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January 13, 2023

Financial Results for FY2022 Q2

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 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date to file quarterly securities report: January 13, 2023
 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, 2023 (from June 1, 2022 to November 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Adjusted operating profit | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------|-----------------|------|---------------------------|---|------------------|---|-----------------|------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended | | | | | | | | | | |
| November 30, 2022 | 11,824 | 23.5 | 65 | – | (70) | – | (113) | – | 151 | (73.7) |
| November 30, 2021 | 9,577 | 25.4 | (89) | – | (133) | – | 643 | 41.7 | 573 | 47.8 |

Note: Comprehensive income Six months ended November 30, 2022: ¥218 million [–%]
 Six months ended November 30, 2021: ¥(725) million [–%]

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| November 30, 2022 | 1.21 | 1.20 |
| November 30, 2021 | 4.60 | 4.52 |

Note: The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, basic earnings per share and diluted earnings per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| November 30, 2022 | 26,114 | 12,625 | 47.2 |
| May 31, 2022 | 26,292 | 12,093 | 45.4 |

Reference: Equity

As of November 30, 2022: ¥12,330 million

As of May 31, 2022: ¥11,944 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, 2022 | – | 0.00 | – | 0.00 | 0.00 |
| Fiscal year ending May 31, 2023 | – | 0.00 | | | |
| Fiscal year ending May 31, 2023 (Forecast) | | | – | 0.00 | 0.00 |

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

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Percentages indicate year-on-year changes.)

| | Net sales | | Adjusted operating profit | |
|------------------------------------|-----------------|------|---------------------------|------|
| | Millions of yen | % | Millions of yen | % |
| Fiscal year ending May 31, 2023 | 25,117 | 23.0 | 917 | 25.5 |
| | to | to | to | to |
| | 25,764 | 26.2 | 1,288 | 76.3 |

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

2. For multi-step profit or loss under operating profit or loss, the Company refrains from disclosing a concrete forecast because it is difficult to make a reasonable estimate of share-based payment expenses, which may vary significantly depending on the level of the Company's stock price, and some non-operating profit or loss items.

*** 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 November 30, 2022 | 125,249,332 shares |
| As of May 31, 2022 | 124,963,596 shares |

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

| | |
|-------------------------|------------|
| As of November 30, 2022 | 826 shares |
| As of May 31, 2022 | 736 shares |

c. Average number of outstanding shares during the period

| | |
|--|--------------------|
| For the six months ended November 30, 2022 | 125,012,156 shares |
| For the six months ended November 30, 2021 | 124,775,466 shares |

Note: The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of outstanding shares during the period are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

* 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 providing cloud-based solutions that promote digital transformation (DX) and reshape how we work, leading to encounters with people and companies that become business opportunities by using approaches that combine systems that use technology and data input to digitize analog information with cloud software.

Specifically, the Group is developing solutions to promote DX for corporate sales activities, invoicing work, contract work, etc. Moreover, as a result of new ways of thinking toward DX, changes to working styles due to the COVID-19 pandemic, and greater attention being attracted to the SaaS (Software as a Service) products, the DX market is forecast to reach ¥5,195.7 billion by 2030 (an increase of ¥3,813.6 billion since 2020) (Note 1.), while the SaaS market in Japan is forecast to reach ¥1,668.1 billion by 2026 (an increase of ¥579.0 billion since 2022) (Note 2.). A sales DX solution Sansan, provided by the Company, holds 81.6% share (Note 3.) of the B2B business card management service market, and this market has seen approximately 14-fold expansion from 2013 to 2021 in conjunction with the growth in the Company’s services. In addition, Bill One, a cloud-based invoice management solution provided by the Company, captured the number one market share of the online invoice receiving solution in terms of net sales (Note 4.), with this market seeing a 226.0% increase year on year in FY2021.

Consolidated financial results for the first six months of the fiscal year ending May 31, 2023 (hereinafter, the “period under review”) is as follows.

| | (Millions of yen) | | |
|--|---------------------------------------|---------------------------------------|------------|
| | Six months ended November 30, 2021 | Six months ended November 30, 2022 | YoY change |
| Net sales | 9,577 | 11,824 | +23.5% |
| Gross profit | 8,446 | 10,200 | +20.8% |
| Adjusted operating profit (Note 5.) | (89) | 65 | – |
| Ordinary profit | 643 | (113) | – |
| Profit attributable to owners of parent | 573 | 151 | (73.7)% |

For the period under review, the Group engaged in strengthening the sales structure for Sansan and Bill One in order to realize mid-term growth of net sales, as well as enhancing functions for each service.

As a result, net sales increased 23.5% year on year, gross profit increased 20.8% year on year, and gross profit margin was 86.3%, down 1.9 points year on year, so results were solid in the period under review. Adjusted operating profit was in the black, increasing ¥154 million year on year primarily due to increased net sales, despite active advertising activities and enhanced personnel hiring. On the other hand, as for profit items following ordinary profit, ordinary profit decreased ¥757 million year on year, and profit attributable to owners of parent decreased ¥422 million year on year, primarily due to the recording of a gain on sale of investment securities of ¥979 million in non-operating income in the same period of the previous fiscal year. Furthermore, as announced on November 1, 2022, following the transfer of shares of an equity method affiliate, gain on sale of shares of subsidiaries and associates of ¥431 million was recorded as extraordinary income. For details, please refer to “Notification Regarding Change in Equity Method Affiliate (Transfer of Shares) and Booking of Extraordinary Income.”

- Notes:
1. Based on Market Edition and Vendor Strategy Edition of 2022 Outlook of the Digital Transformation Market by Fuji Chimera Research Institute
 2. Based on 2022 New Software Business Markets by Fuji Chimera Research Institute
 3. Based on Latest Trends in Business Card Management Services in Sales Support DX 2023 (December 2022, survey by Seed Planning, in Japanese)

4. Deloitte Tohmatsu MIC Research Institute, “The Present and Future of the Market of Online Invoice Receiving Solution Expected to Grow at a Staggering Rate” (MIC IT Report, July 2022)
5. Previously, operating profit was shown. However, from the first quarter of the current fiscal year, this was changed so that operating profit is shown as adjusted operating profit, which is the sum of operating profit plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting expenses related to share-based payments, which may vary significantly depending on the level of the Company’s stock price, and expenses that arise from business combinations. For the first six months of the fiscal year ended May 31, 2022, operating profit is also shown as adjusted operating profit after the change.

Results by segment are as follows.

(i) Sansan/Bill One Business

This business segment includes services such as sales DX solution Sansan, and cloud-based invoice management solution Bill One.

Results for Sansan/Bill One Business in the period under review are as follows.

| | (Millions of yen) | | |
|--|---------------------------------------|---------------------------------------|-------------|
| | Six months ended November 30, 2021 | Six months ended November 30, 2022 | YoY change |
| Net sales (Note 6.) | 8,548 | 10,516 | +23.0% |
| Sansan | 8,295 | 9,532 | +14.9% |
| Sansan recurring sales | 7,926 | 9,039 | +14.0% |
| Sansan other sales | 369 | 492 | +33.2% |
| Bill One | 238 | 898 | +276.2% |
| Others | 14 | 86 | +510.4% |
| Adjusted operating profit | 2,380 | 2,964 | +24.5% |
| Sansan | | | |
| Number of subscriptions | 8,186 subscriptions | 8,722 subscriptions | +6.5% |
| Monthly recurring sales per subscription | ¥165 thousand | ¥177 thousand | +7.3% |
| Last 12 months average of monthly churn rate (Note 7.) | 0.66% | 0.49% | (0.17) pts. |
| Bill One | | | |
| MRR (Note 8.) | 58 | 177 | +201.2% |
| Number of paid subscriptions (Note 9.) | 455 subscriptions | 1,138 subscriptions | +150.1% |
| Monthly recurring sales per paid subscription | ¥129 thousand | ¥155 thousand | +20.2% |
| Last 12 months average of monthly churn rate (Note 7.) | – | 0.50% | – |

Notes: 6. The sum of sales to external customers and intersegment sales or transfers

7. Ratio of decrease in monthly fees associated with subscription cancellations to total monthly fees for existing subscriptions for each service

8. Monthly Recurring Revenue, changed value for the first six months of the fiscal year ended May 31, 2022 due to revision of calculation method

9. Changed value for the first six months of the fiscal year ended May 31, 2022 due to the revision of the timing of collecting the data from the conclusion of the contract to the start of the service usage

a. Sansan

The Company revamped the product Sansan, a B2B business card-based contact management service, based on the concept of “The database to power your sales” to create Sansan, a sales DX solution to further expand the number of Sansan subscriptions and the monthly recurring sales per subscription, and has worked to add new functions. Specifically, in the first quarter of the current fiscal year, apart from a corporate database that allows users to view over 1 million pieces of company information on Sansan, the Company installed functions able to store and visualize contact information not only from business cards but also email signatures, etc. By combining this contact information with a corporate database, users of Sansan can build custom databases that also include information for companies with which they have no current contacts. In addition, in the second quarter, backed by these new functions, we focused on enhancing our sales capabilities, aiming to acquire new users and to upsell existing users.

As a result of the above, the number of subscriptions for Sansan increased 6.5% year on year to 8,722. Although it is a lower net increase in the second quarter compared to the first quarter, this was a result of concentrating our resources for new business on medium and large enterprises, aiming to increase business productivity. On the other hand, monthly recurring sales per paid subscription increased 7.3% year on year for the same reason, leading to an accelerated growth rate. Furthermore, as a result of carrying out efforts to improve convenience for existing customers through product innovation, the last 12 months average of monthly churn rate was 0.49%, a decrease of 0.17 points year on year.

As a result, net sales in Sansan increased 14.9% year on year, of which recurring sales (fixed revenue) was up 14.0% year on year and other sales was up 33.2% year on year.

b. Bill One

As a result of efforts such as strengthening our sales system through measures including personnel hiring and enhancing service functions for continued high growth of Bill One, in November 2022, MRR was up 201.2% year on year and ARR (Note 10.) was ¥2,124 million. In addition, steady progress in acquiring new subscriptions from medium and large enterprises resulted in the increase of number of paid subscriptions, up 150.1% year on year, and the increase of monthly recurring sales per paid subscription, up 20.2% year on year.

As a result, net sales in Bill One increased 276.2% year on year. In light of the positive business results up until the end of the six months ended November 30, 2022, the Group is aiming for ARR of at least ¥3.0 billion in May 2023.

Note: 10. Annual Recurring Revenue

c. Others

The Group focused on the launch of Contract One, a contract DX solution, etc., utilizing the strengths, knowledge, know-how, etc. cultivated through existing services.

As a result, net sales of others was up 510.4% year on year.

As a result, net sales in Sansan/Bill One Business increased 23.0% year on year. Adjusted operating profit increased 24.5% year on year despite increased investment to realize further growth of Sansan and Bill One.

(ii) Eight Business

Apart from Eight, a contact and career management app, this business segment includes the event transcription service logmi series.

Results for Eight Business in the period under review are as follows.

| | (Millions of yen) | | |
|--|---------------------------------------|---------------------------------------|-------------------------|
| | Six months ended November 30, 2021 | Six months ended November 30, 2022 | YoY change |
| Net sales (Note 11.) | 976 | 1,235 | +26.6% |
| B2C services | 142 | 146 | +3.1% |
| B2B services | 833 | 1,088 | +30.6% |
| Adjusted operating profit | (277) | (149) | - |
| Eight | | | |
| Number of Eight users (Note 12.) | 3.01 million people | 3.20 million people | +0.18 million people |
| Number of subscriptions for Eight Team | 2,481 subscriptions | 3,195 subscriptions | +28.8% |

Notes: 11. The sum of sales to external customers and intersegment sales or transfers

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

a. B2C services

Due to the efforts to increase service, such as enhancing learning contents that support the reskilling of business people, the number of Eight users totaled 3.20 million, an increase of 0.18 million year on year, and net sales from B2C services increased 3.1% year on year.

b. B2B services

In addition to holding a major business event Climbers, etc., the Company worked on strengthening monetization of the various B2B services. As a result, net sales from B2B services increased 30.6% year on year, and the number of Eight Team subscriptions increased 28.8% year on year.

As a result, net sales in Eight Business increased 26.6% year on year, and adjusted operating loss was curtailed by ¥128 million year on year.

(2) Explanation of financial position

(i) Status of assets, liabilities and equity

| | (Millions of yen) | | |
|----------------------------------|--------------------|----------------------------|--|
| | As of May 31, 2022 | As of November 30, 2022 | Change from previous fiscal year-end |
| Total assets | 26,292 | 26,114 | (178) |
| Total liabilities | 14,199 | 13,488 | (710) |
| Total net assets | 12,093 | 12,625 | 532 |
| Total liabilities and net assets | 26,292 | 26,114 | (178) |

Assets

Total assets at the end of the second quarter of the fiscal year ending May 31, 2023 were ¥26,114 million, down ¥178 million from the end of the previous fiscal year. This was primarily due to an increase of ¥547 million in cash and deposits, an increase of ¥503 million in other under investments and other assets and a decrease of ¥1,190 million in investment securities due to the sale of shares of WingArc1st Inc. and EventHub, Inc.

Liabilities

Total liabilities at the end of the quarter under review were ¥13,488 million, down ¥710 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥249 million in accounts payable - other, a decrease of ¥188 million in accrued consumption taxes, a decrease of ¥499 million in advances received from receiving a lump-sum payment of contract term fees from customers, and an increase of ¥163 million in long-term borrowings.

Net assets

Net assets at the end of the quarter under review were ¥12,625 million, up ¥532 million from the end of the previous fiscal year. This was due to an increase of ¥85 million both in share capital and capital surplus as a result of exercise of stock options, an increase of ¥151 million in retained earnings due to the recording of profit attributable to owners of parent, and an increase of ¥142 million in share acquisition rights.

(ii) Status of cash flows

| | (Millions of yen) | | |
|--|---------------------------------------|---------------------------------------|------------|
| | Six months ended November 30, 2021 | Six months ended November 30, 2022 | YoY change |
| Cash flows from operating activities | (576) | (646) | (70) |
| Cash flows from investing activities | 391 | 796 | 404 |
| Cash flows from financing activities | (137) | 430 | 567 |
| Cash and cash equivalents at end of period | 11,901 | 15,828 | 3,926 |

Cash and cash equivalents (hereinafter “capital”) at the end of the quarter under review totaled ¥15,828 million, an increase of ¥583 million compared to the end of the previous fiscal year.

Cash flows from operating activities

The amount of capital used by operating activities totaled ¥646 million (compared to ¥576 million used in the same period of the previous fiscal year). The main reasons for the increase in capital were recognition of profit before income taxes of ¥291 million, recognition of depreciation, non-cash expense of ¥418 million, recognition of share-based payment expenses of ¥121 million, and recognition of share of loss of entities accounted for using equity method of ¥285 million, and the main factors for the decrease in capital were recognition of gain on sale of investment securities of ¥291 million, recognition of gain on sale of shares of subsidiaries and associates of ¥431 million, a decrease in accounts payable - other of ¥245 million and a decrease in advances received of ¥500 million.

Cash flows from investing activities

The amount of capital provided by investing activities totaled ¥796 million (compared to ¥391 million provided in the same period of the previous fiscal year). The main reasons for the increase in capital were proceeds from sale of investment securities of ¥1,406 million and proceeds from sale of shares of subsidiaries and associates of ¥546 million, and the main factors for the decrease in capital were purchase of property, plant and equipment of ¥140 million, purchase of intangible assets of ¥264 million, purchase of investment securities of ¥286 million and payments for investments in capital of ¥500 million.

Cash flows from financing activities

The amount of capital provided by financing activities totaled ¥430 million (¥137 million used in the previous fiscal year). The main reasons for the increase in capital were ¥500 million in proceeds from long-term borrowings and ¥169 million in proceeds from issuance of new shares, and the main factor for the decrease in capital was ¥241 million in repayments of long-term borrowings.

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

The forecasts of consolidated financial results for the fiscal year ending May 31, 2023 have not changed from the forecast announced on July 14, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

| | As of May 31, 2022 | As of November 30, 2022 |
|------------------------------------|--------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,432 | 15,979 |
| Accounts receivable - trade | 756 | 650 |
| Prepaid expenses | 478 | 525 |
| Other | 194 | 239 |
| Allowance for doubtful accounts | (3) | (4) |
| Total current assets | 16,856 | 17,389 |
| Non-current assets | | |
| Property, plant and equipment | 806 | 845 |
| Intangible assets | | |
| Software | 917 | 890 |
| Goodwill | 229 | 216 |
| Other | 0 | 0 |
| Total intangible assets | 1,147 | 1,106 |
| Investments and other assets | | |
| Investment securities | 6,262 | 5,071 |
| Leasehold deposits | 793 | 746 |
| Deferred tax assets | 416 | 439 |
| Other | 10 | 514 |
| Total investments and other assets | 7,481 | 6,772 |
| Total non-current assets | 9,435 | 8,724 |
| Total assets | 26,292 | 26,114 |

(Millions of yen)

| | As of May 31, 2022 | As of November 30, 2022 |
|---|--------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 253 | 238 |
| Current portion of long-term borrowings | 477 | 572 |
| Accounts payable - other | 1,081 | 831 |
| Income taxes payable | 380 | 282 |
| Accrued consumption taxes | 398 | 210 |
| Advances received | 8,199 | 7,699 |
| Provision for bonuses | 487 | 545 |
| Other | 229 | 209 |
| Total current liabilities | 11,507 | 10,589 |
| Non-current liabilities | | |
| Long-term borrowings | 2,547 | 2,710 |
| Other | 144 | 187 |
| Total non-current liabilities | 2,691 | 2,898 |
| Total liabilities | 14,199 | 13,488 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,426 | 6,511 |
| Capital surplus | 4,023 | 4,108 |
| Retained earnings | 1,384 | 1,535 |
| Treasury shares | (1) | (1) |
| Total shareholders' equity | 11,832 | 12,154 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 85 | 131 |
| Foreign currency translation adjustment | 26 | 44 |
| Total accumulated other comprehensive income | 112 | 175 |
| Share acquisition rights | 142 | 285 |
| Non-controlling interests | 5 | 10 |
| Total net assets | 12,093 | 12,625 |
| Total liabilities and net assets | 26,292 | 26,114 |

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

(Millions of yen)

| | Six months ended November 30, 2021 | Six months ended November 30, 2022 |
|---|---------------------------------------|---------------------------------------|
| Net sales | 9,577 | 11,824 |
| Cost of sales | 1,130 | 1,624 |
| Gross profit | 8,446 | 10,200 |
| Selling, general and administrative expenses | 8,579 | 10,270 |
| Operating loss | (133) | (70) |
| Non-operating income | | |
| Interest and dividend income | 16 | 1 |
| Cancellation penalty income | 0 | – |
| Subsidy income | 1 | 7 |
| Gain on sale of investment securities | 979 | 291 |
| Other | 22 | 3 |
| Total non-operating income | 1,021 | 303 |
| Non-operating expenses | | |
| Interest expenses | 5 | 6 |
| Foreign exchange losses | 1 | 12 |
| Commission expenses | 5 | 5 |
| Share of loss of entities accounted for using equity method | 205 | 285 |
| Loss on investments in investment partnerships | 15 | 23 |
| Other | 10 | 13 |
| Total non-operating expenses | 243 | 346 |
| Ordinary profit (loss) | 643 | (113) |
| Extraordinary income | | |
| Gain on reversal of share acquisition rights | 0 | 0 |
| Gain on sale of shares of subsidiaries and associates | – | 431 |
| Total extraordinary income | 0 | 431 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 3 | 25 |
| Impairment losses | 9 | – |
| Total extraordinary losses | 12 | 25 |
| Profit before income taxes | 631 | 291 |
| Income taxes - current | 165 | 175 |
| Income taxes - deferred | (105) | (39) |
| Total income taxes | 59 | 136 |
| Profit | 571 | 155 |
| Profit (loss) attributable to non-controlling interests | (2) | 4 |
| Profit attributable to owners of parent | 573 | 151 |

Quarterly consolidated statement of comprehensive income

(Millions of yen)

| | Six months ended November 30, 2021 | Six months ended November 30, 2022 |
|--|---------------------------------------|---------------------------------------|
| Profit | 571 | 155 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,297) | 45 |
| Foreign currency translation adjustment | 0 | 17 |
| Total other comprehensive income | (1,296) | 63 |
| Comprehensive income | (725) | 218 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (723) | 214 |
| Comprehensive income attributable to non-controlling interests | (2) | 4 |

(3) Quarterly consolidated statement of cash flows.

(Millions of yen)

| | Six months ended November 30, 2021 | Six months ended November 30, 2022 |
|--|---------------------------------------|---------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 631 | 291 |
| Depreciation | 349 | 418 |
| Amortization of goodwill | 12 | 13 |
| Impairment losses | 9 | – |
| Loss on retirement of non-current assets | 3 | 25 |
| Share-based payment expenses | 31 | 121 |
| Gain on reversal of share acquisition rights | (0) | (0) |
| Increase (decrease) in allowance for doubtful accounts | 1 | 1 |
| Increase (decrease) in provision for bonuses | 77 | 57 |
| Interest and dividend income | (16) | (1) |
| Interest expenses | 5 | 6 |
| Commission expenses | 0 | – |
| Loss (gain) on sale of shares of subsidiaries and associates | – | (431) |
| Loss (gain) on sale of investment securities | (979) | (291) |
| Loss (gain) on investments in investment partnerships | 15 | 23 |
| Share of loss (profit) of entities accounted for using equity method | 205 | 285 |
| Decrease (increase) in trade receivables | 53 | 102 |
| Decrease (increase) in prepaid expenses | (39) | (41) |
| Decrease (increase) in other assets | (42) | (44) |
| Increase (decrease) in trade payables | (10) | (14) |
| Increase (decrease) in accounts payable - other | (282) | (245) |
| Increase (decrease) in advances received | (481) | (500) |
| Increase (decrease) in accrued consumption taxes | (106) | (184) |
| Increase (decrease) in other liabilities | 28 | 2 |
| Other, net | 34 | 52 |
| Subtotal | (500) | (352) |
| Interest and dividends received | 0 | 1 |
| Interest paid | (8) | (6) |
| Income taxes paid | (67) | (288) |
| Net cash provided by (used in) operating activities | (576) | (646) |

(Millions of yen)

| | Six months ended November 30, 2021 | Six months ended November 30, 2022 |
|--|---------------------------------------|---------------------------------------|
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | – | 49 |
| Purchase of property, plant and equipment | (395) | (140) |
| Purchase of intangible assets | (250) | (264) |
| Purchase of investment securities | (2,083) | (286) |
| Proceeds from sale of investment securities | 3,224 | 1,406 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (61) | – |
| Proceeds from sale of shares of subsidiaries and associates | – | 546 |
| Payments for investments in capital | – | (500) |
| Payments of leasehold deposits | (33) | (1) |
| Proceeds from refund of leasehold deposits | 1 | – |
| Other, net | (11) | (13) |
| Net cash provided by (used in) investing activities | 391 | 796 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (200) | – |
| Proceeds from long-term borrowings | 1,900 | 500 |
| Repayments of long-term borrowings | (1,956) | (241) |
| Proceeds from issuance of shares | 116 | 169 |
| Proceeds from issuance of share acquisition rights | 21 | 22 |
| Other, net | (17) | (20) |
| Net cash provided by (used in) financing activities | (137) | 430 |
| Effect of exchange rate change on cash and cash equivalents | 0 | 3 |
| Net increase (decrease) in cash and cash equivalents | (321) | 583 |
| Cash and cash equivalents at beginning of period | 12,223 | 15,245 |
| Cash and cash equivalents at end of period | 11,901 | 15,828 |

(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)

Not applicable.

(Changes in accounting policies)

(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 fiscal year ended May 31, 2022, 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 six months ended November 30, 2022.

(Segment information, etc.)

[Segment information]

I First six months of the fiscal year ended May 31, 2022 (from June 1, 2021 to November 30, 2021)

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

(Millions of yen)

| | Reportable segments | | | Others (Note) 1 | Total |
|-----------------------------------|---------------------------------|-------------------|-------|--------------------|-------|
| | Sansan/ Bill One Business | Eight Business | Total | | |
| Net sales | | | | | |
| Sales to external customers | 8,548 | 974 | 9,523 | 53 | 9,577 |
| Intersegment sales or transfers | 0 | 1 | 1 | 0 | 2 |
| Total | 8,548 | 976 | 9,524 | 54 | 9,579 |
| Segment profit (loss) (Note) 2 | 2,380 | (277) | 2,102 | 2 | 2,105 |

Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.

2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

| | Sansan/ Bill One Business | Eight Business | Others | Adjustments (Note) | Amount in the quarterly consolidated financial statement |
|--|---------------------------------|-------------------|--------|-----------------------|--|
| Segment profit (loss) | 2,380 | (277) | 2 | (2,194) | (89) |
| Share-based payment expenses | 13 | 3 | – | 14 | 31 |
| Amortization of goodwill and amortization of intangible assets | – | 10 | 2 | – | 12 |
| Operating profit (loss) | 2,366 | (291) | 0 | (2,209) | (133) |

Note Adjustments are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses.

II First six months of the fiscal year ending May 31, 2023 (from June 1, 2022 to November 30, 2022)

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

(Millions of yen)

| | Reportable segments | | | Others (Note) 1 | Total |
|-----------------------------------|---------------------------------|-------------------|--------|--------------------|--------|
| | Sansan/ Bill One Business | Eight Business | Total | | |
| Net sales | | | | | |
| Sales to external customers | 10,515 | 1,235 | 11,750 | 73 | 11,824 |
| Intersegment sales or transfers | 1 | 0 | 1 | 27 | 29 |
| Total | 10,516 | 1,235 | 11,752 | 101 | 11,853 |
| Segment profit (loss) (Note) 2 | 2,964 | (149) | 2,815 | (11) | 2,804 |

Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.

2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

| | Sansan/ Bill One Business | Eight Business | Others | Adjustments (Note) | Amount in the quarterly consolidated financial statement |
|--|---------------------------------|-------------------|--------|-----------------------|--|
| Segment profit (loss) | 2,964 | (149) | (11) | (2,739) | 65 |
| Share-based payment expenses | 50 | 18 | – | 52 | 121 |
| Amortization of goodwill and amortization of intangible assets | – | 10 | 3 | – | 13 |
| Adjusted operating profit (loss) | 2,914 | (178) | (14) | (2,792) | (70) |

(Note) Adjustments are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses.

2. Matters regarding changes in reportable segments

(Change in the method of measurement of profit (loss) of reportable segments)

Previously, segment profit (loss) was shown as operating profit (loss). However, from the first quarter of the current fiscal year, this was changed so that segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting expenses related to share-based payments, which may vary significantly depending on the level of the Company’s stock price, and expenses that arise from business combinations.

Segment profit (loss) for the first six months of the fiscal year ended May 31, 2022 is also shown with the adjusted operating profit (loss) after the change.

(Significant events after reporting period)

Sale of shares of equity method affiliate

The Company resolved at the Board of Directors Meeting held on December 13, 2022 to sell a portion of shares of SATORI, Inc. (“SATORI”), an equity method affiliate of the Company, and entered into share transfer agreements with each of the five transferee companies during December 2022. As a result of the aforementioned action, SATORI will be removed from being an equity method affiliate of the Company.

(1) Reason for the sale of shares

The Company decided to sell 38,084 shares from the shares of SATORI held by the Company for the purpose of realizing an optimal allocation of management resources.

(2) Names of transferee companies and timing of sale

Equity held by the Company is to be transferred to five companies. In each case, the name of the transferee is not disclosed as per the arrangement with that transferee.

(3) Name of the associate, description of its business, and its business dealings with the Company

| | |
|-------------------------------------|---|
| Company name: | SATORI, Inc. |
| Description of business: | Development and sales of marketing automation tools |
| Business dealings with the Company: | SATORI sells the Company’s services. |

(4) Number of shares to be sold, selling price, and equity interest after sale

| | |
|------------------------------|----------------|
| Number of shares to be sold: | 38,084 shares |
| Selling price: | ¥1,055 million |
| Equity interest after sale: | 16.64% |

(5) Effect on operating results

As an effect of this transfer, the Company expects to record extraordinary income as gain on sale of shares of subsidiaries and associates in the consolidated financial statements for the year ending May 31, 2023. The amount is currently in the process of being calculated, but the effect on consolidated operating results is expected to be immaterial.