

Sansan, Inc.

Earnings Results Briefing for FY2021 Q3

April 12, 2022

Event Summary

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[Participants]	140	
[Number of Speakers]	1 Muneyuki Hashimoto Director, Executive Officer, CFO	
[Analyst Names]*	Takashi Miyazaki Goldman Sachs Japan Co., Ltd. Kenichi Ito Ichiyoshi Research Institute Inc. Hiroshi Yamashina Macquarie Capital Securities (Japan) Limited Leo Mochizuki BofA Securities 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 that the time has come, Sansan, Inc. will hold a financial result meeting for the third quarter of the fiscal year ending May 31, 2022.

Here is today's speaker. Mr. Hashimoto, Director and CFO.

As for the materials, we are going to use the financial results documents for the presentation. We will be sharing screens via Zoom, but if you are joining us by phone, please visit the IR website to view the materials.

Mr. Hashimoto will give a presentation of approximately 20 minutes. Then a question-and-answer session follows until 11:00 AM.

From now on, I would like to pass the mic to Mr. Hashimoto to start the presentation.

1 Consolidated Financial Results for FY2021 Q3

Highlights of FY2021 Q3YTD Results

Consolidated net sales increased 25.1% YoY

Net Sales: Sansan/Bill One Business 23.8% growth, Eight Business 30.7% growth
ARR ⁽¹⁾ : 23.0% growth to 18,831 million yen

Progress in line with range of full-year earnings forecasts

Despite the ongoing negative effects from COVID-19, no change to consolidated earnings forecasts announced at beginning of fiscal year. Recorded operating profit during nine months ended February 28, 2022 (decrease in operating profit had been due to personnel recruitment and strengthening of advertising activities, as planned)

Bill One achieved ARR target ahead of schedule

Bill One MRR ⁽²⁾ increased by 886.7% YoY to ¥92 million and ARR increased to ¥1,109 million.
Achieved end of May 2022 target ahead of schedule and exceeded ARR of ¥1 billion one year and nine months after Bill One's release.

(1) Annual recurring revenue
(2) Monthly recurring revenue

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Hashimoto: Thank you for attending our financial briefing today. I am Hashimoto, CFO. Today, I would like to explain in the three parts, including the third quarter results.

First, I would like to explain the results for the third quarter of the fiscal year ending May 31, 2022.

See page five. There are three highlights of the cumulative third quarter results. The first point is that the consolidated net sales has increased 25.1% YoY. ARR increased 23% to JPY18.831 billion.

Secondly, the cumulative results for the third quarter were in line with the range for the full-year forecast. Operating profit had been in negative until the second quarter but turned positive in the cumulative third quarter results.

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The third point is about Bill One, an online invoice receiving solution. Bill One's MRR in February 2022 was JPY92 million, about 10 times of the same period last year. ARR was JPY1.109 billion, achieving the end of May 2022 target ahead of schedule and exceeded ARR of JPY1 billion.

We are proud of the fact that our ARR exceeded JPY1 billion in one year and nine months after its release, which is unparalleled among SaaS services in Japan, and we are proud of the overwhelming speed of growth.

1 Consolidated Financial Results for FY2021 Q3

Overview of Consolidated Financial Results

Despite being impacted by the prolonged, ongoing COVID pandemic, net sales remained steady and increased 24.6% YoY.

Operating profit increased owing to increase in net sales, etc.

	(millions of yen)	FY2020	FY2021		(For Reference) FY2021	
		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Consolidated Results	Net Sales	4,116	5,128	+24.6%	14,705	+25.1%
	Gross Profit	3,630	4,527	+24.7%	12,973	+25.7%
	Gross Profit Margin	88.2%	88.3%	+0.1 pt.	88.2%	+0.4 pt.
	Operating Profit	136	368	+170.2%	234	-71.5%
	Operating Profit Margin	3.3%	7.2%	+3.9 pt.	1.6%	-5.4 pt.
	Ordinary Profit	25	107	+328.4%	750	+56.7%
	Profit Attributable to Owners of Parent	25	1	-94.1%	575	+39.0%
	EPS ⁽¹⁾	0.21 yen	0.01 yen	-94.1%	4.61 yen	+38.7%

(1) As the Company conducted a four-for-one common stock split effective December 1, 2021, the EPS were calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 31, 2021.

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The three-month results for the third quarter are shown on page six as you see them.

Net sales increased steadily to JPY5.128 billion, up 24.6% YoY, mainly in Sansan as a result of efforts to strengthen the sales structure and expand service functions despite there has been a negative impact of the prolonged pandemic.

Operating profit increased 170.2% YoY to JPY368 million. Ordinary profit was JPY107 million due to equity in losses of affiliates and other factors.

Profit attributable to owners of parent was JPY1 million, due to an increase in income taxes compared to the same period of the previous year.

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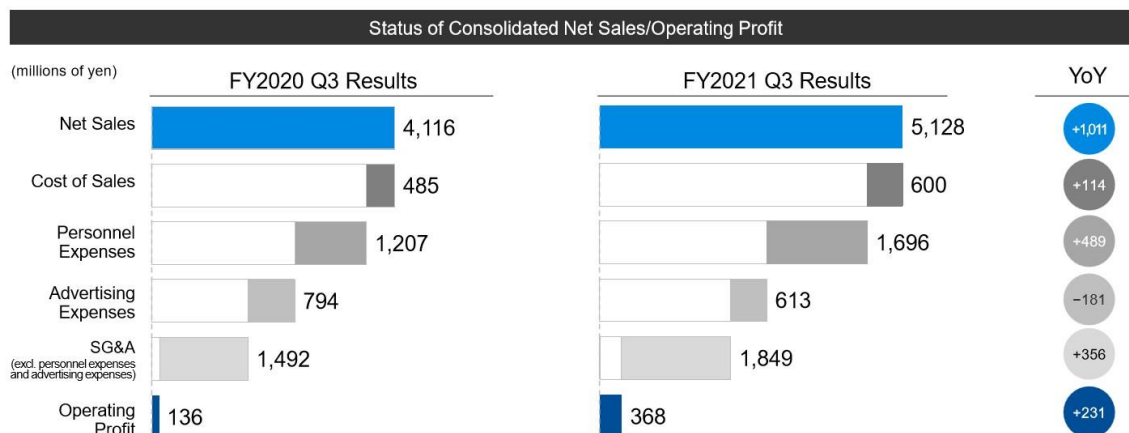
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Factors Contributing to Changes in Consolidated Operating Profit

Operating profit increased 170.2% YoY owing to increased net sales, decreased advertising expenses, etc. Personnel expenses up ¥489 million YoY, owing to strengthening of personnel recruitment.



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Page seven explains the factors behind the increase or decrease in consolidated operating profit.

Consolidated net sales increased by JPY1.011 billion YoY. Advertising expenses decreased by JPY181 million as we reduced marketing activities comparing to those in the same period of the previous year, resulting in 170.2% increase in operating profit.

The JPY489 million increase in personnel expenses from the same period of the previous year was due to enhanced recruitment. The number of consolidated employees increased by 268 from the end of the same period last year to 1,118.

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Results by Segment

Increased net sales and operating profit (reduced deficit) in both Sansan/Bill One and Eight Business. Adjustments amount (operating loss) up ¥266 million YoY, owing to increased employees, etc.

		FY2020	FY2021		(For Reference) FY2021	
(millions of yen)		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Net Sales	Consolidated	4,116	5,128	+24.6%	14,705	+25.1%
	Sansan/Bill One Business	3,757	4,650	+23.8%	13,199	+23.8%
	Eight Business	360	454	+26.1%	1,430	+30.7%
	Others	—	25	—	80	—
	Adjustments	-1	-3	—	-5	—
Operating Profit	Consolidated	136	368	+170.2%	234	-71.5%
	Sansan/Bill One Business	1,226	1,662	+35.6%	4,029	-0.8%
	Eight Business	-185	-105	—	-396	—
	Others	—	-18	—	-18	—
	Adjustments	-904	-1,170	—	-3,379	—

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A summary by segment is shown on page eight.

Both the Sansan/Bill One and Eight businesses reported increases in both net sales and profit. The negative adjustment amount is increasing, but this is mainly due to the various cost increase associated with the increase of employees.

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Sansan / Bill One Business Overview

Net sales up 23.8% YoY against backdrop of steady growth of Sansan and rapid growth of Bill One.
Operating profit increased 35.6% YoY owing to increase in net sales, decrease in advertising expenses, etc.

	(millions of yen)	FY2020	FY2021		(For Reference) FY2021	
		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Sansan/Bill One Business	Net Sales	3,757	4,650	+23.8%	13,199	+23.8%
	Sansan	3,733	4,366	+17.0%	12,662	+19.2%
	Sansan Recurring Sales	3,541	4,136	+16.8%	12,062	+19.4%
	Sansan Other Sales	191	230	+20.2%	600	+14.9%
	Bill One	23	259	+1,003.0%	498	+1,356.4%
	Others	0	24	+6,048.6%	38	+4,543.1%
	Operating Profit	1,226	1,662	+35.6%	4,029	-0.8%
	Operating Profit Margin	32.6%	35.7%	+3.1 pt.	30.5%	-7.6 pt.

(1) Unaudited

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I will explain the results by segment. See page nine.

First, let's talk about the results of the Sansan/Bill One business. Sales grew 23.8% YoY to JPY4.65 billion, on the back of solid growth at Sansan and rapid growth at Bill One.

In Sansan, sales increased 17% YoY. The slowdown in growth compared to the previous quarter is due to the negative impact of prolonged COVID-19 infections, including the declaration of a state of emergency in 2021 and semi-emergency measures to prevent the spread of the disease in 2022.

Although this differs from the sales results disclosed in the financial statements, looking at orders received by single month, December was tough due to the negative impact of the COVID-19. However, we received the largest number of orders in February this fiscal year, which we believe will contribute to growth in the fourth quarter and beyond.

In Bill One, sales continued to grow at a high rate, with sales approximately 11 times higher YoY.

The large growth rate in other sales is attributable to Contract One and other factors.

Operating profit increased 35.6% YoY to JPY1.662 billion due to the increase in sales and a decrease in advertising expenses. This is because we did not conduct a large marketing campaign as we did in the same period of the previous year.

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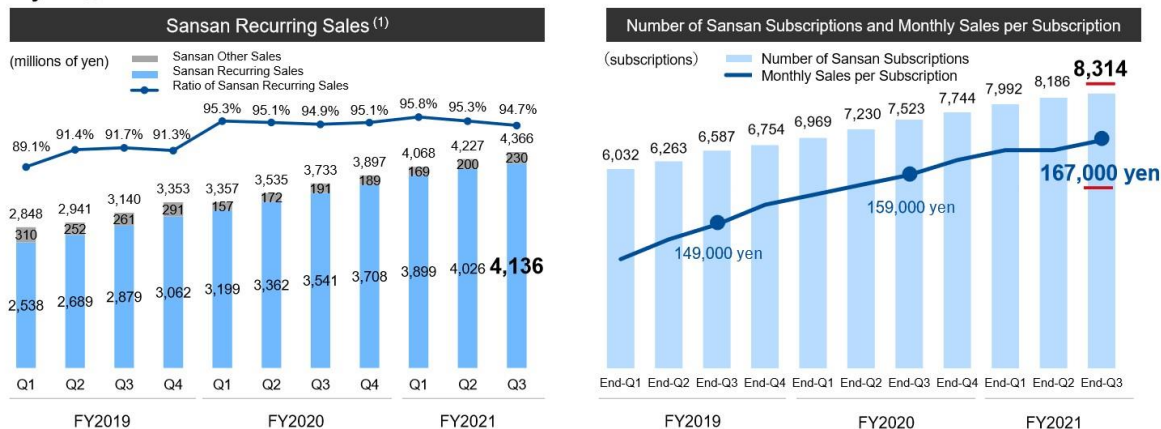
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Sansan/Bill One Business : Sansan Recurring Sales, Number of Sansan Subscriptions and Monthly Sales per Subscriptions

Recurring sales up 16.8% YoY.

Number of subscriptions increased by 10.5% YoY and monthly recurring sales per subscription increased by 5.0% YoY.



(1) Revised figures for FY2020 Q3 and Q4

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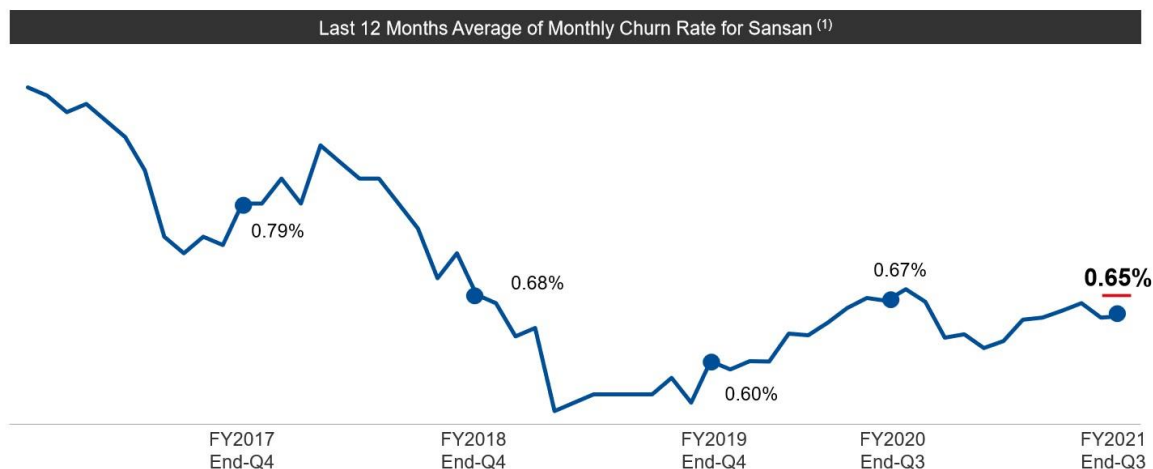
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See page 10. Sansan's stock sales increased 16.8% YoY. The number of Sansan contracts increased 10.5% YoY to 8,314, and monthly stock sales per contract rose 5% YoY.

The slowdown in the number of contracts was due in part to a partial revision of the sales structure in last December. We shifted sales resources from small-scale customers to the middle and enterprise domains.

Sansan/Bill One Business: Last 12 Months Average of Monthly Churn Rate for Sansan

Last 12 months average of monthly churn rate has remained low, at 1% or less.



(1) Ratio of decreased 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 11. By implementing various initiatives, we continue to maintain a low level of less than 1%.

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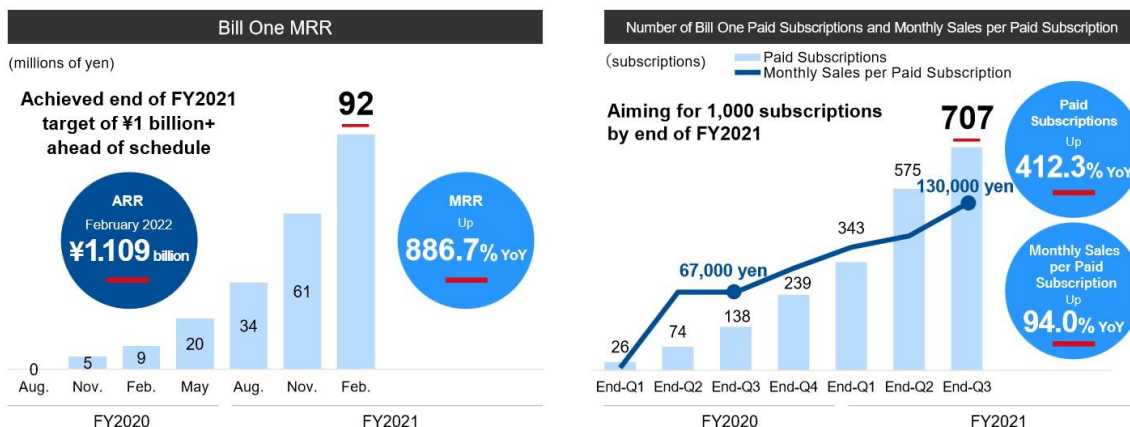
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Sansan/Bill One Business: Bill One MRR, Paid Subscriptions, and Monthly Sales per Paid Subscription

MRR up 886.7% YoY, achieved end of May 2022 ARR target of ¥1 billion or more ahead of schedule. Rapid growth in both number of paid subscriptions and monthly sales per paid subscription.



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Let us explain Bill One's track record. Page 12 shows Bill One's MRR and the number of paid subscriptions.

Due to the acquisition of new contracts from medium to large companies, Bill One's MRR at the end of February 2022 was JPY92 million, approximately 10 times higher than the same period last year. As a result, ARR was JPY1.109 billion, achieving the end of May 2022 target ARR of over JPY1 billion or more the ahead of schedule.

The number of Bill One paid subscriptions increased approximately five times YoY to 707, and monthly sales per paid subscription doubled to approximately JPY130,000.

The net increase in the number of paid contracts slowed from the previous quarter, but this was due to the rush demand in the previous quarter caused by the revision of the Electronic Bookkeeping Law, which came into effect in January 2022.

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Sansan/Bill One Business: Bill One Customers and Size of Potential Market

Regardless of company size, acquiring customers from various types of businesses and businesses. Vast room for development exists in Japan.



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

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Page 13 is about Bill One's installed base and potential market size.

As shown by the company logos on the left, Bill One is used by clients in a variety of industries, including major financial institutions and food companies. It was recently introduced by Sumitomo Mitsui Financial Group. Clients in the financial industry requires a high level of security for the service, and the Group has been using Sansan for the past five years and has evaluated our high security level.

Regarding the TAM concept on the right, the dark blue graph shows the number of Bill One paid subscriptions at the end of the quarter, the adjacent light blue graph shows the number of participating companies in the network, including billing companies, and the large light gray square shows the number of companies in Japan that are targeted.

The number of companies participating in the network is a model that expands beyond the increase in the number of Bill One users, as there are multiple senders for each user. Also, with 707 paid subscriptions as of the end of February 2022, the number of companies participating in the network has increased to 2% of all companies, equivalent to 32,000 companies in Japan.

The total billing amount exchanged among the network's participating companies exceeded JPY600 billion in February 2022 alone, which is more than JPY7 trillion per year.

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Eight Business Overview

Net sales increased by 26.1% YoY, owing to expansion of B2B services.
Operating loss reduced by ¥80 million YoY.

	(millions of yen)	FY2020	FY2021		(For Reference) FY2021	
		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Eight Business	Net Sales	360	454	+26.1%	1,430	+30.7%
	B2C Services	73	71	-2.9%	213	-3.7%
	B2B Services	287	383	+33.5%	1,217	+39.4%
	Operating Profit	-185	-105	—	-396	—
	Operating Profit Margin	—	—	—	—	—
	Number of Eight Users ⁽²⁾	2.86 million people	3.05 million people	+0.19 million people		
	Number of Eight Team Subscriptions	2,132	2,621	+22.9%		

(1) Unaudited

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

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Next, please see page 14 for more information on the Eight business.

Net sales increased 26.1% YoY to JPY454 million due to stronger monetization of B2B services. Operating loss reduced by JPY80 million YoY resulting in minus JPY105 million due to increase in sales. The number of contracts for the Eight team increased 22.9% YoY to 2,621.

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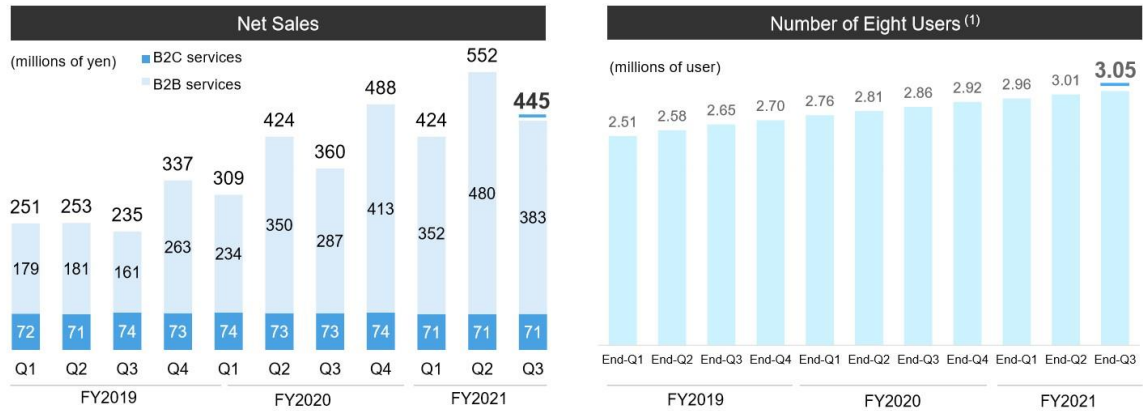
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Eight Business: Net Sales, Eight Users

**B2B service sales up 33.5% YoY, owing to growth in recruitment services for companies, etc.
Continued growth of number of Eight users.**



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Page 15 shows sales trends and the number of Eight users.

B2B service sales increased 33.5% YoY as a result of continued strong growth in professional hiring service, Eight Career Design and other services.

The sales decreased QtoQ. This is due to the fact that no major business events or other events were held in the third quarter but are scheduled to be held in the fourth quarter.

The number of Eight users increased by 190,000 to 3.05 million compared to the end of the same period last year.

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Background to Product Reform (Challenges Facing Corporate Sales Activities)

In addition to challenges that have existed to date of inability to conduct strategic sales due to a lack of corporate information, etc., business opportunities being lost because of the pandemic is new challenges facing corporate sales activities.



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Next, I would like to explain Sansan's growth strategy. We have revamped Sansan's product concept for the medium- to long-term sales growth, and we will explain specific measures and initiatives in this chapter.

See page 17. First, let me explain the background of the product renewal. There are two challenges in corporate sales activities.

The first one is a universal challenge in new sales activities. When developing new customers, it is efficient to select those who are likely to have high needs for services by referring to the attributes of existing customers and take strategically approach based on various conditions. This requires a variety of information such as the size of a company's sales, industry, and region.

Even if we obtain a company's contact information, making a sales call to the company without knowing previous contact history will make it's very difficult to create a subsequent sales opportunity. Approaching this way will result in a low level of productivity.

Thus, it is extremely important for strategic sales activities to know the detailed company information and history of previous contacts with them. However, until now, the information available on Sansan was based on companies which have exchanged business cards. We were not able to know the company's detailed information for those have never had contacts.

The second is the new challenge posed by COVID-19. In terms of the general business environment and sales activities, direct face-to-face opportunities have reduced due to COVID-19, losing opportunities of lead acquisition and customer acquisition. In contrast, non-contact opportunities have increased in business meeting such as online meetings.

As a result, there were fewer opportunities to exchange business cards. Also, although we had a business meeting, we did not have the correct information such as contact information or job title of the person that we talked with, or we did not know who the key person in the meeting since there is a bunch of people attending.

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Many customers say that they are losing sales opportunities because they are unable to obtain correct customer information, which prevents them from utilizing the meeting opportunity and connecting to next sales activity.

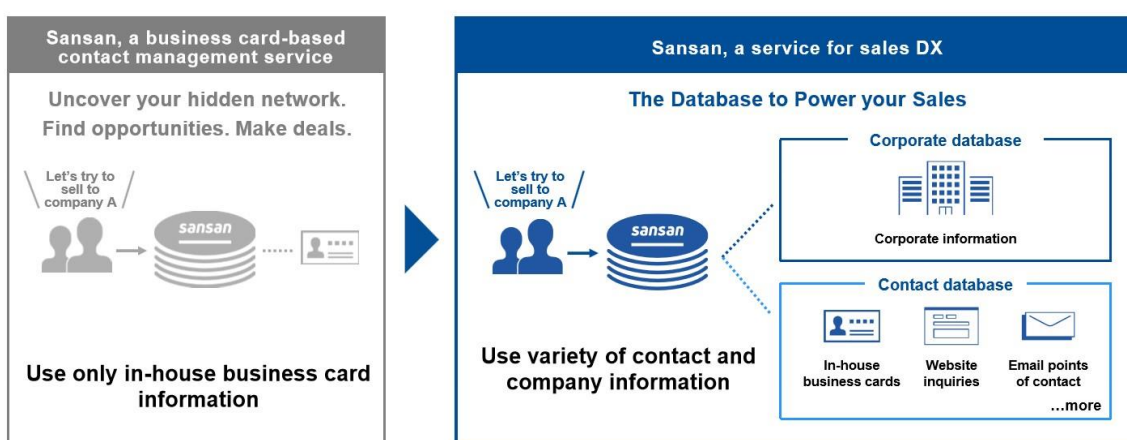
In terms of our services, Sansan was designed to convert business card information into data and make effective use of it. So, the decline in business card exchange opportunities increased the difficulty of acquiring new contracts, which resulting in a slowdown in Sansan's sales growth rate.

2 Sansan's Growth Strategy

Aims of Product Reform

Added new functions to address challenges facing corporate sales activities.

Evolution as a service that supports corporate sales forces by promoting value that appeals beyond business card management.



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See page 18. Therefore, we revamped our product. The aim is to address the two issues I have just described, increase the market fit of the product, and to once again achieve strong growth for Sansan. There are two major points in the product renewal to realize the objectives.

The first is to enhance it as a corporate database. To address the issue of not being able to refer a detailed information on companies with no contact history in the past, and the increasing difficulty of obtaining accurate customer information in the course of business activities, we will provide a database that allows access to a variety of company information.

The second is to strengthen it as a contact point database. In response to the decrease in business card exchange opportunities, it will be able to store and see contact information from email correspondence and website inquiries and such in the database.

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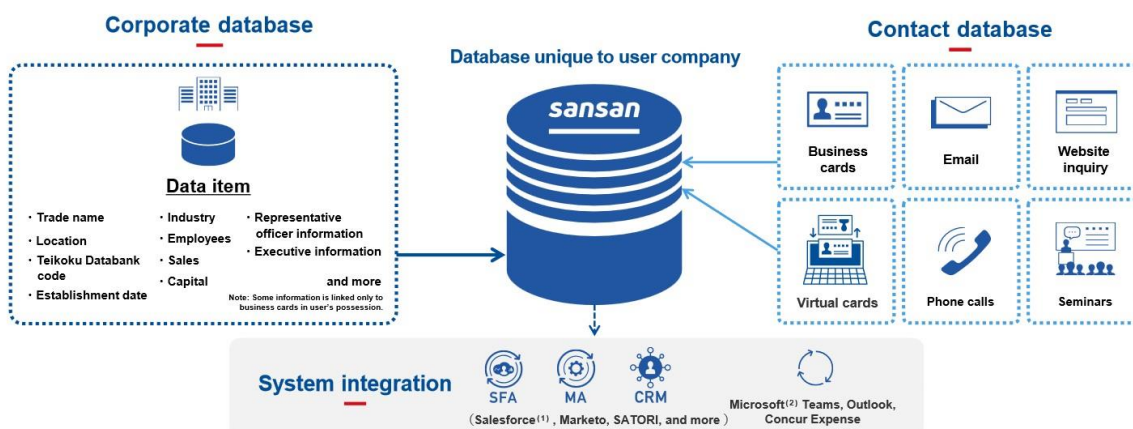
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Service Outline (Sansan, the Service for Sales DX)

Added more than 1 million company information as well as functions to accumulate and visualize contact information other than that from business cards. Combining these items, builds databases unique to user companies while strengthening the sales capabilities of organizations and individuals.



(1) Salesforce is a registered trademark of salesforce.com, Inc.

(2) Microsoft Teams, Teams, and Microsoft Outlook are registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries.

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See page 19. Let me explain about the specific functions in more detail.

First, let's talk about the corporate database. We have strengthened our partnership with TEIKOKU DATABANK, LTD. and will now be able to view over 1 million corporate information held by them on Sansan.

Until now, it was only possible to view information such as the industry and region of company located based on the information on business card in data format, which we had met or contacted. The new system will allow users to view net sale, number of employees, capital information and such regardless history of contacts in the past. This will make sales and marketing activity easier.

Next, I would like to explain the contact point database. In the past, in terms of contact point information, only paper-based and online business card information was converted into data, which was stored and visualized on Sansan. In the last December, it became possible to automatically identify and store the signatures and sender information of the parties exchanging e-mail and store it on Sansan.

In the future, we will also add a new function that will allow information from inquiry forms on the website to be registered with Sansan as contact information.

By doing this, it is possible to store and see the customer and contact information outside of business cards. With a combination of the corporate database systems I mentioned in the first point, it is possible to build a database of user and client companies on Sansan including companies with no contact history in the past.

As I explained the challenges in sales activities at the beginning of this presentation, the ability to utilize both of corporate information and contact information is extremely important, not one of them, and we believe that this will be a unique strength of Sansan in the future.

To give a specific example, let's say you visited a company as a part of sales activity and got a good impression. Then you assume that other companies in the same industry and size may be able to negotiate successfully so search on Sansan for the necessary information.

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Then, there were three candidates, Company A, Company B, and Company C. You found out that a colleague in the next department already has been communication with Company A. Company B have contacted us from our website. No contact history with Company C. With those insights, it can lead to the creation of new sales opportunities.

Sansan offers a variety of functions depending on contract, such as obtaining information on personnel changes and news, distributing e-mails, managing sales projects, and checking the risk of business partners. Also, clients can utilize the enhanced database for their marketing activities, which in conjunction with external CRM and marketing automation tools and integration function.

2 Sansan's Growth Strategy

Upcoming Schedule

Key functions Sansan plans to provide during FY2022 Q1

FY2021		FY2022	
Q3	Q4	Q1	Q2
Main functions of product reform			
<ul style="list-style-type: none"> Added Contact Inbox function (December) 	<ul style="list-style-type: none"> Browsing of company information (March) 	<ul style="list-style-type: none"> Add website inquiry form integration (May) Strengthen integration with Teikoku Databank (June) 	(additions as necessary)
	<ul style="list-style-type: none"> Sales begin (March) 		

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See page 20. I would like to mention the upcoming schedule.

Key features in the renewed product are expected to be available during the first quarter of FY2023 ending May 2023.

Specifically, we plan to strengthen our collaboration with TEIKOKU DATABANK, LTD., a key partner in our corporate database. We also plan to add a function to visualize inquiries and other contacts from website.

Sales activities based on the new concept have already begun in March 2022, and we have received good feedback from new customers as well as existing customers.

This time, the concept has been renewed from Sansan, the existing cloud business card management service to the Sansan, the Sales DX service. We will enhance its functions to build a database which can strengthen sales.

In the past, we have always emphasized the importance of the concept of the products we offer and have achieved business growth while brushing up the concept several times. This is our first major attempt since our founding, not to include the keyword of business card management in the concept.

We hope to use this product renewal as an opportunity to promote value that goes beyond business card management and lead to Sansan's sales growth in the next fiscal year and beyond.

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Consolidated Financial Forecasts

Up to and including Q3, results have been progressing within the expected ranges, and there is no change to the consolidated earnings forecasts.

		FY2020	FY2021	
		Full-year Results	Full-year Forecasts	YoY
(millions of yen)				
Consolidated Forecasts	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 a final explanation, I would like to explain our business outlook. See page 22.

Results through the third quarter have been in line with the range, and there is no change to the full-year forecast announced at the beginning of the fiscal year.

I would like to end the presentation. Thank you very much.

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Question & Answer

Moderator [M]: We will now begin the question-and-answer session. A written transcript of the Q&A session will be provided. If you wish to keep your company's name undisclosed, please request anonymity when you ask your question. If you are participating in the web format and wish to remain anonymous, please change your current name to any four letters of the alphabet.

We would like to receive question from everyone and will limit to three questions each person per time. If anyone has the fourth question, I would like to ask you to raise a hand again.

Now, does anyone have any questions? Well then, Mr. Miyazaki please.

Miyazaki [Q]: I'm Miyazaki from Goldman Sachs. Thank you for taking my questions. I think I have two major questions.

The first question is, I would like to check the monthly trend and the impact of COVID-19 once again. For example, I believe you mentioned December was weak, but February was strong. How about October to December when the state of emergency lifted, and the infection numbers were less? Also, I am wondering the most recent months, February and March, although March was maybe the tough month.

I wonder if a high number of infected people with COVID-19 makes you struggle, or if the ongoing pandemic has a negative impact on gaining new Sansan contracts or something like that. I was wondering if I could have a better understanding of what is going on, and whether this new fiscal year should be seen as a recovery in growth compared to this current fiscal year, or if it should be seen as a lower growth rate. I am hoping to get a hint based on your information about impact of COVID-19 and the monthly trend, mainly for Sansan business. This is my first and major question and I would appreciate if you can answer to this.

The second question is the renewal of the Sansan service. I personally find difficult to visualize the part you mentioned that you will implement the data from TEIKOKU DATABANK, LTD. and increase in-house database and inputting the information of prospect customers.

What companies are you targeting this for? To say it simply, is it for a medium-sized company or a small or a large company? I wonder if the sales department is going to adopt this kind of thing, what is the goal, and if it will result in an increase in ARPU. Does this mean an increase in the number and number of contracted companies for your company? Can you also tell us which of these areas your company is trying to achieve?

I may have put too much in one question, but could you please make two points?

Hashimoto [A]: Thank you. Regarding the first point, the impact of COVID-19 on the core Sansan service, I don't think the trend or impact has changed much from the second quarter.

We are shifting our sales resources from small and micro businesses to more mid-sized and enterprise businesses as of December, in order to maximize our growth rate. Even before that, we have been gradually shifting the system to take larger orders, but the larger the company, the longer the lead time. Relatively speaking, it takes longer to get a larger order.

Looking back on the last year with the Tokyo Olympics in between, we were in the state of emergency for roughly two-thirds of the year and were in semi-emergency COVID-19 measures the remaining one third, which we were almost always in the irregular situation and period.

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Even if we go and sell our business card-based cloud contact management service during this period, there were frequent conversations that business cards were not being exchanged very often for the time being. I think the sales pipeline, especially for mid and large sized companies, was weak during that time.

We started to feel a recovery in February and March. The number was good in February. March is the month of contract renewal for many customers so there are some cancellations however, gross orders has been quite strong.

We hope that February and March results will be reflected in the fourth quarter and next fiscal year. We have high expectations for this in conjunction with the product renewal.

The number of business cards taken in has also remained almost flat compared to last year. March two years ago coincided with the beginning of pandemic and it has been flat or slightly negative comparing to that time. Still, there is no doubt that we are in a recovery trend. This is my answer to your first question.

Regarding the second point of the product renewal, we want to deliver Sansan to all users, regardless of the number of business cards take-in or the status of COVID-19. So, one of the backgrounds is that we have revamped our products that is not affected by COVID-19.

For now, we do not plan to apply the price increase to existing customers or clients. This may, in fact, be subject to change after conducting sales activities, but our basic idea is not to raise prices.

However, we are confident that our renewal will be very worthwhile for our customers. For those customers in mind, we are hoping they feel the usefulness of Sansan service and expand their usage or expand the usage to other area of their business which has been in a specific department so far. I think we can increase ARPU by doing so.

At the same time, for new clients who do not do business card management or exchange anymore, we would like to impress them with our value, or services that can be utilized for their purpose and hope they consider introducing Sansan's service. I think that kind of motivation would be exciting, so I think we can appeal to all areas, including churn of existing customers, churn of new customers, and ARPU increases for existing customers.

The newly added functions are basically additional functions for salespeople, so the sales approach is slightly different from the past. We have been asking to use it for company-wide, but we may need some adjustments in this area. I believe that the renewal is designed to provide more value to those on the front lines of sales, especially B2B sales, while providing the same value as before, so that the value of company-wide use will never be diminished.

Miyazaki [Q]: Thank you very much. I would like to briefly confirm the first point, that you said that there was an improvement in February, which I believe is true. However, February is when the number of infected cases of Omicron strain increases, so why did you start to see an improvement in February? If you have any background that you are aware of, could you please tell us?

Hashimoto [A]: Since the beginning of 2022, quasi-emergency COVID-19 measures to prevent the spread of the disease have been imposed in Tokyo, making it more difficult to conduct business activities. However, the late December in 2021 was the transition period for some time and we were able to do some of sales activities. I still think that the world as a whole is seeing the exit of the pandemic, which is making it easier for corporate activities to take place.

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I think the number of infected people is not necessarily linked to our business activities, but rather to the world's sentiment and corporate activities, such as how many business negotiations are being conducted. So, I have a feeling that the number of infected people is not important parameter for us.

Of course, as the number of infected people increases, companies may become concerned and stop conducting business meetings or not allow their employees to come to the company however, basically, I think it depends on the sentiment of the world and the business environment rather than on the number of infected people.

Miyazaki [M]: I understand very well. Thank you very much.

Moderator [M]: Now, Mr. Ito, please.

Ito [Q]: My name is Ito from Ichiyoshi Research Institute. This somewhat overlaps with the previous question, but I have two questions.

The first one is about service renewal. What is the added value or advantage that only your company can offer? Can you tell us about it? I think you mentioned it earlier as an example, but I wonder if something like this could be done if you were already using client management service by Salesforce and other competitors.

Once again, I think there are a lot of things that you, who originates from business cards management service, can probably do while evolving your service into a tool for sales. So, I would appreciate it if you could give me some kind of example and idea of the atmosphere.

Hashimoto [A]: It is difficult to compare this with Salesforce alone, but there is research that what type of activities B2B salesperson do. It says they don't spend much time on actual business negotiations. It is less than half of time. Instead, it is true that they spend a lot of time for business meeting preparation.

So here is what they do for the preparation. For example, if you have a client with whom you have successfully negotiated a deal, and you decide on the next client. It takes a lot of time to find a client in a similar industry, size, sales size, region, and so on.

There are companies that provide the databases, but most salespeople do their research on Google, search and search, and then wonder if this company is a good fit or not as the first task. They repeat the process over and over again to somehow find a potential sales candidate.

The second is a very burdensome task of asking around in the company if our company had any contact with this company for that candidate.

A huge amount of their resources and time are being used in doing these two things. Our service can compensate for both of these. We do not only offer normal CRM, SFA, and Salesforce automation. The normal CRM, which only provides information on customers with whom you already have contact, including business card management. It doesn't exist, but the data is there, including potential customers, including those with whom you have had no previous contact. Therefore, you can create a sales scenario, or rather a hypothesis, that you can sell to such companies.

On the other hand, this is the same as CRM, but in the case of business card management, the only way to determine whether or not a contact has been made was to exchange business cards until now. However, even if no business cards have been exchanged, you will be able to know if you had an inquiry from website, materials were downloaded or the company you are trying to approach had attended your seminar in the past. Or information such as having called or e-mailed them before by visualizing all those contacts for the

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companies that came up as candidates, and you can find out who knows who in which department and such. He or she knows that company. It will become easier to collect that information.

The significance and value of this product renewal is that it enables salespeople to efficiently perform the activities other than business negotiations and preliminary preparations that they are engaged in, and I think that is the appealing point of the product.

Ito [Q]: I understand very well. Thank you very much.

The second question is also related to Sansan, and about the selling process. I think you are in a phase where you want to somehow return to 30% increase in net sales next year. I think the way you do things will probably be different with the service renewal in the sales structure, so I wonder if it will take some time to make this transition.

Or will it be a system that can smoothly sell services in the way that we see it as just an extension of the existing system? What do you think of the sales structure in this area?

Hashimoto [A]: I think it will take a certain amount of time for the sales staff to get used to the new sales methods and product content. For clients, I think we need to explain more carefully than ever before for them to understand the value of our service.

I believe that potential customers have an image of Sansan as a business card management company, so how we can change this. It will be key for our salesperson to be able to explain that you are using Sansan because you are in trouble with sales issues, not for business card management. I think it will take a certain amount of time as we are experimenting with different ways to do this.

I think it will be difficult to achieve significant results during the fourth quarter, but I would like to complete the functional enhancements during the fourth quarter and put in place a structure that will allow the full effects of the enhancements to be felt from the next fiscal year.

Ito [Q]: Thank you very much. The third question is about Bill One. I recently attended an exhibition and had a chance to see your service in action. I would like to know what advantages for you to move from a bill receiving service to a bill issuing service.

The competition on the issuing service has been increasing quite a bit. So how will the competitive environment change in that area for your company? I would appreciate if you can share your view.

Hashimoto [A]: Thank you. We released the sending function a little after this New Year and plan to add the issuing function next Autumn. It was designed purely in response to a need of customer who uses our receiving service and wants issuing service.

I fully understand that it is competitive environment, and I think it is tough to fight against it without any weapons of our own. I still think there are things we can do because we are on the receiving end. At present, it has only simple functions, but we would like to expand its functions so that we will have a competitive advantage as we have the issuing function.

To be honest, this is an area that is still in development. I think we are in the situation to decide what direction we take and what kind of development we are going to do.

Ito [M]: I understand very well. Thank you very much.

Moderator [M]: Now, Mr. Yamashina, please.

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Yamashina [Q]: I'm Yamashina from Macquarie. Thank you for your explanation. I would also like to ask you two questions related to the product renewal.

The first point is that, when I think about the competitors or products that already exist, there are Uzabase, Baseconnect, and QuickWork for example. I think those services are similar. When I compared to them, I understand that having the data from TEIKOKU DATABANK, LTD. in your system can be an advantage.

The first question is, I wonder if my understanding of the positioning of the competition, or rather the positioning of your company and the current strengths of the competition, is correct.

Hashimoto [A]: To answer your first question, although there is no precise data, it is said that most of the salespeople in Japan are not using such databases. In terms of providing services to salespeople who are not using it, I think it is no exaggeration to say that we have little or no competition.

The companies you just mentioned that provide similar services are competitors in the sense that they use data to conduct sales activities. However, the strength of our product renewal lies in the data. We can provide data on companies that have not yet been contacted, along with what contacts we have had in the past with those companies. I think this combination is very important.

As I mentioned earlier, it is difficult to fill the pains that salespeople feel on a daily basis if only one side of the equation is used to solve the problem. I think one of our competitive advantages is that we offer both.

Yamashina [Q]: The second question is the linkage with other tools. When it comes to the positioning of these products, as you said, it is not just CRM or SFA, but rather the strengthening of the part that corresponds to MA, which I think is rather close.

In your presentation, I think you named Marketo and others, and there are a variety of other MA tools as well. I know there are many MA tools for websites, but are you thinking of collaborating with it, or what is your relationship with? That is the second question.

Hashimoto [A]: Thank you. I believe that there are new areas where we can collaborate through this initiative.

First of all, we are hurrying to develop the functions I just mentioned so that we can offer them to our customers. In the future, we would like to link them with other tools, especially with marketing automation, which we think would work very well together. We would like to think very broadly about linking with marketing automation tools.

Yamashina [M]: I understand. Thank you very much.

Moderator [M]: Okay, I will move on to the next one. Mr. Mochizuki, please.

Mochizuki [Q]: My name is Mochizuki from Bank of America Securities. Thank you for your explanation. Two questions from me.

The first question is about Sansan's product renewal. Should I expect the advertising and promotion cost for the renewal. This is the first question.

Hashimoto [A]: To answer your first question, we do not have any specific plan for this fiscal year. We will probably spend a little less than JPY3.5 billion on advertising this fiscal year. For the next fiscal year, I think we will see an increase with Bill One and the Sansan product renewal, but I don't think it will be enough to affect the P&L. I am not so sure that the increase will have a significant impact.

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Mochizuki [Q]: Thank you. Secondly, Bill One. I was under the impression that ARPU for this quarter was quite strong, but when I think about the future, I wonder if this ARPU increase will be volatile in each quarter. Or, since you will continue to acquire quite a few large customers, will ARPU increase at this rate? It would be very helpful if you could explain the trend of ARPU increase in the future.

Hashimoto [A]: Regarding Bill One ARPU trends, it is very difficult to answer.

Orders are coming in quite strong right now. We have a variety of customers regardless of size. Some of our customers are offered a free service with a limit on the number of invoices, but some of them switch to a fee-based plan to comply with the Electronic Bookkeeping Law. But those customers are not very large in size, so it works as a factor to lower ARPU.

On the other hand, the Company naturally wants to attack the mid-sized companies and enterprises for sales growth.

Therefore, we continue to work on maximizing the number of orders, the unit price per order, the total amount of orders, and the value of orders, so I don't think there are currently any measures to increase ARPU, and this does not reflect a major intention.

So, it is possible that ARPU will continue to rise and fall as a result, and as long as we focus on the enterprise, I expect the upward trend to continue a bit longer, but I don't think we are in a situation where we can talk about any major strategy with that trend.

Mochizuki [M]: Thank you. It was very helpful.

Moderator [M]: Does anyone have any other questions? Well then, Mr. Miyazaki, please.

Miyazaki [Q]: I'm Miyazaki from Goldman Sachs. This is the second time, thank you for taking my questions again. I have about two questions.

One is what are your current thoughts on the sales growth rate for the next fiscal year? Do you aim for the level that slightly exceeds the current fiscal year, or have a concern about an inevitable slowdown in the scale of sales, which is hardly likely to exceed 20 billion? I wonder if you could tell me your perception of this area first of all.

Hashimoto [A]: Thank you. We are in the process of formulating figures and budgets for the next fiscal year. For the current fiscal year ending May 31, 2022, I believe there was a certain impact from COVID-19 at least. It is still too early to say how much of this will be wiped out, but considering the current sentiment in the world, we assume that economic activity will recover, and since our product renewal will be incorporated into this recovery, our expectations are very high.

We are getting a good feeling from our sales activities, and we have high expectations that the contribution from these activities will start from the beginning of the next fiscal year. It is not easy to raise the growth rate drastically from the current standard however, we aim to achieve the same level as this fiscal year or more. We are now in the process of preparing a budget to achieve a high level of performance.

The key point will be the re-acceleration of Sansan through product renewal and how we can maintain the high growth of Bill One. We are carefully examining right now.

Miyazaki [Q]: Thank you very much. Second question is, as you explained on page 13 about Bill One, the number of companies participating in the network is 32,000 compared to 707 paid subscriptions.

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In other words, if the number of companies increases by a factor of 60 or so, is this a sense of image that reaches all companies in Japan? If possible, how many free users are there now and what is the overall number of companies participating in the network with 707 paid subscriptions and free users. My intention of the question is to get an idea of how it will spread. I would appreciate if you can share your view.

Hashimoto [A]: I understand the purpose of your question. To give you a sense, the number of paid subscriptions is currently 707, but the number of customers who are using the service for free is far greater than the number of paid subscriptions. However, I would like you to understand that the size is about right, but it is difficult to determine or know how often or how much that customer uses it.

Regarding to the participating number of Bill One network of 32,000, if the same person sends an invoice to Company A and Company B, the number of participating companies on the sending side is counted as one. The more it increases, the more duplicated the number of participating companies will be, so I am not sure if there will be much of a linear increase there.

Miyazaki [M]: I understand. Thank you very much.

Moderator [M]: Next, Mr. Ito, please.

Ito [Q]: I'm sorry to keep coming back to you, too, with two questions. My first question is about the database from TEIKOKU DATABANK, LTD.. Do you buy the data temporary? Or do you pay for each use by amount? What will be the impact on this cost? I would like to know about this.

Hashimoto [A]: I cannot give you the details about TEIKOKU DATABANK, LTD., but it will be related to the cost of sales.

However, whether it affects a few percentages on the cost or not, it is not that level. The impact is much smaller. I don't think it would affect the PL of the Company as a whole, or of the Sansan/Bill One business, and Sansan's products.

Ito [Q]: Thank you very much. Secondly, I just have a thought about Bill One that you will be both issuing and receiving invoices, while Sansan will evolve into a sales DX. So, I think there is a strong affinity between invoicing system and sales management systems in general. So, I have a feeling that if this initiative goes well, Bill One and Sansan will no longer be separate services, but will be connected. What do you think?

Hashimoto [A]: Thank you. I agree with what you said. As I mentioned earlier, we want to create a database for points of contacts, and invoicing is a point of contact as well. We also have a service called Contract One and contract documents is also a point of contacts.

For example, we would like to create a world where a company meets another company and the lifecycle can be managed consistently on Sansan, not only through contact points such as an inquiry from websites, an e-mail correspondence, a sales activity, or a business meeting, but also through the creation of a contract and billing. We are thinking about this in the medium to long term.

Ito [M]: Thank you very much.

Moderator [Q]: I received a question from chat, and I would like to read it out. The question is whether the operating profit margin of the Sansan business, which was achieved in the third quarter, can be achieved consistently for the next fiscal year.

Hashimoto [A]: We have both Sansan/Bill One business and Sansan businesses, and looking at Sansan products alone, we have achieved a fairly high segment profit or profit margin. Even a slight increase in

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advertising expenses will not cause any damage on it. I believe that we can continue to achieve high profit margins.

Bill One is also in the process of making considerable investments, so it is still in the red on an operating profit basis, and this trend will probably continue in the next fiscal year as well. However, with the combination with Sansan, we think we should be able to stay in the black.

Moderator [M]: Does anyone have any other questions? Since there are no more questions, I will now end the financial results briefing.

Thank you very much for joining us today.

[END]

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