - trade	318,354	307,149
Prepaid expenses	322,660	450,551
Consumption taxes receivable	266	388
Other	32,996	14,249
Allowance for doubtful accounts	(2,704)	(2,939)
<b>Total current assets</b>	<b>6,298,608</b>	<b>13,177,092</b>
Non-current assets		
Property, plant and equipment	406,924	464,290
Intangible assets		
Software	834,737	870,039
Other	390	325
<b>Total intangible assets</b>	<b>835,127</b>	<b>870,364</b>
Investments and other assets		
Investment securities	1,093,800	6,112,829
Leasehold deposits	439,537	579,822
Other	5,118	4,551
<b>Total investments and other assets</b>	<b>1,538,455</b>	<b>6,697,203</b>
<b>Total non-current assets</b>	<b>2,780,508</b>	<b>8,031,859</b>
<b>Total assets</b>	<b>9,079,116</b>	<b>21,208,951</b>

(Thousands of yen)

	As of May 31, 2019	As of November 30, 2019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	96,169	86,166
Short-term borrowings	18,000	21,165
Current portion of long-term borrowings	133,134	1,178,674
Accounts payable - other	770,424	931,939
Income taxes payable	41,283	120,621
Accrued consumption taxes	184,745	156,598
Advances received	3,923,177	4,037,721
Provision for bonuses	199,010	257,751
Provision for loss on closure of business locations	6,960	–
Other	55,868	118,635
<b>Total current liabilities</b>	<b>5,428,772</b>	<b>6,909,274</b>
Non-current liabilities		
Long-term borrowings	233,714	4,123,006
Other	43,664	49,033
<b>Total non-current liabilities</b>	<b>277,378</b>	<b>4,172,039</b>
<b>Total liabilities</b>	<b>5,706,151</b>	<b>11,081,314</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,812,501	6,234,250
Capital surplus	1,500,000	3,974,643
Retained earnings	(942,592)	(86,596)
<b>Total shareholders' equity</b>	<b>3,369,909</b>	<b>10,122,298</b>
Accumulated other comprehensive income		
Foreign currency translation adjustment	(7,607)	(5,324)
<b>Total accumulated other comprehensive income</b>	<b>(7,607)</b>	<b>(5,324)</b>
Share acquisition rights	10,663	10,663
<b>Total net assets</b>	<b>3,372,965</b>	<b>10,127,637</b>
<b>Total liabilities and net assets</b>	<b>9,079,116</b>	<b>21,208,951</b>

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

(Thousands of yen)

	Six months ended November 30, 2019
Net sales	6,294,801
Cost of sales	912,283
Gross profit	5,382,518
Selling, general and administrative expenses	5,272,678
Operating profit	109,840
Non-operating income	
Interest and dividend income	1,065
Cancellation penalty income	1,964
Other	567
Total non-operating income	3,597
Non-operating expenses	
Interest expenses	2,659
Share issuance cost	28,102
Stock market listing expenses	15,175
Commission expenses	19,456
Foreign exchange losses	625
Share of loss of entities accounted for using equity method	26,705
Other	3,510
Total non-operating expenses	96,234
Ordinary profit	17,203
Extraordinary losses	
Loss on retirement of non-current assets	6,421
Impairment loss	37,854
Total extraordinary losses	44,276
Loss before income taxes	(27,073)
Income taxes - current	64,036
Loss	(91,110)
Loss attributable to owners of parent	(91,110)

**Quarterly consolidated statement of comprehensive income**

(Thousands of yen)

	Six months ended November 30, 2019
Loss	(91,110)
Other comprehensive income	
Foreign currency translation adjustment	2,283
Total other comprehensive income	2,283
Comprehensive income	(88,826)
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	(88,826)

**(3) Quarterly consolidated statement of cash flows**

(Thousands of yen)

	Six months ended November 30, 2019
<b>Cash flows from operating activities</b>	
Loss before income taxes	(27,073)
Depreciation	291,422
Impairment loss	37,854
Loss on retirement of non-current assets	6,421
Share issuance cost	28,102
Increase (decrease) in provision for loss on closure of business locations	(6,960)
Increase (decrease) in allowance for doubtful accounts	234
Increase (decrease) in provision for bonuses	58,722
Interest and dividend income	(1,065)
Interest expenses	2,659
Commission expenses	19,456
Share of loss (profit) of entities accounted for using equity method	26,705
Decrease (increase) in trade receivables	11,322
Decrease (increase) in prepaid expenses	(125,713)
Decrease (increase) in consumption taxes refund receivable	(116)
Decrease (increase) in other assets	18,614
Increase (decrease) in trade payables	(10,002)
Increase (decrease) in accounts payable - other	214,381
Increase (decrease) in advances received	114,534
Increase (decrease) in accrued consumption taxes	(26,528)
Increase (decrease) in other liabilities	83,281
Other, net	23,452
Subtotal	739,704
Interest and dividends received	1,205
Interest paid	(4,245)
Income taxes paid	(7,957)
Net cash provided by (used in) operating activities	728,706
<b>Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(190,127)
Purchase of intangible assets	(265,221)
Purchase of investment securities	(5,045,734)
Payments of leasehold deposits	(168,316)
Proceeds from refund of leasehold deposits	4,650
Net cash provided by (used in) investing activities	(5,664,749)
<b>Cash flows from financing activities</b>	
Net increase (decrease) in short-term borrowings	3,165
Proceeds from long-term borrowings	4,980,545
Repayments of long-term borrowings	(65,168)
Proceeds from issuance of shares	6,815,396
Other, net	(19,373)
Net cash provided by (used in) financing activities	11,714,565
Effect of exchange rate change on cash and cash equivalents	235
Net increase (decrease) in cash and cash equivalents	6,778,757
Cash and cash equivalents at beginning of period	5,468,495
Cash and cash equivalents at end of period	12,247,252

**(4) 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 ¥3,421,749 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, 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 ¥6,234,250 thousand, ¥3,974,643 thousand, and ¥(86,596) thousand, respectively.

**(Segment information, etc.)**

[Segment information]

First six months of the fiscal year ending May 31, 2020 (from June 1, 2019 to November 30, 2019)

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

	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	5,789,973	504,828	6,294,801	—	6,294,801
Inter-segment sales and transfers	—	—	—	—	—
Total	5,789,973	504,828	6,294,801	—	6,294,801
Segment profit (loss)	2,112,931	(466,528)	1,646,403	(1,536,562)	109,840

Notes: 1. The adjustments stated for segment profit (loss) of negative ¥1,536,562 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 six months ended November 30, 2019 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.