

Sansan, Inc.

Results Briefing for FY2020

July 15, 2021

Event Summary

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[Date]	July 15, 2021
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[Venue]	Webcast
[Venue Size]	
[Participants]	140
[Number of Speakers]	2 Chika Terada Representative Director & CEO Muneyuki Hashimoto Director, Executive Officer, CFO
[Analyst Names]*	Kenichi Ito Ichiyoshi Research Institute Inc. Jumpei Yoshida Nomura Securities Co., Ltd. Hiroshi Yamashina Macquarie Capital Securities (Japan) Limited Leo Mochizuki BofA Securities Japan Co., Ltd. Takashi Miyazaki Goldman Sachs Japan Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Moderator: Now it is time for us to begin the financial results briefing for Sansan, Inc. for the fiscal year ended May 31, 2021.

First, I would like to introduce today's speakers. Terada, President and CEO. Hashimoto, Director and CFO.

First of all, regarding the materials, today's presentation will use the financial results presentation materials. We will share the screen via Zoom, and those who participate by phone are welcome to view the materials on our IR website.

First, Terada will give a 15-minute presentation on the overview of the full-year financial results and future growth strategy. After that, Hashimoto will take about 10 minutes to explain the 3-month results for the fourth quarter. Finally, we would like to use the remaining time until 11:00 AM for a question-and-answer session.

We will start with a presentation from Terada.

1 Consolidated Financial Results for FY2020

Highlights of Full-year Results

- Consolidated net sales remained strong, up 21.1% year on year

Net Sales: Sansan Business 18.7% growth, Eight Business 48.8% growth
ARR: 22.6% growth to 16,137 million yen

- High growth of "Bill One" cloud-based billing service continued

TV commercial was aired in February and May 2021.
Number of subscriptions has increased by 73.2% from the end of the previous quarter

- Promoted a range of initiatives toward the achievement of medium- to long-term growth

The number of employees increased by 216 year on year to 929
Introduced new services and functions in the Sansan Business and Eight Business
Expanded the Event Tech service portfolio by adding new services and functions

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Terada: Thank you very much for participating in our financial results briefing today. I'm Terada, the CEO.

I will now walk you through the financial results for the fiscal year ended May 2021.

First, I would like to discuss the highlights of the full-year results.

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Please look at page 5. There are 3 highlights of the full-year results.

First of all, consolidated net sales grew steadily by 21.1% YoY. ARR increased by 22.6% to JPY16.137 billion.

The second point is about Bill One, our online invoice receiving solution. The number of subscriptions continued to grow at a high rate, up 73.2% from the end of the previous quarter.

Third, I would like to talk about our initiatives for medium- to long-term growth. In terms of recruitment, the number of employees increased by 216 YoY to 929, making steady progress.

In addition to the Sansan and Eight businesses, we also launched new services and functions in the event tech service domain, which we are driving as a new initiative.

1 Consolidated Financial Results for FY2020

Overview of Consolidated Financial Results

Net sales increased by 21.1% year on year, operating profit decreased by 2.7%
In view of the steady progress made in business performance actively implemented various investments for medium- to long-term growth

(millions of yen)	FY2019	FY2020	
	Full-year Results	Full-year Results	YoY
Consolidated Results			
Net Sales	13,362	16,184	+21.1%
Gross Profit	11,541	14,192	+23.0%
Gross Profit Margin	86.4%	87.7%	+1.3pt
Operating Profit	757	736	-2.7%
Operating Profit Margin	5.7%	4.6%	-1.1pt
Ordinary Profit	435	375	-13.9%
Profit Attributable to Owners of Parent	339	182	-46.2%
EPS	10.98 yen	5.86 yen	-46.6%

Please look at page 6. Consolidated results for the full year are as shown here.

Although certain restrictions in the pandemic caused some negative impact, sales were generally strong, increasing 21.1% YoY to JPY16.184 billion.

Since the business performance had been progressing very strongly until the third quarter, in the fourth quarter, we executed various investments for medium- to long-term growth, such as advertising mainly on TV commercials for Bill One and strengthening recruitment. As a result, operating profit decreased 2.7% YoY to JPY736 million.

Ordinary profit and profit attributable to shareholders of the parent decreased due to an increase in non-operating expenses.

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Results by Segment

Net sales and operating profit increased (decreased loss) in both Sansan and Eight Businesses year on year

(millions of yen)	FY2019	FY2020	
Net Sales	Full-year Results	Full-year Results	YoY
Consolidated	13,362	16,184	+21.1%
Sansan Business	12,284	14,583	+18.7%
Eight Business	1,078	1,604	+48.8%
Adjustments	—	-3	—
Operating Profit			
Consolidated	757	736	-2.7%
Sansan Business	4,794	6,143	+28.1%
Eight Business	-894	-732	—
Adjustments	-3,142	-4,673	—

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An overview of results by segment is shown on page 7.

Sales and profits increased in both the Sansan and Eight businesses. The main reason for the increase in the negative adjustment is the increased number of employees in departments that do not belong to a particular segment as a result of the ongoing strengthening of recruitment, as well as the airing of TV commercials on Bill One in February and May 2021.

Currently, sales and some costs related to Bill One are allocated to each segment based on internally established rules, but other costs and all SG&A expenses related to this business are recorded as Company-wide expenses that are not allocated to each segment.

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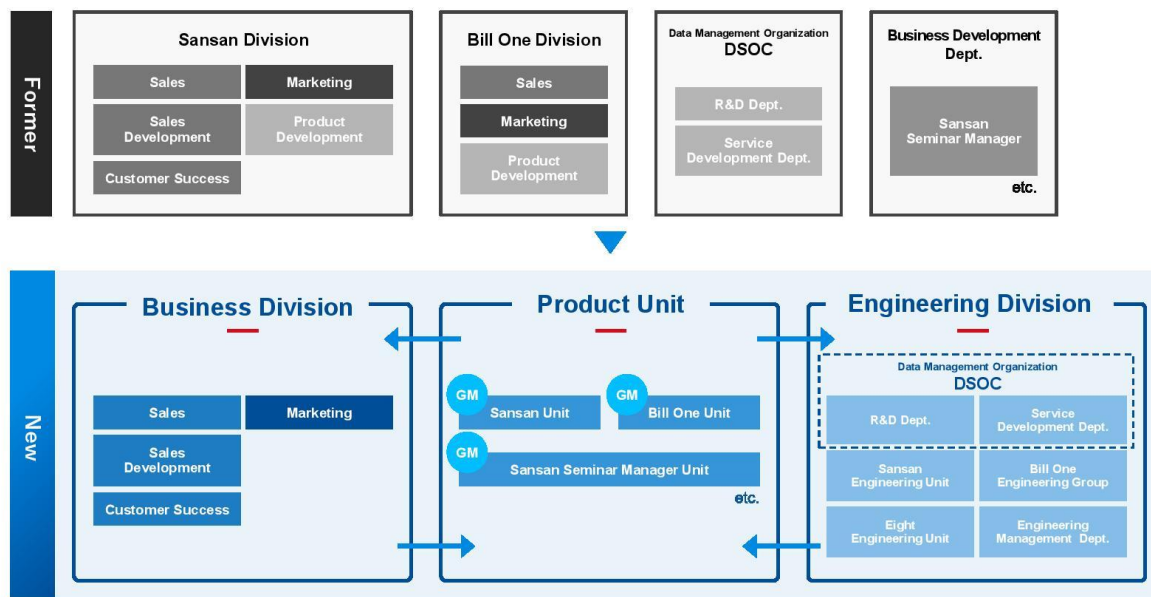
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Organizational Restructuring

Organizational restructuring implemented on July 1, 2021

To optimize business management systems with the aim of accelerating business growth



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Next, I will explain our future growth strategy.

Please see page 9. The organization was reorganized on July 1.

Since its inception, our group's core business has been business card management services, and we have used the strengths we have cultivated over the years to expand our business domain into areas such as invoices, contracts, and event tech.

In addition to improving the value of the services themselves, the importance of synergies created through collaboration among services has also increased, and as a result, we have been able to build a multi-product business portfolio.

We have restructured the organization with the aim of efficiently increasing the growth speed of our businesses based on this multi-product nature.

Specifically, first there is the product unit in the middle. GMs have been assigned to take charge of the main products. By giving the GM very important roles and responsibilities, including planning business strategies, monitoring earnings, and committing to business plans, we have created a structure in which each product can drive its own growth.

Next is the Engineering Division on the right, where we have reorganized the engineering functions that had been dispersed throughout the Company into a single cross-functional division. We aim to become one of Japan's leading engineering groups by strengthening human resource development and effectively utilizing R&D resources to further improve our core technological capabilities.

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In addition, in the Business Division on the left, the sales and marketing departments have been consolidated under 1 division for the purpose of maximizing sales through optimal resource allocation.

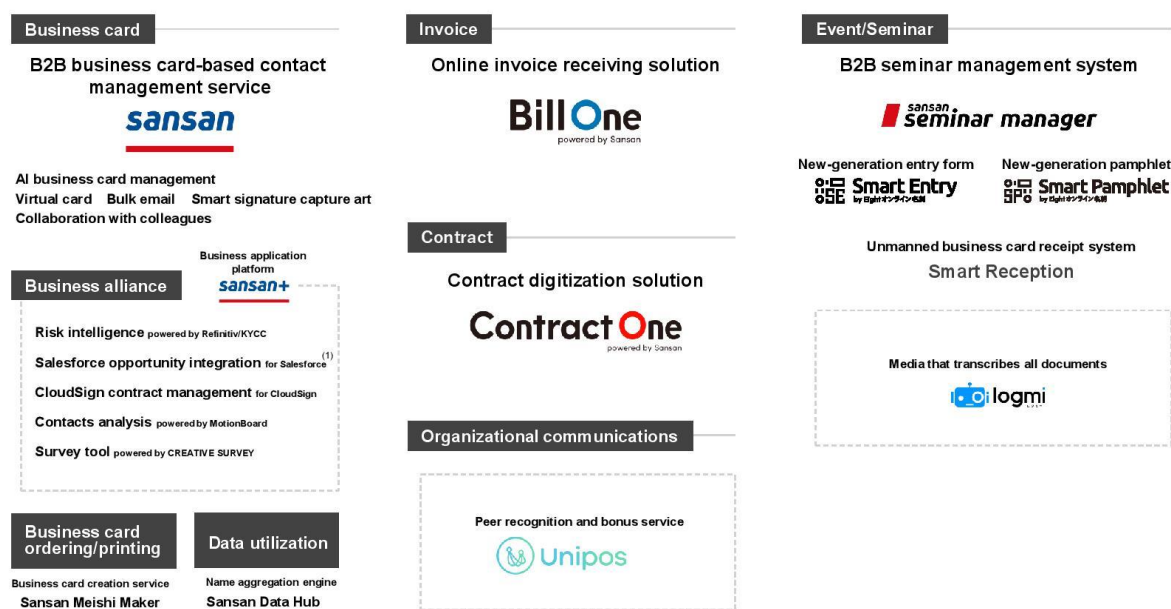
This will enable us to allocate resources flexibly and swiftly to products with high growth potential, which we believe will lead to increased productivity.

Due to the nature of the services in the Eight business, they will not be sold under a multi-product structure, so resources other than development will be managed under the same structure as before.

2 Growth Strategies

Major B2B Services (Multi-product)

From contact management to multi-products that meet the various DX needs of companies and businesspeople



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Please see page 10.

This is a list of the major products we have created based on our mission of "creating innovation from encounters," organized as a multi-product portfolio.

In recent years, coupled with the outbreak of COVID, there has been a rising need for management reform with DX as the starting point. I think it's clear that DX is becoming a key management issue in terms of employment, changing work styles, utilizing big data, and dealing with the aging of existing systems.

This is why we have set up the concept of DX, which changes the way we work, for this multi-product structure. This means solving a variety of business problems, changing the way companies and people work, and driving forward DX.

Going forward, we will work to strengthen and expand our services so that this multi-product structure will be widely recognized as a business infrastructure.

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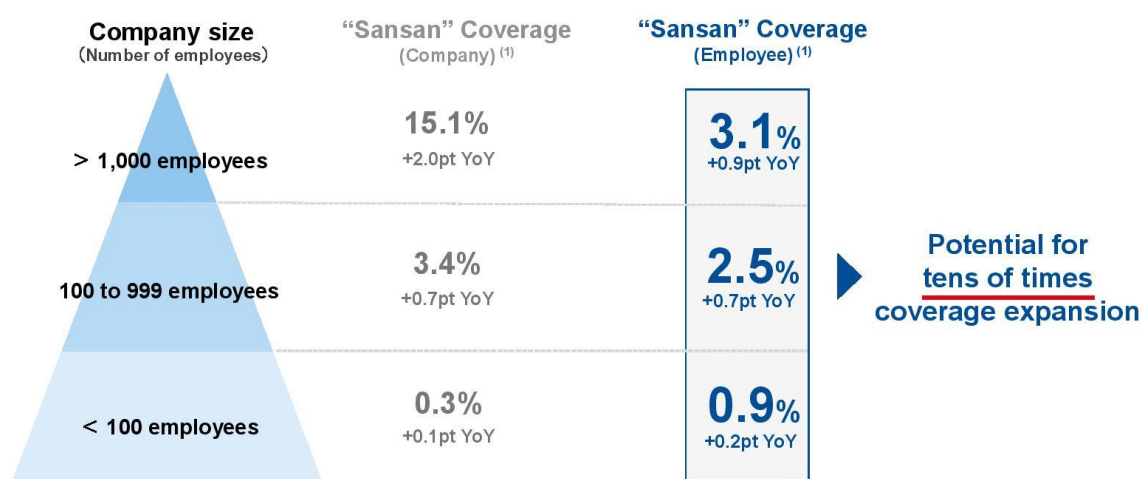
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In expanding our services, we are also expanding collaboration with other companies. In the recently announced capital and business alliance with Fringe81 Co., Ltd. (Hereinafter “Fringe81”), we are looking to make Fringe81 a group company in the future, and we assume that their peer bonus service, Unipos, will be included in this multi-product structure.

2 Growth Strategies

Business Card: Potential Market Size of “Sansan” in Japan (TAM)

The number of users within current customers is limited, and there is room for tens of times more coverage expansion



(1) “Sansan” coverage is calculated with the number of subscription and total number of IDs in “Sansan” for FY2020 Q4e as the numerator and the number based on Economic Census for Business Activity in 2016 issued by the Statistics Bureau as the denominator.

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From the next page, I will explain about each service in a little more detail. Please look at page 11.

This diagram illustrates the concept of TAM for the Sansan business. Sansan has captured 83.5% of the corporate business card management market, but there is still room for growth in this market itself.

While the number of Sansan subscriptions grew by 14.7% in the fiscal year ending May 2021, the number of users of the Sansan service grew by more than 35% compared to the end of the same period last year. As was released in April, the Company-wide introduction by Fujitsu's group contributed to the acquisition of 80,000 new users.

However, since Sansan users still account for less than 3% of the total number of employees in Japan, we believe that there is still room to expand our business by at least tens of times. We will continue to position the strengthening of our sales structure through the hiring of personnel as a key strategy, and will work to spread and expand our services under the new business operation structure I mentioned earlier.

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Invoice: Service Outline of “Bill One”

A service that can convert paper and PDF invoices into data with 99.9% accuracy and receive them online

The service was released in May 2020



“Bill One” will receive invoices on behalf of customers, and the subscriber companies can accurately view the data online

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Please see page 12. Let me give you an overview of Bill One, our online invoice receiving solution.

Bill One is a service that makes it possible to receive online all the invoices that used to be delivered to many locations and departments in different formats, such as paper and PDF.

Paper invoices are received by Bill One's scanning center on behalf of the customer and converted into data in a short period of time with 99.9% accuracy, while PDF invoices attached to emails are received by Bill One via a dedicated email address and converted into data as well.

Bill One is unique in the industry because it focuses on the receipt of invoices, and we believe that it is a service that can be used by many companies in Japan, regardless of industry or size.

At present, we are participating in the Electronic Invoice Promotion Council and actively exchanging opinions with member companies and organizations in preparation for the introduction of the electronic invoice system, which is expected in October 2023.

The Council has high expectations for Bill One in terms of supporting some small and medium-sized companies that are lagging behind in digitalization.

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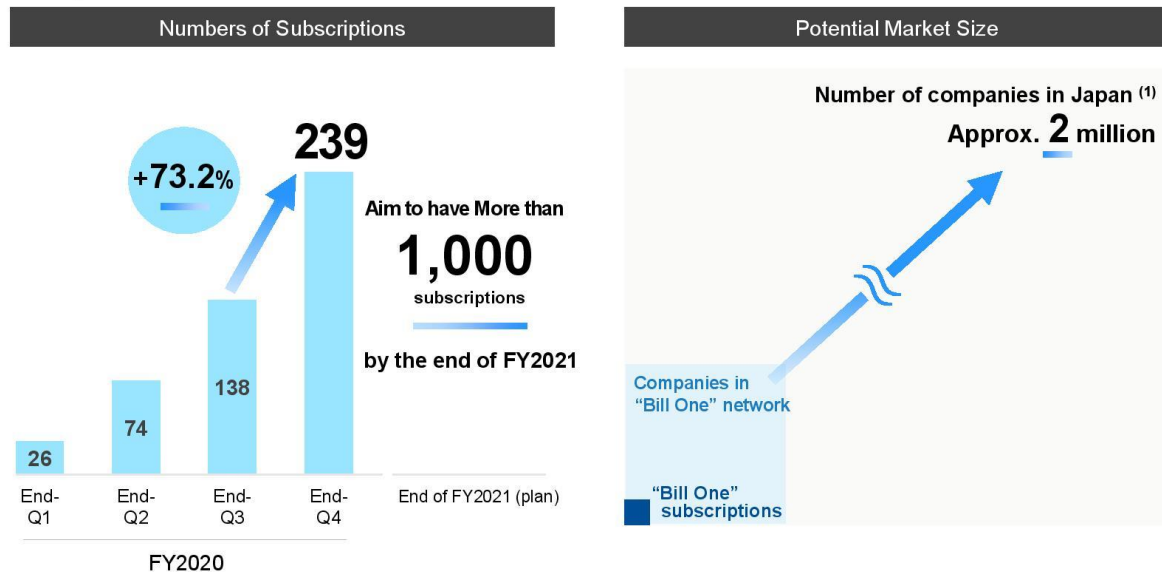
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Invoice: Changes in numbers of “Bill One” subscriptions and size of potential market

Numbers of subscriptions increased by 73.2% from end of previous quarter

Aiming for more than 1,000 subscriptions by the end of May 2022 against backdrop of a vast potential market



(1) the number based on Economic Census for Business Activity in 2016 issued by the Statistics Bureau.

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Page 13 shows the results and potential market size of Bill One.

As of the end of May 2021, Bill One had 239 subscriptions, a 73.2% increase compared to the end of the third quarter, continuing its high growth.

We have seen an increase in the number of cases where major companies, such as Mitsubishi Shokuhin Corporation, a major food company, have implemented our system, and we have been able to acquire customers in a wide range of industries and on a large scale.

Next, I’ll talk about the concept of TAM. The graph on the right shows the number of Bill One paid subscriptions at the end of the quarter in blue. The light blue indicates the number of companies that send invoices, i.e., the number of companies that have joined the Bill One network. And the large gray square represents the number of companies in Japan that we are targeting.

As you can see, there is a vast amount of room for development, and since the model increases the number of companies participating in the Bill One network more than it increases the number of Bill One subscriptions, the number of contacts with companies is expected to increase at an accelerated rate in the future.

We are aiming to have 1,000 paid subscriptions by the end of May 2022.

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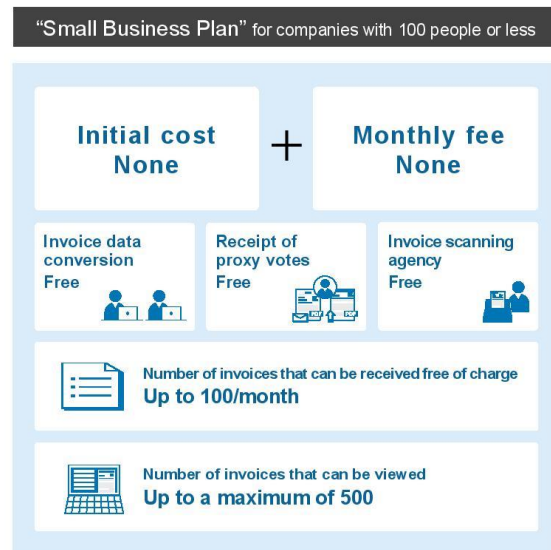
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Invoice: Initiatives for “Bill One” growth

Following on from February 2021, a TV commercial will be aired in May

Free “Small Business Plan” for companies of 100 people or less will be offered from May



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Please see page 14.

In May 2021, we aired a TV commercial for Bill One. Since the second half of February, when we aired our first TV commercial, we have received a very good response, with the number of leads acquired online more than doubling. After the airing in May, we have seen even greater results.

In addition, in May 2021, we started offering a small business plan to further expand its use. The small business plan is designed for companies with less than 100 employees, and there are no initial or monthly fees. Although there are certain usage restrictions, Bill One offers free invoice data conversion, proxy receipt, and scanning services, while maintaining the basic functionalities.

The reason for offering this plan is that the more companies join the Bill One network, the more recognition Bill One will receive, the more value the network itself will gain, and the more new users it will attract.

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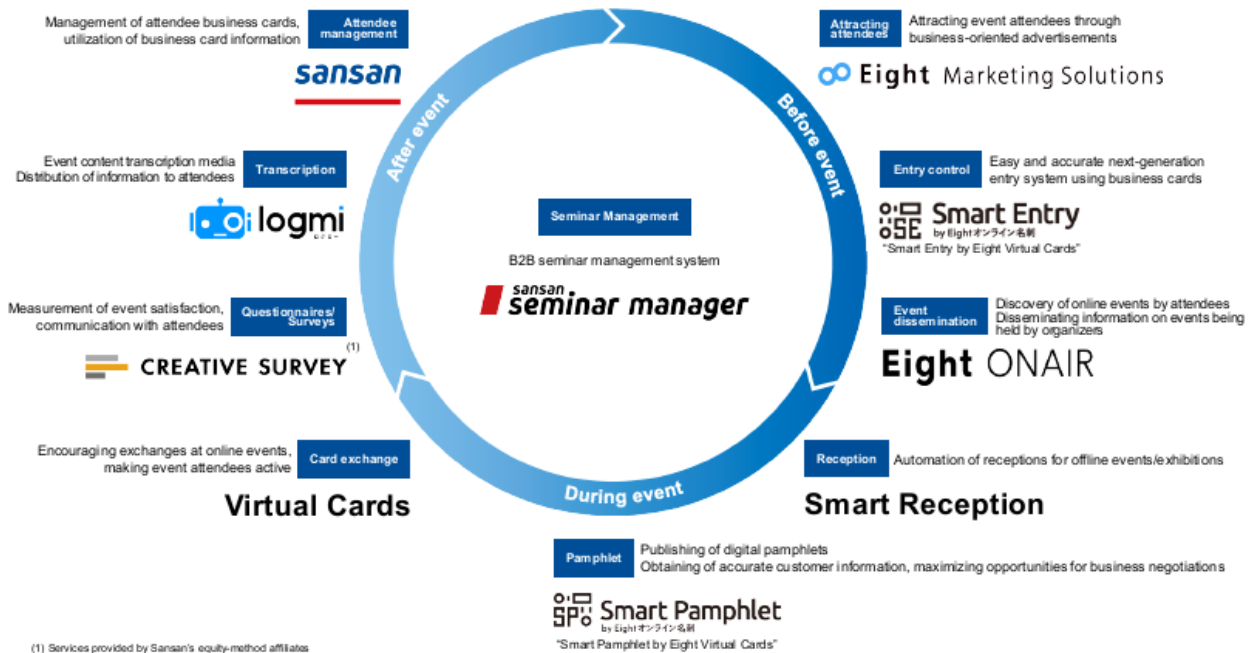
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Event/Seminar: Outline of Event Tech Services (Service portfolio)

Providing various kinds of solutions to solve business event management issues



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Next, I would like to talk about our efforts regarding events and seminars. Please see page 15.

Here is our portfolio of event tech services. There are many business events held in Japan, ranging from exhibitions, conferences, and small seminars. However, in event management, there are still many analog and inefficient operational flows, and we believe that there is still a lot of room for efficiency improvement through digitalization.

Against this backdrop, the Group is combining various services and developing them as Event Tech services.

We are currently focusing on the development and launch of new service functions to expand this portfolio.

The most recent example is Smart Reception, a service that enables unattended reception at online events. Smart Pamphlet enables online delivery of brochures to maximize business opportunities. We have newly started offering these 2 services.

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“Eight ON AIR” business event media provided from May 2021 onward

Business Event Media


Eight ONAIR




Consolidates business event information and utilizes the “Eight” network to deliver event information to users and support event organizers in attracting customers




Business



DX/Organization



Management/HR



DX/Art thinking

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As a new service, we have also started to provide business event media utilizing Eight's network. Please see page 16.

Eight ONAIR, which was released in May 2021, allows event organizers to post information about events that people can attend in real time or are planned in the future.

Meanwhile, users will be able to see a list of various event information on Eight. In Eight, you can register your business card as your profile. In other words, this platform enables you to join with 1 click just with that business card.

When the service was launched, more than 400 events were posted, more than we expected. At present, we are not monetizing this service, but we hope that it will first lead to the expansion of Eight users and increase their activities. We will continue to work on building a system that can support business events in all aspects.

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Consolidated Financial Forecasts

Outlook for consolidated net sales growth for FY2021 is acceleration of 3.9pt-6.9pt year on year

Aiming to maximize medium- to long-term sales growth rate by making agile and flexible investments

(millions of yen)	FY2020	FY2021	
		Full-year Forecasts	YoY
Consolidated Forecasts	Full-year Results		
Net Sales	16,184	20,230 ~20,716	+25.0% ~+28.0%
Operating Profit	736	450 ~800	-38.9% ~+8.6%

(1) We also expect to record a surplus in ordinary profit and profit attributable to owners of parent, but currently we are in a phase of actively investing to maximize shareholder value and corporate value over the medium to long term. Additionally, since it is difficult to reasonably estimate some non-operating income and loss, we have not disclosed specific forecast figures

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As the last part of my presentation, I would like to walk you through the full-year earnings forecast.

Please see page 18. Once again, we have decided to disclose our outlook in ranges in consideration of the uncertain business environment due to the pandemic.

First of all, the growth rate of consolidated net sales is expected to accelerate by 3.9 to 6.9 percentage points compared with the same period of the previous fiscal year, as the negative impact of the pandemic has run its course and solid growth is expected in each business.

As the pandemic has been prolonged, it has become difficult to achieve the 30% growth that we had originally targeted at this time, but at the upper end of the range, we expect growth of 28%, which is close to the target.

Specifically, we expect a steady increase in the number of Sansan subscriptions and a recovery in other sales, which consist of initial costs and pay-as-you-go income.

In Bill One, we expect the number of subscriptions to continue to grow. The Sansan business, which accounts for the majority of our current consolidated results, is expected to see a 24% to 27% increase in sales compared to the same period last year.

On the other hand, the forecast for consolidated operating profit is in the range of 38.9% decrease to 8.6% increase, as the Company places importance on maximizing sales growth in the medium to long term and plans to make flexible and agile investments in the current fiscal year.

As for growth investments, we plan to strengthen Company-wide recruitment, marketing, and advertising activities for Sansan and Bill One.

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This concludes my presentation.

Next, Hashimoto, CFO, will explain the details of the fourth quarter financial results.

Consolidated Financial Results for FY2020 Q4 (three months)

Overview of Consolidated Financial Results

Net sales increased by 20.1% year on year

Under operating profit recorded an operating loss of ¥86 million due to having implemented aggressive growth investments

(millions of yen)	FY2019	FY2020		FYI: FY2020	
	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
Consolidated Results					
Net Sales	3,690	4,431	+20.1%	16,184	+21.1%
Gross Profit	3,227	3,871	+20.0%	14,192	+23.0%
Gross Profit Margin	87.4%	87.4%	—	87.7%	+1.3pt
Operating Profit	563	-86	—	736	-2.7%
Operating Profit Margin	15.3%	—	—	4.6%	-1.1pt
Ordinary Profit	354	-104	—	375	-13.9%
Profit Attributable to Owners of Parent	433	-231	—	182	-46.2%
EPS	13.93 yen	-7.42 yen	—	5.86 yen	-46.6%

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Hashimoto: I'm Hashimoto, CFO. I will now explain the results for the 3 months of the fourth quarter.

Please see page 21. Here are the consolidated financial results for the 3 months of the fourth quarter.

Although the prolonged pandemic had some negative impact, sales were generally strong, increasing 20.1% YoY to JPY4.431 billion.

Although the growth rate slowed down slightly, the actual increase in sales compared to the previous quarter was the largest in the past year. As explained in detail on the next page, as a result of aggressive investments, we recorded an operating loss of JPY86 million.

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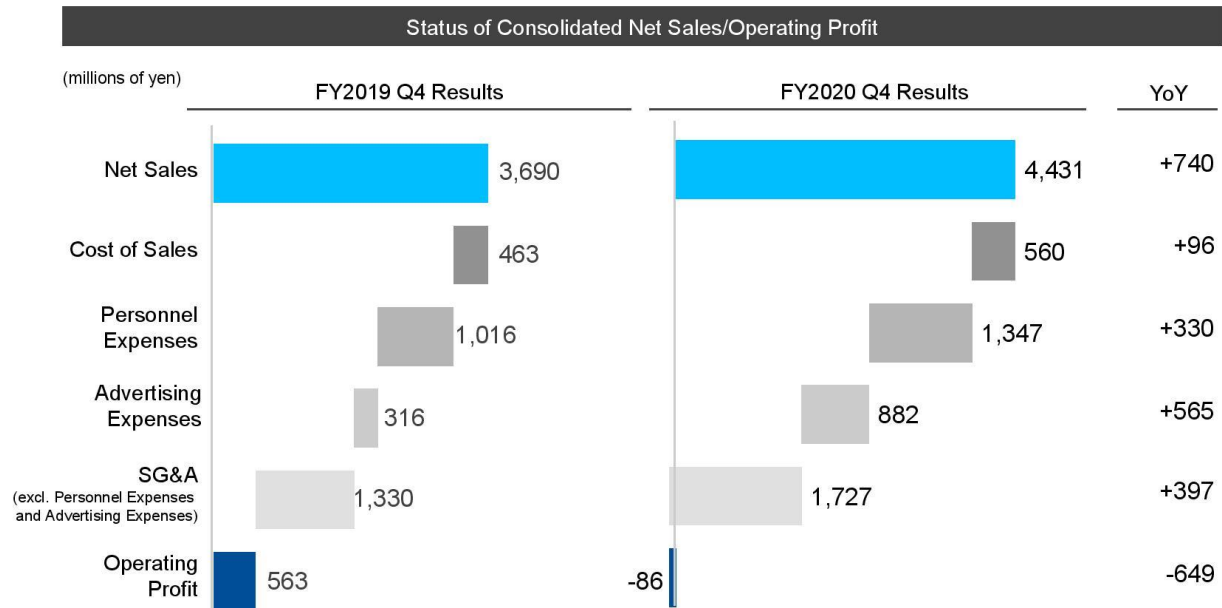
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Factors Contributing to Changes in Consolidated Operating Profit

Actively invested in light of the steady progress made with business results up to and including the third quarter

Advertising expenses increased by ¥565 million year on year, personnel expenses increased by ¥330 million



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Page 22 explains the factors behind the increase/decrease in consolidated operating profit.

In the fourth quarter, we made various growth investments in a flexible and agile manner in order to accelerate the rate of sales growth in the medium and long term. Specifically, advertising expenses increased by JPY565 million compared to the same period of the previous fiscal year due to the strengthening of marketing activities for Bill One, and personnel expenses increased by JPY330 million due to the strengthening of recruitment.

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Results by Segment

Net sales expanded steadily for both Sansan and Eight businesses

The adjustment amount of operating profit fell further into the red due to the strengthening of “Bill One” advertising activities.

(millions of yen)	FY2019	FY2020		FYI: FY2020	
Net Sales	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
Consolidated	3,690	4,431	+20.1%	16,184	+21.1%
Sansan Business	3,353	3,932	+17.3%	14,583	+18.7%
Eight Business	337	499	+48.1%	1,604	+48.8%
Adjustments	—	-1	—	-3	—
Operating Profit					
Consolidated	563	-86	—	736	-2.7%
Sansan Business	1,558	1,614	+3.6%	6,143	+28.1%
Eight Business	-178	-193	—	-732	—
Adjustments	-815	-1,506	—	-4,673	—

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An overview of results by segment is shown on page 23.

I will explain the details in turn, but both the Sansan and Eight businesses saw increased sales.

As Terada explained, the main reason for the increase in the negative adjustment is due to the increase in personnel and investment in Bill One.

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Sansan Business Overview

Net sales increased by 17.3% year on year

In accordance with increases in personnel expenses and advertising expenses, operating profit increased slightly

(millions of yen)	FY2019	FY2020		FYI: FY2020	
Sansan Business	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
Net Sales	3,353	3,932	+17.3%	14,583	+18.7%
Recurring Net Sales ⁽¹⁾	3,062	3,699	+20.8%	13,800	+23.6%
Other Net Sales	291	233	-19.9%	783	-29.7%
Operating Profit	1,558	1,614	+3.6%	6,143	+28.1%
Operating Profit Margin	46.5%	41.0%	-5.5pt	42.1%	+3.1pt
Number of "Sansan" Subscriptions	6,754 Subscriptions	7,744 Subscriptions	+14.7%		
Monthly Sales per Subscription ⁽²⁾	162,000 yen	170,000 yen	+4.9%		
Average Monthly Churn Rate over Past 12 Months ⁽³⁾	0.60%	0.63%	+0.03pt		
Number of Employees in Sansan Division	420 persons	538 persons	+118 persons		

(1) Fixed revenue with regard to "Sansan" (unaudited) (2) Monthly results for the end of Q4 in the Sansan Business (incl. some new services other than "Sansan", unaudited) , corrected monthly sales per subscription for the end of Q4 FY2019
(3) Ratio of decrease in monthly fees associated with contract cancellations to total monthly fees for existing contracts

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Please see page 24. First, I will talk about the results of the Sansan business.

Net sales increased 17.3% YoY to JPY3.932 billion, and although the growth rate slowed down slightly compared to the third quarter due to the prolonged effects of the pandemic, the results were generally solid.

Operating profit increased by 3.6% YoY to JPY1.614 billion, alongside an increase in advertising and personnel expenses.

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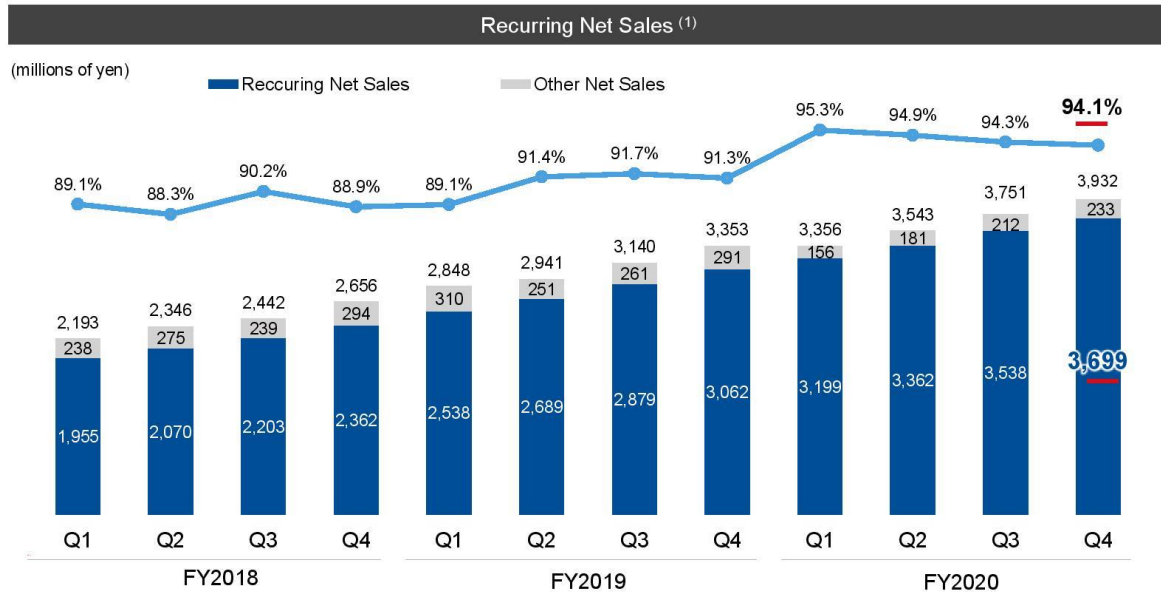
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Sansan Business: Recurring Net Sales

Recurring net sales steadily increased by 20.8% year on year against the backdrop of steady increase in number of subscriptions



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Page 25 is about Sansan's recurring sales.

The number of Sansan subscriptions has been steadily building up over the past year, and the churn rate for Sansan has been low in the pandemic, resulting in a 20.8% YoY increase, which is a higher growth rate than the segment's overall sales.

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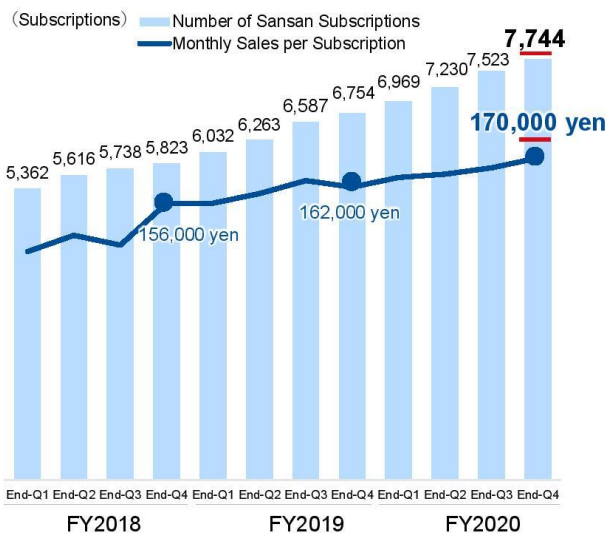
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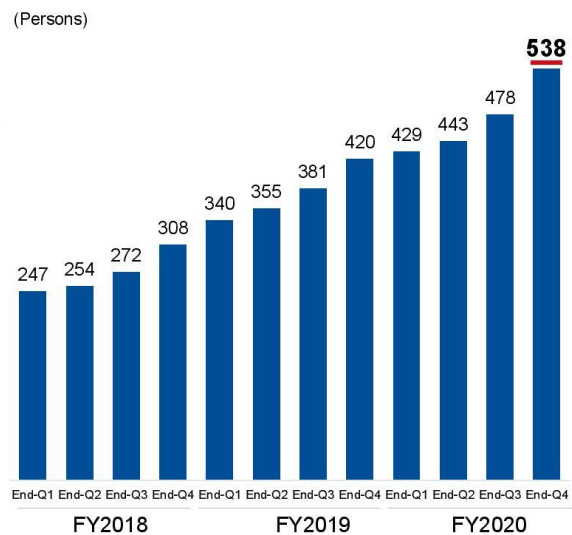
Sansan Business: Number of “Sansan” Subscriptions, Monthly Sales and Number of Employees

Number of subscriptions increased by 14.7% year on year and monthly sales per subscription increased by 4.9% year on year

Personnel recruitment mainly for sales department progressing smoothly

Number of “Sansan” Subscriptions and Monthly Sales per Subscription ⁽¹⁾

Number of Employees in Sansan Division



(1) Monthly results for the end of the quarter in the Sansan Business (incl. some new services other than “Sansan”, unaudited)

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Please look at page 26.

The number of subscriptions as of the end of the fourth quarter was 7,744, up 14.7% from the end of the same period last year. The net increase of 221 in the fourth quarter appears to be lower than the net increase of 293 in the third quarter, but this is due to the fact that the timing of subscription renewals is more concentrated in the fourth quarter, and also because the number of cancellations increased as the pandemic was prolonged at this relevant timing.

As a result, even without a significant change in the number of new subscriptions acquired, the net increase in subscriptions appears to have declined when compared to other quarters.

If the number of net increases in the fourth quarter of the current fiscal year is compared with the fourth quarter of the previous fiscal year, the number increased by 54, continuing the recovery trend.

Monthly sales per subscription also accelerated slightly QoQ to JPY170 thousands, up 4.9% from the same period last year. This is because until the third quarter, only the current period was negatively impacted by the pandemic, and the growth rate was slowing down because other sales were declining. However, since the end of May in the fourth quarter, the impact has run its course, and the growth rate has increased because the comparison is now made under similar conditions.

We expect that the growth rate will recover further as the negative impact of COVID is resolved.

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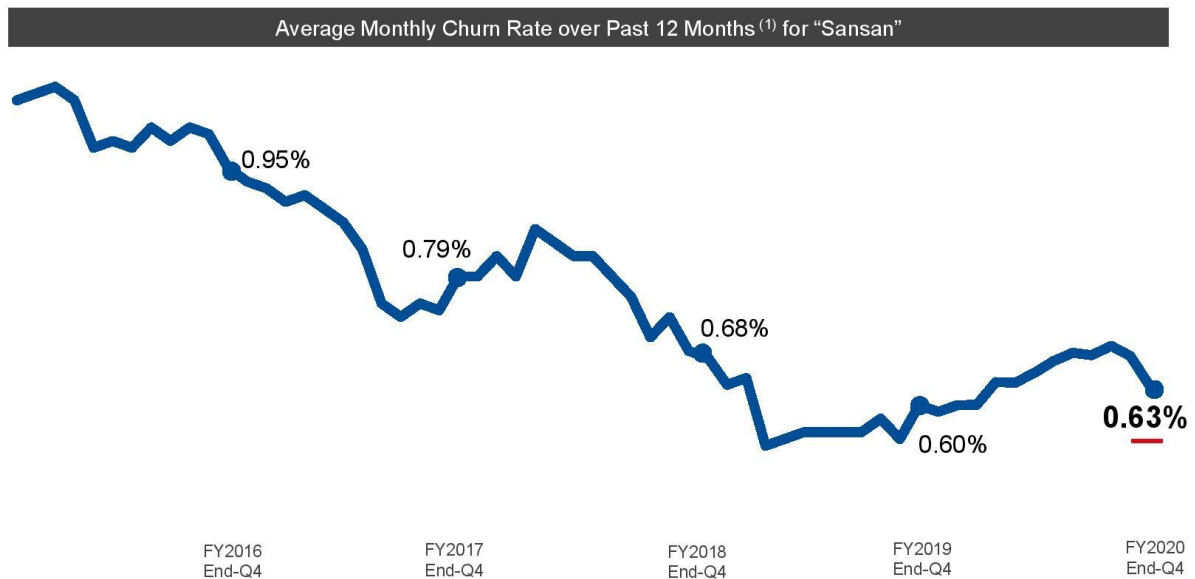
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Sansan Business: Average Monthly Churn Rate over Past 12 Months

Functions as barrier to entry with low churn rate of 1% or less



(1) Ratio of decrease in monthly fees associated with contract cancellations to total monthly fees for existing contracts

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Sansan's average monthly churn rate for the last 12 months is shown on page 27.

Although the pandemic creates an environment where the churn rate tends to rise, we continue to maintain a low level of less than 1% by implementing various initiatives.

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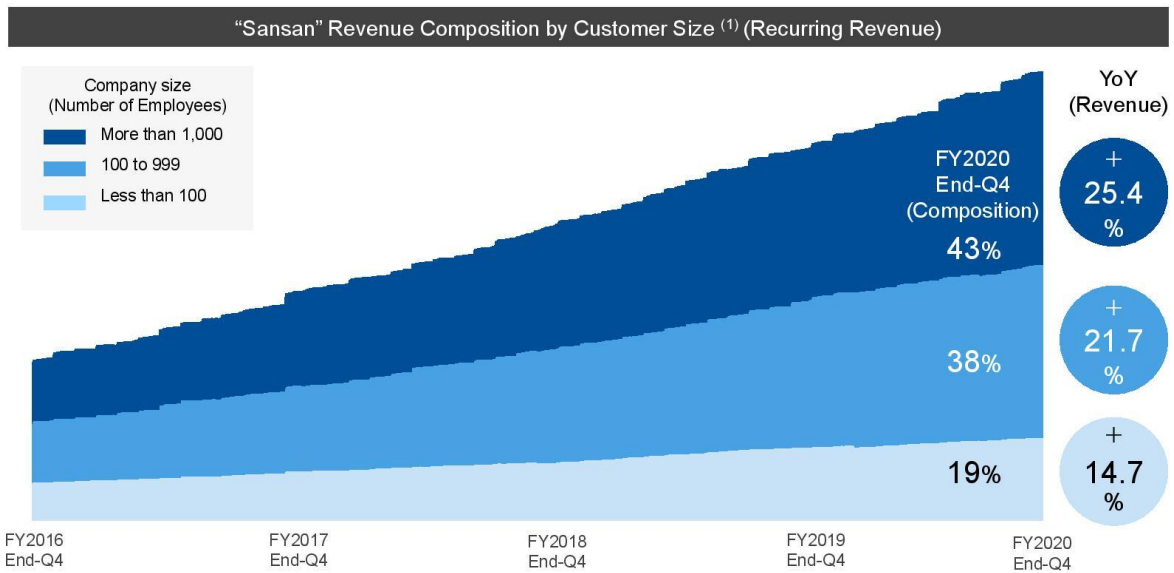
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Sansan Business: “Sansan” Revenue Composition by Customer Size (Recurring Revenue)

No significant change in revenue composition ratio by customer size



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Sansan's revenue composition by customer size is shown on page 28.

Compared to the third quarter, the composition and growth rate of the 1,000+ segment has risen slightly due to enterprise-wide adoption by major companies, but there has been no major change in the trend.

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Eight Business Overview

Net sales increased by 48.1% year on year due to the expansion of B2B services
Preceded by investments for the new monetization plan, operating loss increased slightly

(millions of yen)	FY2019	FY2020		FYI: FY2020	
Eight Business	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
Net Sales	337	499	+48.1%	1,604	+48.8%
B2C Services	73	74	+1.4%	296	+1.8%
B2B Services	263	425	+61.3%	1,307	+66.3%
Operating Profit	-178	-193	—	-732	—
Operating Profit Margin	—	—	—	—	—
Number of "Eight" Users ⁽¹⁾	2.70 million people	2.92 million people	+0.21 million people		
Number of "Eight Company Premium" Subscriptions	1,535 subscriptions	2,253 subscriptions	+46.8%		

(1) Number of confirmed users who registered their business card to their profile after downloading the application

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Next, please refer to page 29 for the results of the Eight business.

Net sales increased 48.1% YoY, to JPY499 million, driven by growth in B2B services.

Operating profit was negative JPY193 million, a slightly larger negative amount, due to prior investment in new monetization plans such as business events.

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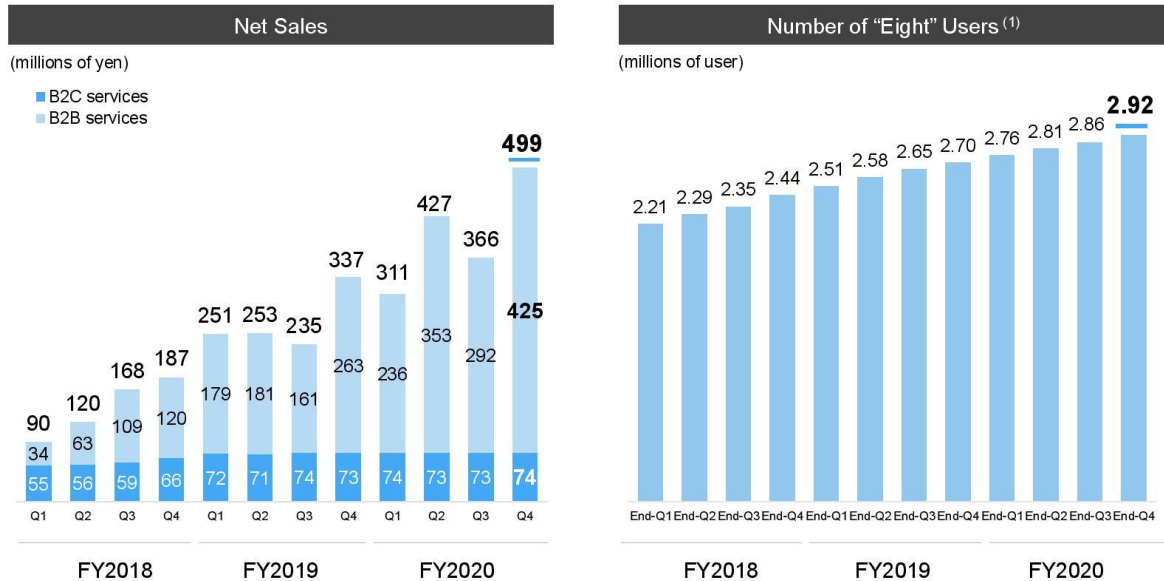
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Eight Business: Net Sales/"Eight" Users

B2B service sales increased 61.3% year on year due to the holding of business events and other factors

Continued growth of number of "Eight" users



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Page 30 shows the sales figures and the number of Eight users.

B2B service sales increased by 61.3% YoY due to the business event Climbers, and the contribution of Logmi, which became a group company.

The large increase in revenue compared to the third quarter is due to the fact that we did not have any business events such as Climbers in the third quarter.

The number of users of Eight steadily expanded to 2.92 million, up 210,000 from the same period last year.

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Eight Business: Business Event “Climbers”

Following that held in November 2020, the second “Climbers” business event was held in May 2021

Received more than 30,000 entries, the highest number ever at our business events

“Climbers 2021” was held in May 2021



We hold lectures by leaders from various fields and online exhibitions by companies. At the events, we utilize participation registration by means of, for example, exchanges on “Virtual Card” business with the speakers and “Smart Entry by Eight Virtual Cards” Scheduled to be held twice a year.

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Please see page 31. Once again, I would like to explain about our business event, Climbers.

This is a business event for young executives, business owners and other businesspersons, featuring lectures by top runners in various fields and exhibitions by companies, either in offline or online format.

In addition, it is possible to exchange business cards online with the speakers and register for the event using Smart Entry by Eight online business cards, which utilizes our event tech services.

The second annual Climbers 2021, held in May, drew more than 30,000 entries, making it one of our largest business events to date.

That’s all for my presentation. Thank you very much.

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Question & Answer

Moderator: We will now begin the question-and-answer session.

Please note that today's briefing records will be posted in text and video, including the Q&A session. Therefore, if you would like your company name or name to remain private, please ask for anonymity when submitting your question.

Please note that we would like to receive questions from everyone, so each person may ask up to 2 questions at a time. If you have 3 or more questions, please raise your hand again.

Now, does anyone have any questions? Then, Miyazaki, please go ahead.

Miyazaki: This is Miyazaki from Goldman Sachs. Thank you for your explanation today . I have 2 questions for you.

As the first question, In this new fiscal year, you are assuming that sales growth will be 25% to 28%, but are you expecting to increase the sales growth rate a little further into the future? The first thing I would like to ask is whether you think it will be difficult to achieve 30% growth when sales are exceeding JPY20 billion.

As an outsider looking in, I feel that if Sansan's pay-as-you-go portion returns, we may be able to see the 30% you are talking about. I'd like to know what management thinks about this.

Secondly, I would like to ask you about Bill One.

I think there was a free plan this time, but what is the scale criteria for a company to enjoy the free plan? It's difficult to describe, but do you expect that if the scale of a company is large enough, they will become paying users if they want to use it, so the sales and the number of subscribers will build up? Is it correct to understand that there is a fairly large number of companies that can use it for free, but you are rather expecting a network effect? This is the second point that I would like to know about. Thank you in advance.

Terada: Thank you for your questions. As for the first point, in our guidance for the previous fiscal year, we said that we wanted to achieve 30% growth for the current fiscal year, but with the impact of COVID extending into the current fiscal year, it is difficult to state a 30% forecast this time, so we are disclosing a range. From a management standpoint, we definitely want to achieve 30% growth, and we are feeling some good responses as the growth rate picks up from the previous fiscal year to the current fiscal year.

As for Sansan, we ourselves have a solid feel that it has been accepted as a must-have service, also considering the fact that the churn rate is low even during the pandemic. In this environment, the need to manage customer information from various aspects, including online business cards, has led to new installations, which drove growth.

Going forward, as the pandemic settles, we expect the Sansan business itself to accelerate growth as the product evolves and the concept of business cards is taken to the next level, such as online business cards and business card makers. Bill One will grow on a different level, partly because it is in its early phase.

Those all combined, we have set 30% growth as one benchmark regardless of the scale of the business. Even if it is difficult in the current fiscal year, we would like to make a commitment to return to that level in the next fiscal year and beyond.

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And the second point is Bill One's small business plan. This is targeted at companies with less than 100 employees and less than 100 invoices per month.

To answer your question, I would say that it works both ways. We are aiming for the network effect, but there are also cases where customers who started using the small business plan switch to the regular plan, so I think this will be effective on both sides.

In addition, as we expand our sales resources, we would like to focus our active pursuit on larger leads as much as possible, so we have released this small business plan in the hope that it will lead to improved sales productivity.

Miyazaki: I understood very well. Thank you very much.

Moderator: Now, we have 1 question in the chat room, so I will read out the question for you.

I would like to know what kind of assets and know-how you think Sansan can utilize for Fringe81's Unipos. I would like to know about the synergies and measures in the short and medium term.

Terada: First of all, we are proud of the fact that in terms of know-how in launching and growing SaaS, we have accumulated top class knowledge in Japan about what to include and what to keep in mind when, as in the case with Bill One.

We've already had a lot of discussions about this, but I think we can do a lot to accelerate the growth of Unipos, a product that should grow in the future, by pushing the right buttons in the short term.

And in the medium to long term, it's about collaboration as a product. We recognize Sansan and Unipos as solutions where IDs are assigned to employees for them to improve productivity, drive DX, and change the way people work. I believe that by deepening collaboration of the products, we will be able to further realize synergies in sales and marketing on the front lines.

In the short term, we are looking to share our expertise including for marketing, and in the medium to long term, we would like to collaborate on products.

Moderator: Mr. Yoshida, who has just raised his hand, please go ahead.

Yoshida: Thank you very much. I am Yoshida from Nomura Securities. I have 2 questions. I'd like you to answer them one at a time.

First, I'd like to know a little more about the aims of Bill One's small business plan. In order to create a network effect, the current system of only receiving invoices seems to be inadequate in some ways.

I think that the network effect can be enhanced by preparing a system for the sending side and making it a platform, as a possibility. Please let us know what you think about this aspect.

Terada: Thank you for your question. We are actually constantly examining various options as we go forward. It is true that the needs around sending invoices is also growing among our customers. On the other hand, in terms of invoicing systems, there are various existing players, so I think working with those companies is an option. We would like to consider what is the best way to maximize the network effect while updating cross-sectional views.

However, I think the key is to first scale the service as a system for receiving invoices, so that the sender can experience the increase in the number of customers to whom they can send invoices through Bill One. We

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would like to increase the number of companies participating in the network by expanding the sales of small business plans and paid plans, which is our initial goal.

Yoshida: Thank you very much. I imagine the process is not that difficult to first increase the number of customers and then develop a platform.

Terada: You are right.

Yoshida: Thank you very much. My second question concerns your approach to the profit level, especially in the long term. Short-term is fine. In the short term, everyone is doing what they can to increase sales by making various upfront investments, which seems fine.

On the other hand, I have the impression that the complexity of forecasting future profit levels is increasing as new businesses become more active. I don't think so, but some investors have voiced their concerns that you may not be able to generate profits over the long term.

I believe that if your company provides some kind of guidance to long-term profit levels, people will feel more comfortable and will be able to see that it is okay to invest this much in Bill One. I would really like to ask for guidance on long-term profits in this area.

In addition, it's difficult to read the new business part because of the expenses included in the adjustment amount, but I'd like to know how much money is actually being invested in the new business and how much sales are expected in the future, to justify this amount.

Can you tell us about the economics of those new businesses, along with guidance on long-term profit levels?

Terada: Hashimoto, CFO, will answer your question.

Hashimoto: At this point, it is very difficult to say specifically that we are aiming for this level of profit margin in the medium to long term. To explain the background, I think that we have already proven that we can generate a significant amount of profit and cash as the profit margin becomes quite high in the existing business that we have been operating since our establishment.

On the other hand, we don't want to shy away from starting new businesses or withholding investment in them. In the medium to long term, as long as these new businesses start up successfully and make sense in terms of investment efficiency, we will continue to make robust investments.

It is extremely difficult to predict how many new businesses will be launched and how much money will be allocated to them over the medium to long term. With Bill One, for example, the idea was conceived 2 or 3 years ago, and then pivoted to its current form. There are some aspects that we hadn't really imagined 2 or 3 years ago. How much of an impact this will have on the income statement is very difficult to predict.

On the other hand, if asked whether we are willing to dig so deep that we record losses, it is unlikely that we will suddenly invest billions of Japanese yen during the growth phase of the product.

Naturally, on the frontlines, we implement a variety of detailed measures, and the business builds up as we determine what worked and should be increased, and what failed and should be stopped. The amount of investment will increase along with the sales performance to a certain extent, so we will make decisions on an individual basis based on the LTV and CAC in our minds as we make investments.

Yoshida: Thank you very much. I understood that you are investing by looking at the current LTV and CAC, rather than making medium- to long-term forecasts at this point. Thank you very much.

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Terada: Thank you.

Moderator: Then, Mr. Mochizuki, please go ahead.

Mochizuki: This is Mochizuki from Bank of America. Thank you for your explanation. I also have 2 main questions.

The first is about sales efficiency. I think you are currently accelerating the hiring of employees. Especially in sales, how long does it take to become a fully contributing salesperson, including the training?

One more point: As of the fiscal year ending May 31, 2020, I believe you have accelerated growth in the number of employees and strengthened the sales force, especially in the Sansan Department, but I would be very grateful if you could explain whether the operating efficiency of that department has already reached 100% or whether there is still room for improvement.

Terada: As for the lead time to get started, we internally monitor different factors for each product and market, and try to improve the sales productivity by setting a workforce activation indicator.

This is quite different depending on the product and the market. Even with Sansan, the lead time for small market is shorter than enterprise. With Bill One, it can be up and running in a lot less time than Sansan on average. Looking at these figures, we are now working on integrating resources at the Business Division.

We did this in order to be able to allocate resources to more agile and productive areas while keeping an eye on those figures. While looking at it as an important indicator, we would like to capture it and bring it in the direction of increasing productivity. In terms of lead time, that probably means we will be allocating more sales resources to areas with shorter lead times.

Regarding your question on how much room for growth there is in comparison with the fiscal year ending May 2020, we have accumulated a lot of know-how based on how sales productivity has evolved when launching products.

For example, Bill One's sales productivity is extremely high right now, so there is still room for sales productivity to grow through the flexible allocation to higher areas by managing from the integrated Business Division.

As for Sansan, we have enhanced various functions during the pandemic. As I mentioned earlier, as our services are increasingly being recognized as must-have products, we are currently reviewing the licensing system covering products that not only manage business cards but also create business cards, as well as other functions.

Sales productivity is partly based on the training of salespeople as well. How to price the product and make it fit the market is also an extremely important factor. I think there is still room for us to increase our productivity by devising new ways to do this. The forecast for sales productivity is based on the assumption that there is still room for an increase in the short term or medium to long term.

Mochizuki: Thank you very much. I understood very well.

The second question. I would like to know a little more about Bill One.

The first point is the duration of the sales cycle at the moment, compared to Sansan.

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The next point is the capacity of the Bill One center to process invoices. I assume the workload is concentrated at the end of the month. I understand you are currently running a campaign for free users, but I wonder if you will be able to handle the influx of these users.

It would also be very helpful if you could tell us what the difference in ARPU is between the current free users and the current paying users.

Terada: At the moment, we are still in the early phase of Bill One, so we are not able to provide or disclose the lead time for salespeople to start up, but we definitely see a trend that it is shorter than with Sansan.

As for the capacity of the center for processing invoices, we have designed it to scale up as the volume of orders and processing increases. This is exactly the area where we suffered in the early days of Sansan, so based on this knowledge, I believe we have been able to design the system to scale according to demand.

Then there is ARPU. Free users are free, so the concept of ARPU is not applicable to them. As for the ARPU of existing users, or rather paying users, one of the intentions behind the introduction of the free and small business plans is that ARPU will tend to increase, and we would like to make it increase even more.

Mochizuki: Thank you for your explanation. Regarding free users, I guess the volume itself is probably low, so the ARPU is relatively small compared to larger customers overall.

Terada: The answer would be that free users, as free users, are not included in the denominator for calculating ARPU.

Mochizuki: Thank you very much.

Moderator: We have a question in the chat room. I will read it out.

Fringe81's Unipos is an HR service in a broad sense, but is there a possibility that you will introduce new HR-related products in the future as part of your multi-product strategy? If there is such a possibility, it would be helpful if you could give us some hints on areas that your company should work on, such as recruitment management, labor management, engagement, et cetera, based on the synergy with your existing business.

Terada: Based on our mission and vision, as well as the concept of DX that changes the way we work that I mentioned earlier, I don't think we need to exclude any options.

On the other hand, as with Unipos working towards becoming a group company, as well as Bill One and other products, we face each new business with the vision to create our own unique markets.

Unipos has a peer bonus system, which is obviously still too small to be called a market, but they are spreading a new way of thinking. It's not about how many markets there are and what part of them you're taking, it's about delivering new value as a truly unique product, and that's why we were really attracted to this business.

The HR field can be a very red ocean if you don't navigate it well, so we don't take the approach of entering any area just because it's growing, without having any kind of edge. We would like to take the best option in both aspects.

Moderator: Next, we have 1 more question in the chat.

What are the specific details of the authority delegated to each GM in the product organization? I'd like to know about the changes from the previous structure and their intentions.

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Terada: Thank you. The biggest difference is that until now, there has been virtually no person with ultimate responsibility at the product level. As the Company is becoming more and more multi-faceted, we hadn't been able to position people who could take responsibility for each product on a cross-functional basis, so that was the most significant change.

We are still sorting out the details of authority and so on, but I think it all comes down to the GM reporting to me, the CEO, and maximizing the product by mobilizing resources across the Company.

Rather than developing this system on our own, we studied very carefully how overseas SaaS vendors have built and scaled their organizational structures when they became multi-product, and we designed it based on what we learned. We would like to gradually tune the system to maximize and optimize the performance.

Moderator: We will now move on to the next question.

Will offering Bill One's small business plan change your target of 1,000 subscriptions? Or how many cases are you targeting with this small plan?

Terada: We see the Bill One small plan itself as outside of that 1,000 target. 1,000 is just the number of paying subscribers, and in that sense, our target of 1,000 remains unchanged. Of course, as the small business plan grows, we expect the number of paying users to increase as a result, so we are naturally hoping to reach and exceed the 1,000 mark.

Moderator: Mr. Ito from Ichiyoshi, please go ahead.

Ito: This is Ito from Ichiyoshi Research Institute. I have 1 question about the effect of reorganization, which was already asked in a previous question. Simply because Sansan's sales resources can also be used for Bill One this time, I think there is a possibility that the sales system will be strengthened at an accelerated rate going forward.

What kind of things do Sansan salespeople need in order to sell Bill One, and if the hurdles aren't that high, I assume that the Bill One sales force can expand at once, but what do you think?

Terada: Thank you. It's still a bit of a work in progress, but with a certain amount of training for Sansan salespeople, I believe they are fully capable of selling Bill One. In terms of the training required, I believe it is possible to start up in a shorter period of time than Sansan.

While there is the question of how to allocate existing resources, in the short term, it will be easier for us to make decisions on how to allocate newly acquired resources, so there we are considering focusing resources in a way that will increase productivity.

In addition, rather than having separate salespeople for Sansan and Bill One, we are working to optimize the structure, including Sansan salespeople working together with Bill One salespeople in sales activities.

We would like to build a system that positions sales as a kind of strength of our company when we scale up more and more in the future, including other multi-products in addition to Sansan and Bill One.

Ito: Thank you. I understood very well.

My second question is about the acquisition of Fringe81. I'd like to ask you a little bit about the state of M&A inquiries in the SaaS industry.

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This time, I assume that the scheme was not to simply buy the company, but to inject your company's know-how into it, to sort of turn it around, and then to acquire it. I'm wondering if this kind of deal will increase going forward.

I expect that there will be more and more companies that have created a good product, but require a lot of effort in terms of personnel or advertising to make solid sales.

In such a case, I thought there can be an increasing number of inquiries to a company like yours, which is a leading SaaS company with positive cash flow, asking if they can join in your group.

If that's the case, I feel that the Unipos deal can be a critical touchstone for your company to achieve dramatic growth through M&A in the medium to long term. So can you tell us about the situation around M&A inquiries?

Also, Mr. Hashimoto, since you have joined the other company as a director, could you tell us what are the key points and how you intend to improve the company? Thank you.

Hashimoto: Now, let me give you my answer. I think that the number of inquiries for M&A, or rather the number of calls we receive, is certainly increasing.

I'm sure there are many factors, but from our point of view, the services we provide, both Sansan and Bill One, but Sansan in particular has accumulated a variety of data. And, as Terada mentioned earlier, IDs are assigned on a company-wide basis. Therefore many different people at our customer companies can use our products.

Another factor is our organization. There's development, and then there's sales, which is a pretty big organization. With a combination of those factors, I think the number of offers we receive from those who expect they can do things better by working with Sansan is increasing quite significantly.

In particular, I think that being able to assign IDs to the entire company allows us to come up with a variety of ideas for putting various products on the IDs, so from that perspective, we receive a lot of inquiries, and I think we are approached more often than other companies.

Both Unipos and Fringe81 have appointed me and director Tomioka as external directors. We are about to start discussions with them, and we would like to provide them with our know-how and also things like experience of failure.

Unipos is also a product that assigns IDs to the entire company and allows the entire company to use it, so I think there is a high degree of affinity between the 2.

Takahashi: I understood very well. Thank you very much.

Moderator: Mr. Yamashina, please go ahead.

Yamashina: This is Yamashina from Macquarie. Thank you for your explanation.

I just have 1 question: how do you plan to spend your expenses this fiscal year, especially advertising expenses? I'd like to know even roughly about your basic policy such as the timing and purpose.

Hashimoto: I think advertising expenses for the last fiscal year landed at just under JPY3 billion, but we plan to add a little more from there. So, although not up to JPY4 billion, I think we will land somewhere in between.

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One of the reasons for the increase is that we ran TV commercials for Bill One in February and May in the last fiscal year, and we would like to continue doing so. So, in terms of overall advertising costs, Bill One's advertising costs will increase.

At Sansan, due to the impact of the pandemic, we were only able to hold a limited number of events, seminars, and other activities during the past year. We are looking to recover the number, rather than increase, from the last fiscal year's level.

Yamashina: In terms of the balance between the first and second halves, do you think that the second half of the year will see an increase?

Hashimoto: Regarding this fiscal year, we are now planning for mass marketing and TV commercials, but I think it will be quite skewed towards the first half, especially the first quarter.

Yamashina: Understood. Thank you very much.

Moderator: Now, we have another question in the chat, so I will read it out.

About Sansan's API integration. Please tell us if there is any possibility that the user benefits will be further expanded if there are more collaborations with new areas in the future. Also, if Bill One expands, I think there is a possibility that there will be an increased need for collaboration with accounting services. Please share your view in this area.

Terada: Regarding Sansan, we have been working with various application partners through APIs in the framework of Sansan Plus, and we would like to continue to expand it going forward.

In this context, some of our products have been able to contribute to an increase in orders, ARR and MRR, so we would like to continue to expand these areas while actively searching for other products that would be more valuable to our customers if we collaborate with them.

Bill One is also a unique service, and we have already announced its integration with several accounting software, and we would like to continue to contribute to the convenience of users by integrating with as many products as possible.

Moderator: Does anyone have any other questions?

As there appear to be no further questions, we would like to conclude the financial results briefing.

Thank you very much for joining us today.

[END]

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Japan 03.4405.3160
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