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October 8, 2021

Financial Results for FY2021 Q1

Company name: Sansan, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date to file quarterly securities report: October 8, 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 three months of the fiscal year ending May 31, 2022 (from June 1, 2021 to August 31, 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 | % |
| Three months ended August 31, 2021 | 4,597 | 25.4 | (102) | – | 754 | 644.3 | 652 | 662.8 |
| August 31, 2020 | 3,667 | 18.3 | 193 | (22.1) | 101 | (47.4) | 85 | (19.6) |

Note: Comprehensive income Three months ended August 31, 2021: ¥(456) million [–%]
 Three months ended August 31, 2020: ¥89 million [(10.5)%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| August 31, 2021 | 20.93 | 20.58 |
| August 31, 2020 | 2.75 | 2.72 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-----------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| August 31, 2021 | 23,266 | 12,210 | 52.0 |
| May 31, 2021 | 24,310 | 12,584 | 51.5 |

Reference: Equity
 As of August 31, 2021: ¥12,103 million
 As of May 31, 2021: ¥12,516 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, 2021 | – | 0.00 | – | 0.00 | 0.00 |
| Fiscal year ending May 31, 2022 | – | | | | |
| Fiscal year ending May 31, 2022 (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, 2022 (from June 1, 2021 to May 31, 2022)

(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, 2022 | 20,230 | 25.0 | 450 | (38.9) | – | – | – | – | – |
| | to 20,716 | to 28.0 | to 800 | to 8.6 | | | | | |

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: Yes
 - 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, 2021 | 31,195,523 shares |
| As of May 31, 2021 | 31,183,645 shares |

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

| | |
|-----------------------|-----------|
| As of August 31, 2021 | 95 shares |
| As of May 31, 2021 | 40 shares |

- c. Average number of outstanding shares during the period

| | |
|--|-------------------|
| For the three months ended August 31, 2021 | 31,185,068 shares |
| For the three months ended August 31, 2020 | 31,138,853 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 to solve various business issues by using new approaches that combine “systems that use technology and data input to digitize analog information” with “cloud software.”

Specifically, the Group is developing services in areas such as business card management, invoices and contracts, as well as business events and seminars, to promote digital transformation (DX) to change the working styles of companies and business people. Moreover, as a result of recent changes to working styles due to the spread of COVID-19, new ways of thinking toward DX, and greater attention being attracted to the SaaS (Software as a Service) products, the DX market is forecast to reach ¥3,042.5 billion (an increase of ¥2,251.3 billion since 2019) by 2030 (Note 1.), while the SaaS market in Japan is forecast to reach ¥1,117.8 billion by 2024 (an increase of ¥516.2 billion since 2019) (Note 2.). In addition, as the Group has grown, the B2B business card management service market has seen 12-fold expansion from 2012 to 2019, and the “Sansan,” operated by the Company, holds an 83.5% market share in this market (Note 3.)

In the first three months of the fiscal year ending May 31, 2022 (“the period under review”), the Group engaged in initiatives such as reorganizing the structure to increase the speed of business growth and strengthening the sales structure through strategic hiring, in order to realize continuous growth of net sales. In addition, apart from conducting advertising focused on TV commercials for the B2B business card-based contact management service “Sansan,” the Group engaged in initiatives such as expanding functions for the online invoice receiving solution “Bill One” and “Eight,” a business card management app.

Furthermore, the Company decided to select and apply for the “Prime Market” in Tokyo Stock Exchange, Inc.’s new market segments in addition to deciding to implement a 4-for-1 stock split on its common shares with the effective date of December 1, 2021. For details, please refer to “Notification Regarding Application for Selection of ‘Prime Market’ Under the New Market Segments” and “Notification Regarding Stock Split and Partial Amendments to Articles of Incorporation” announced on October 8, 2021.

As a result, net sales totaled ¥4,597,074 thousand (up 25.4% year on year), gross profit totaled ¥4,088,249 thousand (up 26.6% year on year), and gross profit margin was 88.9% (up 0.8 points year on year) in the period under review. However, operating profit was recorded at negative ¥102,274 thousand (compared to operating profit of ¥193,918 thousand in the previous fiscal year). Progress was made in the strategy to achieve medium- to long-term growth, so in addition to the ¥209,094 thousand year on year increase in advertising expenses, this was attributed to the ¥489,923 thousand year on year increase in personnel expenses due to the boosted hiring of employees and was in line with the consolidated earnings forecast announced at the beginning of the fiscal year. In addition, as announced on July 19, 2021, the recording of ¥979,690 thousand of gain on sales of investment securities in non-operating income resulted in ordinary profit of ¥754,603 thousand (up 644.3% year on year) and profit attributable to owners of parent of ¥652,583 thousand (up 662.8% year on year).

- Notes:
1. Based on “2020 Outlook of the Digital Transformation Market” by Fuji Chimera Research Institute
 2. Based on “2020 New Software Business Markets” by Fuji Chimera Research Institute
 3. Based on “Latest trends in business card management services and sales services [SFA/CRM/online business card exchange]” by Seed Planning, Inc.

Results by segment are as follows.

Additionally, effective from the first quarter of the current fiscal year, the Company has reorganized its business management system with the aim of optimizing the allocation of resources to each product, in order to promote the growth of each product. As a result, the former “Sansan Business” has been

changed to “Sansan/Bill One Business” as a business that includes multiple products such as “Sansan” and “Bill One.”

(i) Sansan/Bill One Business

This business segment includes services such as B2B business card-based contact management service “Sansan,” and online invoice receiving solution “Bill One.”

a. “Sansan,” a B2B business card-based contact management service

The Company engaged in strengthening the sales structure through strategic hiring and conducting advertising, focused on TV commercials, 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, at the end of the period under review, the number of “Sansan” subscriptions increased steadily to 7,992, up 14.7% year on year. In addition, monthly recurring sales per subscription totaled ¥164 thousand, up 5.8% 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 average monthly churn rate over the past 12 months (Note 4.) was 0.62% (an increase of 0.02 points year on year), maintaining a low churn rate.

As a result, net sales in “Sansan” totaled ¥4,068,709 thousand (up 21.2% year on year), of which recurring sales (fixed revenue) in “Sansan” totaled ¥3,899,709 thousand (up 21.9% year on year) and other sales totaled ¥169,000 thousand (up 7.4% year on year).

Note: 4. Ratio of decrease in monthly fees associated with subscription cancellations to total monthly fees for existing subscriptions for “Sansan.”

b. “Bill One,” an online invoice receiving solution

We actively engaged in efforts such as strengthening the sales structure through optimal resource allocation and enhancing service functions under a new business management structure to further expand the number of paid subscriptions and MRR (Note 5.) for “Bill One.” As a result, the number of paid subscriptions for “Bill One” at the end of the period under review totaled 343, an increase of 1,219.2% year on year and, in August 2021, MRR was ¥34,114 thousand, an increase of 9,933.5% year on year, continuing to grow at a high rate. In addition, steady progress in acquiring new subscriptions from medium and large enterprises resulted in monthly sales per paid subscription of ¥99 thousand (up 661.5% year on year). By working on personnel hiring, advertising activities, and making improvements to the service, the Group aims to amass more than ¥1.0 billion in ARR (Note 6.) by May 31, 2022.

As a result, net sales in “Bill One” totaled ¥89,978 thousand (up 15,825.4% year on year).

Notes: 5. Monthly Recurring Revenue

6. Annual Recurring Revenue

c. Others

The Group focused on launching new services by leveraging the strengths and knowledge as well as the sales structure it had cultivated through existing serves.

As a result, other net sales totaled ¥2,209 thousand (up 871.5% year on year).

As a result, net sales totaled ¥4,160,897 thousand (up 23.9% year on year) and segment profit totaled ¥1,137,861 thousand (down 10.4% year on year) in Sansan/Bill One Business in the period under review.

(ii) Eight Business

Apart from “Eight,” a business card management app, this business segment includes the transcribed media service provided by logmi, Inc. (hereinafter, “logmi”).

a. B2C services

As a result of efforts such as enhancing the functions of “Eight ONAIR,” business event media, the number of “Eight” users (Note 7.) at the end of the period under review totaled 2.96 million, an increase of 0.20 million year on year.

As a result, net sales from B2C services totaled ¥71,268 thousand (down 4.3% year on year).

Note: 7. Number of confirmed users who registered their business card to their profile after downloading the application

b. B2B services

The Company worked on strengthening monetization of the various B2B services. As a result, the number of “Eight Company Premium” subscriptions at the end of the period under review totaled 2,342, an increase of 33.3% year on year. Additionally, results from our consolidated subsidiary logmi began to contribute to results from September 2020.

As a result, net sales from B2B services totaled ¥352,755 thousand (up 50.2% year on year).

As a result, net sales in Eight Business totaled ¥424,023 thousand (up 37.1% year on year) in the period under review. Segment profit was recorded at negative ¥182,646 thousand (compared to segment profit of negative ¥193,404 thousand in the previous fiscal year) due to being in the phase in which upfront investments were being made to increase future profitability.

(2) Explanation of financial position

Assets

Total assets at the end of the first quarter of the fiscal year ending May 31, 2022 were ¥23,266,642 thousand, down ¥1,043,553 thousand from the end of the previous fiscal year. This was primarily due to a decrease of ¥1,979,811 thousand in investment securities due to the sale of shares of WingArc1st Inc., a decrease of ¥162,869 thousand in accounts receivable – trade, and an increase of ¥855,507 thousand in cash and deposits.

Liabilities

Total liabilities at the end of the quarter under review were ¥11,056,492 thousand, down ¥668,805 thousand from the end of the previous fiscal year. This was primarily due to a decrease of ¥200,000 thousand in short-term borrowings, a decrease of ¥630,480 thousand in current portion of long-term borrowings, a decrease of ¥490,254 thousand in deferred tax liabilities, an increase of ¥689,558 thousand in long-term borrowings and an increase of ¥322,732 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 ¥12,210,150 thousand, down ¥374,747 thousand from the end of the previous fiscal year. This was primarily due to a decrease of ¥1,102,653 thousand in valuation difference on available-for-sale securities and an increase of ¥652,583 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

The forecasts of consolidated financial results for the fiscal year ending May 31, 2022 have not changed from the forecast announced on July 14, 2021. Under the new reportable segments, net sales for the Sansan/Bill One Business are expected to increase by 24% to 28% year on year, and net sales for the Eight Business are expected to increase by 23% to 27% year on year.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

| | As of May 31, 2021 | As of August 31, 2021 |
|------------------------------------|--------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,389,111 | 13,244,619 |
| Accounts receivable - trade | 571,096 | 408,226 |
| Prepaid expenses | 469,588 | 569,220 |
| Other | 117,263 | 137,474 |
| Allowance for doubtful accounts | (4,877) | (5,760) |
| Total current assets | 13,542,182 | 14,353,781 |
| Non-current assets | | |
| Property, plant and equipment | 504,899 | 542,637 |
| Intangible assets | | |
| Software | 1,023,375 | 1,025,951 |
| Goodwill | 185,662 | 250,060 |
| Other | 149 | 137 |
| Total intangible assets | 1,209,187 | 1,276,150 |
| Investments and other assets | | |
| Investment securities | 8,344,948 | 6,365,136 |
| Leasehold deposits | 702,472 | 722,857 |
| Other | 6,505 | 6,078 |
| Total investments and other assets | 9,053,926 | 7,094,073 |
| Total non-current assets | 10,768,012 | 8,912,861 |
| Total assets | 24,310,195 | 23,266,642 |

(Thousands of yen)

| | As of May 31, 2021 | As of August 31, 2021 |
|---|--------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 195,216 | 90,615 |
| Short-term borrowings | 200,000 | – |
| Current portion of long-term borrowings | 1,085,568 | 455,088 |
| Accounts payable - other | 1,175,172 | 1,094,607 |
| Income taxes payable | 154,825 | 174,119 |
| Accrued consumption taxes | 271,263 | 210,909 |
| Advances received | 6,719,677 | 7,042,409 |
| Provision for bonuses | 359,373 | 214,594 |
| Other | 82,115 | 86,512 |
| Total current liabilities | 10,243,213 | 9,368,857 |
| Non-current liabilities | | |
| Long-term borrowings | 879,423 | 1,568,982 |
| Deferred tax liabilities | 571,290 | 81,035 |
| Other | 31,369 | 37,616 |
| Total non-current liabilities | 1,482,083 | 1,687,634 |
| Total liabilities | 11,725,297 | 11,056,492 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,312,946 | 6,333,189 |
| Capital surplus | 4,053,338 | 4,073,581 |
| Retained earnings | 526,839 | 1,179,423 |
| Treasury shares | (262) | (769) |
| Total shareholders' equity | 10,892,863 | 11,585,425 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,622,129 | 519,476 |
| Foreign currency translation adjustment | 1,130 | (1,539) |
| Total accumulated other comprehensive income | 1,623,260 | 517,936 |
| Share acquisition rights | 65,886 | 98,816 |
| Non-controlling interests | 2,888 | 7,972 |
| Total net assets | 12,584,898 | 12,210,150 |
| Total liabilities and net assets | 24,310,195 | 23,266,642 |

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

(Thousands of yen)

| | Three months ended August 31, 2020 | Three months ended August 31, 2021 |
|---|---------------------------------------|---------------------------------------|
| Net sales | 3,667,253 | 4,597,074 |
| Cost of sales | 437,609 | 508,824 |
| Gross profit | 3,229,644 | 4,088,249 |
| Selling, general and administrative expenses | 3,035,726 | 4,190,524 |
| Operating profit (loss) | 193,918 | (102,274) |
| Non-operating income | | |
| Interest and dividend income | 350 | 118 |
| Foreign exchange gains | 185 | – |
| Cancellation penalty income | 1,914 | 120 |
| Subsidy income | 1,191 | 695 |
| Gain on sale of investment securities | – | 979,690 |
| Other | 157 | 21,689 |
| Total non-operating income | 3,799 | 1,002,314 |
| Non-operating expenses | | |
| Interest expenses | 7,910 | 3,909 |
| Foreign exchange losses | – | 673 |
| Commission expenses | 2,646 | 6,872 |
| Share of loss of entities accounted for using equity method | 84,650 | 128,141 |
| Other | 1,121 | 5,838 |
| Total non-operating expenses | 96,328 | 145,436 |
| Ordinary profit | 101,388 | 754,603 |
| Profit before income taxes | 101,388 | 754,603 |
| Income taxes - current | 38,733 | 113,426 |
| Income taxes - deferred | (22,890) | (7,491) |
| Total income taxes | 15,843 | 105,935 |
| Profit | 85,545 | 648,667 |
| Loss attributable to non-controlling interests | – | (3,915) |
| Profit attributable to owners of parent | 85,545 | 652,583 |

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

| | Three months ended August 31, 2020 | Three months ended August 31, 2021 |
|--|---------------------------------------|---------------------------------------|
| Profit | 85,545 | 648,667 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | – | (1,102,653) |
| Foreign currency translation adjustment | 4,014 | (2,670) |
| Total other comprehensive income | 4,014 | (1,105,323) |
| Comprehensive income | 89,560 | (456,655) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 89,560 | (452,740) |
| Comprehensive income attributable to non-controlling interests | – | (3,915) |

(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.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

The impact of this change on profit and loss, the opening balance for retained earnings for the first three months of the current fiscal year was immaterial.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

The application of the "Accounting Standard for Fair Value Measurement" and relevant ASBJ regulations has no effect on the quarterly consolidated financial statements for the three months ended August 31, 2021.

(Segment information, etc.)

[Segment information]

I First three months of the fiscal year ended May 31, 2021 (from June 1, 2020 to August 31, 2020)

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

(Thousands of yen)

| | Reportable segments | | | Others (Note) 1 | Total | Adjustments (Note) 2 | Amount in the quarterly consolidated financial statement (Note) 3 |
|------------------------------------|---------------------------------|-------------------|-----------|--------------------|-----------|-------------------------|--|
| | Sansan/ Bill One Business | Eight Business | Total | | | | |
| Net sales | | | | | | | |
| Sales to external customers | 3,357,917 | 309,336 | 3,667,253 | – | 3,667,253 | – | 3,667,253 |
| Intersegment sales or transfers | – | – | – | – | – | – | – |
| Total | 3,357,917 | 309,336 | 3,667,253 | – | 3,667,253 | – | 3,667,253 |
| Segment profit (loss) | 1,269,689 | (193,404) | 1,076,284 | – | 1,076,284 | (882,366) | 193,918 |

- Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.
2. The adjustments stated for segment profit (loss) of negative ¥882,366 thousand comprises the amounts of corporate expenses not attributable to any reportable segment and mostly consists of general and administrative expenses.
3. 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)

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 three months ended August 31, 2020, the resulting increase in goodwill amounted to ¥200,715 thousand.

II First three months of the fiscal year ending May 31, 2022 (from June 1, 2021 to August 31, 2021)

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

(Thousands of yen)

| | Reportable segments | | | Others (Note) 1 | Total | Adjustments (Note) 2 | Amount in the quarterly consolidated financial statement (Note) 3 |
|---------------------------------|---------------------------------|-------------------|-----------|--------------------|-----------|-------------------------|--|
| | Sansan/ Bill One Business | Eight Business | Total | | | | |
| Net sales | | | | | | | |
| Sales to external customers | 4,160,897 | 422,728 | 4,583,625 | 13,448 | 4,597,074 | – | 4,597,074 |
| Intersegment sales or transfers | – | 1,295 | 1,295 | 204 | 1,499 | (1,499) | – |
| Total | 4,160,897 | 424,023 | 4,584,920 | 13,653 | 4,598,574 | (1,499) | 4,597,074 |
| Segment profit (loss) | 1,137,861 | (182,646) | 955,214 | 2,159 | 957,373 | (1,059,648) | (102,274) |

- Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.
2. The adjustments stated for segment profit (loss) of negative ¥1,059,648 thousand comprises the amounts of corporate expenses not attributable to any reportable segment and mostly consists of general and administrative expenses.
3. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

2. Matters regarding changes in reportable segments

Effective from the first quarter of the current fiscal year, the Company has reorganized its business management system with the aim of optimizing the allocation of resources to each product, in order to promote the growth of each product. As a result, the former “Sansan Business” has been changed to “Sansan/Bill One Business” as a business that includes multiple products including “Sansan” and “Bill One.”

The segment information of the three months ended August 31, 2020 is based on the division of the reportable segment of the three months ended August 31, 2021.

(Application of accounting standard for revenue recognition, etc.)

As stated in the above changes in accounting policies, effective from the beginning of the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations and changed the accounting processing methods related to revenue recognition, resulting in similar changes to the measurement method for profit or losses in the business segments.

As a result, the effect of this change on the quarterly consolidated financial statements for the first quarter of the current fiscal year is immaterial.

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

(Significant change in goodwill amount)

Not applicable.

(Significant events after reporting period)

(Stock split and partial amendments to the Articles of Incorporation in relation to stock split)

At the meeting of the Board of Directors held on October 8, 2021, the Company resolved to implement a stock split and to partially revise the Articles of Incorporation relating to the stock split.

(1) Objective of the stock split

The purpose of the stock split is to lower the unit investment amount, thereby increasing stock liquidity and broadening the shareholder base.

(2) Outline of the stock split

(i) Method of stock split

The Company will implement a 4-for-1 stock split of common shares owned by shareholders listed or recorded in the closing register of shareholders with a record date of November 30, 2021.

(ii) Number of shares to be increased by stock split

| | |
|--|--------------------|
| Total number of issued shares before the stock split | 31,195,831 shares |
| Number of shares to be increased by this stock split | 93,587,493 shares |
| Total number of issued shares after the stock split | 124,783,324 shares |
| Total number of shares authorized to be issued after the stock split | 470,800,000 shares |

Note: As the total number of issued shares before the stock split are based on the total number of issued shares as of September 30, 2021, the actual number may fluctuate until the record date of the stock split as a result of the exercise of share acquisition rights.

(iii) Schedule of the stock split

| | |
|--|-------------------|
| Date of public notice of the record date | November 16, 2021 |
| Record date | November 30, 2021 |
| Effective date | December 1, 2021 |

(iv) Impact on per share information

Per-share information on the premise that the stock split was conducted at the beginning of the previous fiscal year is as follows.

| | Three months ended August 31, 2020 (from June 1, 2020 to August 31, 2020) | Three months ended August 31, 2021 (from June 1, 2021 to August 31, 2021) |
|----------------------------|--|--|
| Basic earnings per share | ¥0.69 | ¥5.23 |
| Diluted earnings per share | ¥0.68 | ¥5.15 |

