Sansan, Inc.

Financial Results for FY2020 Q1 and Sansan Business Briefing

October 14, 2020

Event Summary

[Company Name]	Sansan, Inc.
[Company ID]	4443-QCODE
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[Event Name]	Financial Results for FY2020 Q1 and Sansan Business Briefing
[Fiscal Period]	FY2020 Q1
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[Time]	10:00 – 11:22 (Total: 82 minutes, Presentation: 46 minutes, Q&A: 36 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	140
[Number of Speakers]	2
	Muneyuki Hashimoto Director, CFO
	Kei Tomioka Director, Sansan Division Head
[Analyst Names]*	Junpei Yoshida Nomura Securities
	Taro Ishihara Daiwa Securities
	Hiroshi Yamashina Macquarie

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

Presentation

Moderator: It is time now. We will begin with the financial results briefing for the first quarter of the fiscal year ending May 2021 of Sansan, Inc.

First, I will introduce today's speakers. Mr. Tomioka, Director and Sansan Division Head.

Tomioka: Thank you.

Moderator: Mr. Hashimoto, Director and CFO.

Hashimoto: Thank you.

Moderator: Today's presentation will be based on the earnings presentation and the explanatory material on the Sansan business. These materials will be shared on your Zoom screens. If you are joining by phone, please visit the Investors website to find the materials.

Next, the agenda for today's meeting will be as follows. Mr. Hashimoto will explain the financial results for about 15 minutes. Then, Mr. Tomioka will explain the Sansan Business for about 25 minutes. After that, we will have a Q&A session that will last up to 11:30 AM.

Now, I would like to turn the meeting over to Mr. Hashimoto for the presentation.

Highlights of Q1 Results

- Consolidated net sales increased 18.3% year-on-year, and consolidated operating profit decreased due to the introduction of new TV commercials, etc.
(Excluding advertising expenses, operating profit increased by ¥283 million compared with same period in the previous fiscal year)

Net sales: Sansan Business 17.8% growth, Eight Business 23.5% growth
Operating profit: Sansan Business 0.6% increase, Eight Business ¥47 million reduction of deficit
Adjusted amount ¥110 million deficit expansion

- Favorable progress against full-year earnings forecast

Although there are certain negative effects from COVID-19 infections, there is no change in the initial judgment
As planned, decrease in income at each stage of profit and loss due to advertising activities, such as new TV commercials and strengthening of recruitment

- Strengthen development of "Event Tech Business" as new initiative

Providing various kinds of solutions to solve business event management issues
Aiming to become a pillar of earnings over the medium to long term, following on from Sansan Business and Eight Business

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Hashimoto: Thank you for participating in our financial results briefing today. This is Hashimoto, CFO.

I would like to explain the results of the first quarter and new initiatives.

To start off, I'll explain the results for the first quarter of the fiscal year ending May 2021. Please see page five. These are the highlight. I'll go over three points.

First, the results of the first quarter. Consolidated net sales grew 18.3% YoY, but consolidated operating profit decreased due to an increase in advertising expenses such as the rollout of new TV commercials.

Second, the progress towards full-year outlook. Although we saw some negative impact from COVID-19, moderate recovery was seen in number of leads and negotiations since the emergency declaration was lifted. As a result, we made no changes to initial guidance.

The decrease in profit and loss in each profit line is due to advertising such as TV commercials and higher personnel expenses stemming from stepped-up recruitment, and this is in line with the plan.

Third, we made an announcement on our strategy for the Event Tech Business as a new initiative.

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Overview of Consolidated Financial Results

Despite the negative effects from the COVID-19 pandemic, net sales increased by 18.3%.

Decrease in all profit items (Excluding advertising expenses, operating profit increased by ¥283 million compared with same period in the previous fiscal year)

(millions of yen) **Consolidated Results**	FY2019 Q1 Results	FY2020 Q1 Results	YoY
Net Sales	3,100	3,667	+18.3%
Gross Profit (1)	2,636	3,229	+22.5%
Gross Profit Margin (1)	85.0%	88.1%	+3.1pt
Operating Profit	248	193	-22.1%
Operating Profit Margin	8.0%	5.3%	-2.7pt
Ordinary Profit	192	101	-47.4%
Profit Attributable to Owners of Parent	106	85	-19.6%
EPS	3.50 yen	2.75 yen	-21.5%

(1) Business card entry costs in the Eight Business are recorded in SG&A

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The consolidated financial results for the first quarter are as shown on page six.

Net sales increased 18.3% YoY to JPY3.667 billion, operating profit decreased 22.1% YoY to JPY193 million, chiefly due to an increase in advertising expenses, while operating profit excluding advertising expenses came to JPY838 million, up JPY283 million from the previous year.

In addition, we recorded an increase in equity-method investment losses of JPY71 million. Hence, ordinary profit was JPY101 million.

After careful consideration of the recoverability of deferred tax assets in the first quarter, we decided to record deferred tax assets of JPY168 million, an increase of JPY22 million from the end of the previous fiscal year. As a result of recording a corporate tax adjustment amount of negative JPY22 million, profit attributable to owners of parent came to JPY85 million.
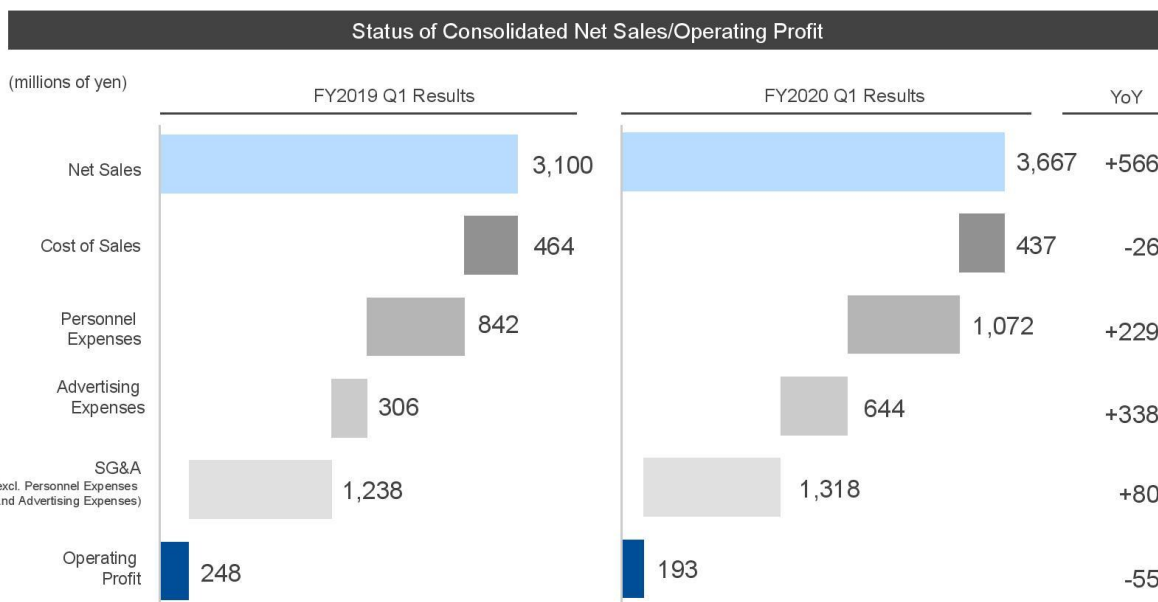
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Factors Contributing to Changes in Consolidated Operating Profit

Although operating profit decreased year-on-year, due to an increase in advertising expenses from the introduction of new TV commercials, etc., and personnel expenses increased due to strengthening of recruitment, this was as planned.

Status of Consolidated Net Sales/Operating Profit

(millions of yen)

	FY2019 Q1 Results	FY2020 Q1 Results	YoY
Net Sales	3,100	3,667	+566
Cost of Sales	464	437	-26
Personnel Expenses	842	1,072	+229
Advertising Expenses	306	644	+338
SG&A (excl. Personnel Expenses and Advertising Expenses)	1,238	1,318	+80
Operating Profit	248	193	-55

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On page seven, we describe the factors contributing to changes in consolidated operating profit.

Compared to the same period of the previous year, advertising expenses increased by JPY338 million due to the rollout of new TV commercials, et cetera. But in the Sansan Business, new TV commercials are produced and broadcast every term. In the previous term, these commercials were aired from the second quarter, but in the current fiscal year, a new commercial focusing on the virtual business card function was aired from the first quarter. Thus, advertising expenses increased compared to the same period of the previous year.

Hence, the increase from the previous year is mostly due to having started to air commercials at an earlier timing than last year. At this point, we do not expect the uptrend in these expenses to continue every quarter. Personnel expenses increased by JPY229 million, and this was due to stepped-up hiring activities.

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Results by Segment

Increased net sales in both Sansan Business and Eight Business
In terms of operating profit Sansan Business flat, Eight Business shrinking deficit

(millions of yen)	FY2019	FY2020	
Net Sales	Q1 Results	Q1 Results	YoY
Consolidated	3,100	3,667	+18.3%
Sansan Business	2,848	3,356	+17.8%
Eight Business	251	311	+23.5%

Operating Profit			
Consolidated	248	193	-22.1%
Sansan Business	1,264	1,272	+0.6%
Eight Business	-239	-191	—
Adjustments	-776	-886	—

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Results by segment are shown on page eight.

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Sansan Business Overview

Net sales increased by 17.8% compared with same period in previous fiscal year
As planned, operating profit was flat year-on-year due to increase in advertising expenses.

(millions of yen)	FY2019	FY2020	
Sansan Business	Q1 Results	Q1 Results	YoY
Net Sales	2,848	3,356	+17.8%
Recurring Net Sales [1]	2,538	3,199	+26.1%
Operating Profit	1,264	1,272	+0.6%
Operating Profit Margin	44.4%	37.9%	-6.5pt
Number of "Sansan" Subscriptions	6,032 Subscriptions	6,969 Subscriptions	+15.5%
Monthly Sales per Subscription [2]	156,000 yen	164,000 yen	+5.1%
Last 12 Month Average of Monthly Churn Rate [3]	0.64%	0.60%	-0.04pt
Number of Employees	340 persons	429 persons	+89 persons

(1) Fixed revenue with regard to "Sansan" (unaudited)
(2) Monthly results for the end of Q1 in the Sansan Business (incl. some new services other than "Sansan", unaudited)
(3) Ratio of decrease in monthly fees associated with contract cancellations to total monthly fees for existing contracts

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Next, we'll discuss the results for the Sansan Business on a standalone basis. Please turn to page nine.

Net sales increased 17.8% YoY to JPY3.356 billion. Operating profit rose 0.6% YoY to JPY1.272 billion. The operating profit margin fell 6.5 percentage points from last year due to an uptick in advertising expenses.

Sansan Business : "Sansan" Sales/Recurring Net Sales

Recurring net sales steadily increased by 26.1% compared with same period in previous fiscal year against a backdrop of steady increase in number of subscriptions

"Sansan" Sales/Recurring Net Sales [1]

(millions of yen)

Recurring Net Sales | Others | Recurring Net Sales Margin

(1) Fixed revenue with regard to "Sansan" (unaudited)

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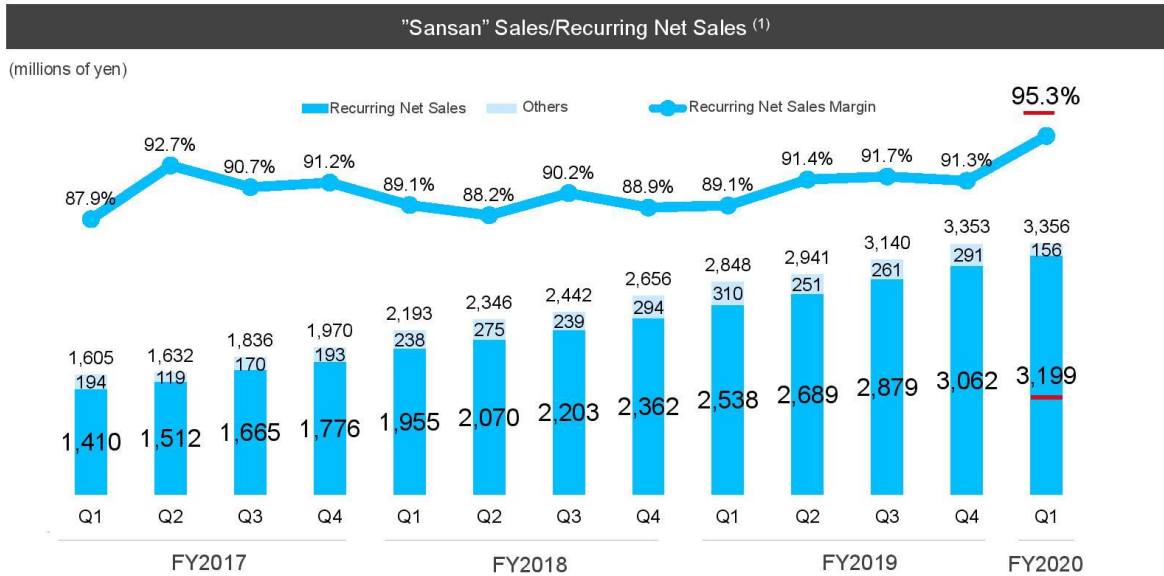
Next, on page 10 is our recurring net sales in the Sansan Business that we've been disclosing since the previous quarter.

Again, recurring net sales represent the recurring monthly revenues from scanner rentals, along with revenues as per contract details.

Others include the initial cost of converting the business cards already owned at the time of new introduction into data, and the temporary sales received for introduction support, as well as sales earned on a pay-as-you-go basis when the maximum number of contract data is exceeded.

Recurring net sales grew 26.1% YoY to JPY3.199 billion. This was due to a steady increase in the cumulative subscriptions for "Sansan," coupled with low churn even during COVID-19. As a result, net sales of the entire segment were favorable.

On the other hand, other sales decreased YoY due to the slowdown in the number of new subscriptions acquired caused by the impact of COVID-19.
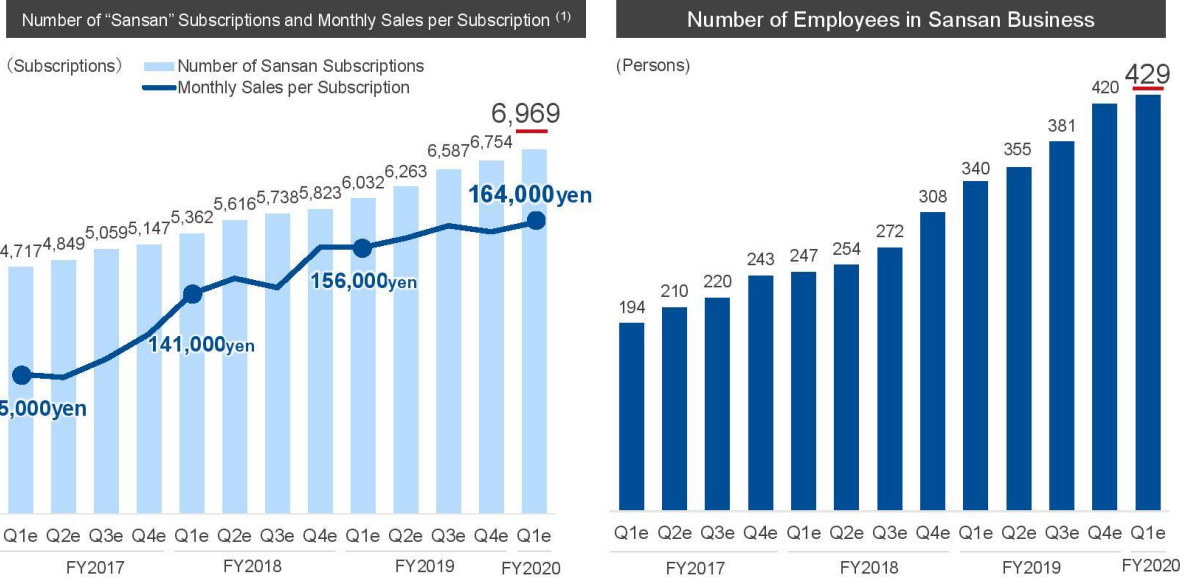
Sansan Business: Number of "Sansan" Subscriptions, Monthly Sales and Number of Employees

Number of subscriptions increased by 15.5% and monthly sales per subscription increased by 5.1% compared with same period in previous fiscal year
Personnel recruitment mainly for sales department progressing smoothly

Number of "Sansan" Subscriptions and Monthly Sales per Subscription [1]

（Subscriptions）　Number of Sansan Subscriptions
Monthly Sales per Subscription

6,969

164,000yen

156,000yen

141,000yen

115,000yen

4,717 4,849 5,059 5,147 5,362 5,616 5,738 5,823 6,032 6,263 6,587 6,754

Q1e Q2e Q3e Q4e | Q1e Q2e Q3e Q4e | Q1e Q2e Q3e Q4e | Q1e
FY2017 | FY2018 | FY2019 | FY2020

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

Number of Employees in Sansan Business

(Persons)

429
420
381
355
340
308
272
254
247
243
220
210
194

Q1e Q2e Q3e Q4e | Q1e Q2e Q3e Q4e | Q1e Q2e Q3e Q4e | Q1e
FY2017 | FY2018 | FY2019 | FY2020

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Please see page 11 for the number of "Sansan" subscriptions and monthly sales per subscription.

The number of subscriptions increased 15.5% YoY to 6,969, as the number of leads and negotiations are on a recovery track, and progress has been made on new acquisition of subscriptions, mainly at SMEs, ever since the government's emergency declaration was lifted.

On the other hand, monthly sales per subscription grew only 5.1% YoY to JPY164,000. This was due to sluggish performance in revenues received when newly introducing "Sansan," aside from recurring sales, caused by COVID-19.

Note that monthly sales per subscription increased 9.2% YoY when looking only at recurring sales.

The total number of employees in the Sansan Business grew steadily, up 89 from the same period last year, and came to 429.
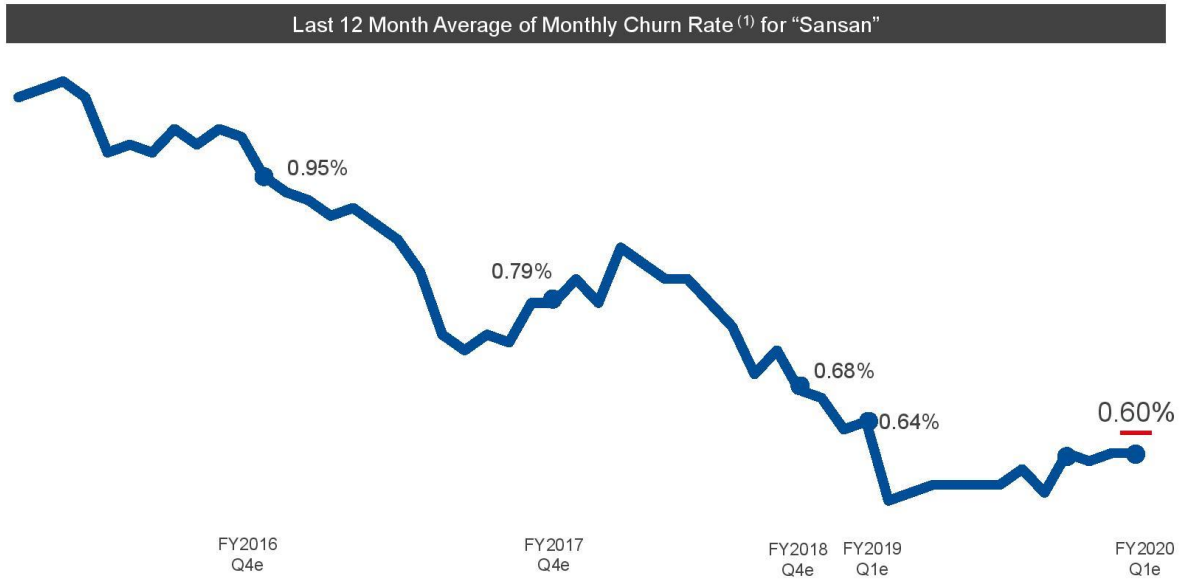
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Sansan Business: Last 12 Month Average of Monthly Churn Rate

Average churn rate over the last 12 month improved by 0.04 points compared to the same period last year, and remained at a low level

Last 12 Month Average of Monthly Churn Rate [1] for "Sansan"

0.95%

0.79%

0.68%

0.64%

0.60%

| FY2016 Q4e | FY2017 Q4e | FY2018 Q4e | FY2019 Q1e | FY2020 Q1e |

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

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The monthly churn rate over the last 12 months was 0.60%, as shown on page 12, remaining at a low level.

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Sansan Business: "Sansan" Revenue Composition by Customer Size (Recurring Revenue)

No significant change in revenue composition ratio by customer size

"Sansan" Revenue Composition by Customer Size [1] (Recurring Revenue)

Company size
(Number of Employees)
- More than 1,000
- 100 to 999
- Less than 100

YoY
(Revenue)

FY2020
Q1e
(Composition)

41%

40%

19%

+ 24.3%

+ 30.1%

+ 23.8%

FY2014 Q4e | FY2015 Q4e | FY2016 Q4e | FY2017 Q4e | FY2018 Q4e | FY2019 Q4e | FY2020 Q1e

(1) Created based on monthly "Sansan" charge (unaudited)

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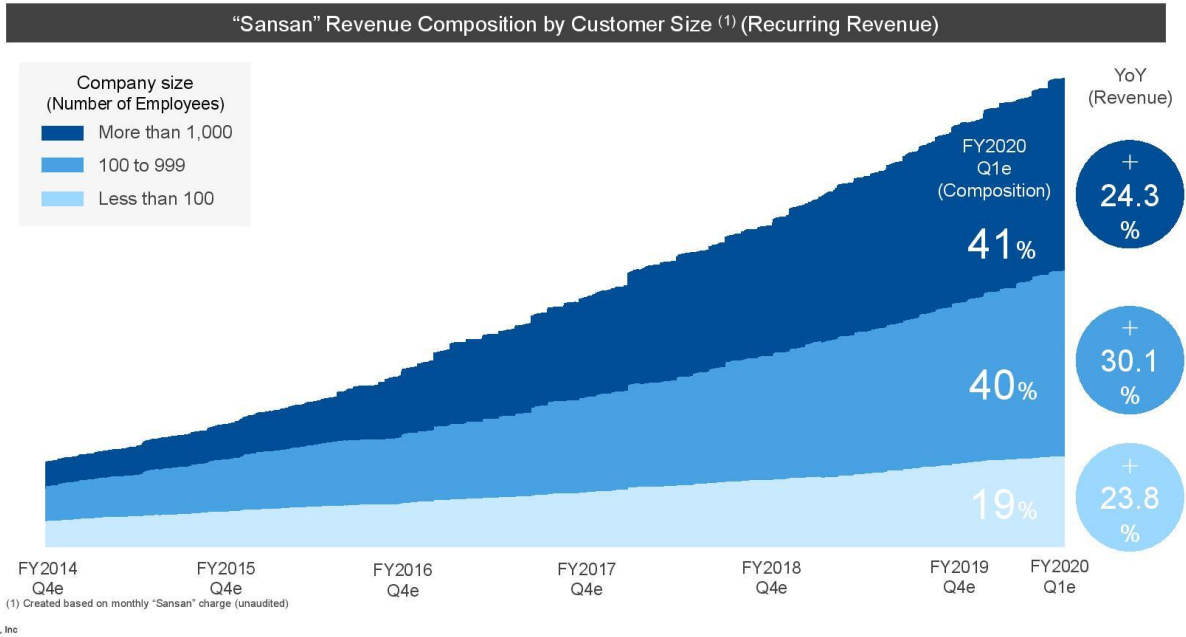
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Please see page 13.

Breaking down "Sansan" sales by client size, based on number of employees, the same trend has been observed as before, whereby revenue from large companies increased 24.3% YoY. Also, progress was made in acquiring new subscriptions at mid-sized companies. As a result, revenue from mid-sized companies expanded 30.1% YoY.

We intend to continue to accelerate topline growth by strengthening training and education, while continuing to hire new personnel.

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Eight Business Overview

Net sales continued to show year-on-year growth due to B2B services (paid services for companies)

(millions of yen) **Eight Business**	FY2019	FY2020	
	Q1 Results	Q1 Results	YoY
Net Sales	251	311	+23.5%
B2C Services	72	74	+3.2%
B2B Services	179	236	+31.7%
Operating Profit	-239	-191	—
Operating Profit Margin	—	—	—
Number of "Eight" Users [1]	2.51 million people	2.76 million people	+0.25 million people
Number of "Eight Company Premium" Subscriptions [2]	991 subscriptions	1,757 subscriptions	+77.3%

(1) Number of confirmed users who registered their business card to their profile after downloading the application
(2) "Eight Company Premium" enables users to share their contacts with colleagues (targeting small companies with under 20 employees)

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Next, please see page 14 for details on the Eight Business.

Sales expanded 23.5% YoY to JPY311 million, owing to increased B2B services. The operating loss improved JPY47 million to JPY191 million due to increased sales.

In addition, the number of "Eight Company Premium" subscriptions increased 77.3% YoY to 1,757.

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Eight Business: Net Sales/"Eight" Users

Sales declined compared with the previous quarter due to the reactionary impact of some planned advertising services sold in the previous quarter

Number of "Eight" users steadily increasing
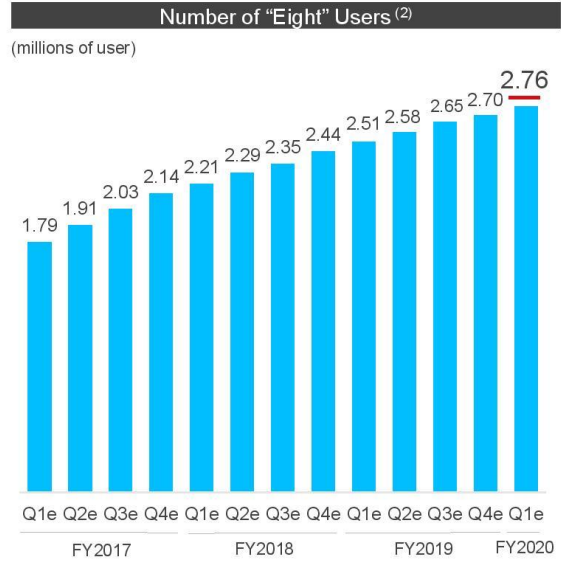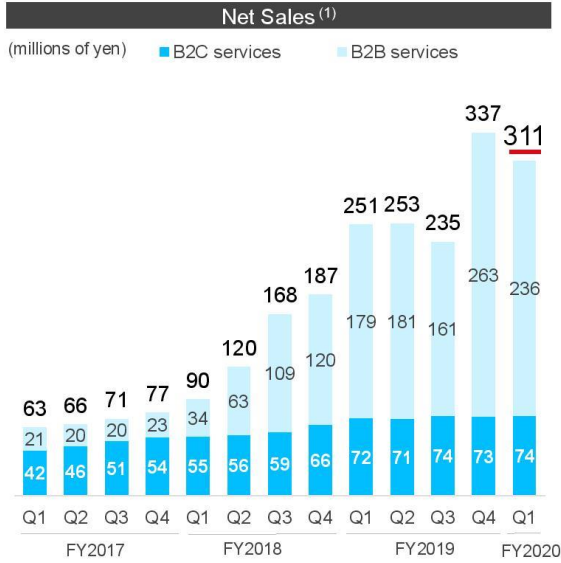
(1) Quarterly results for FY2017 were unaudited
(2) Number of confirmed users who registered their business card to their profile after downloading the application

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Please see page 15.

Sales decreased JPY26 million QoQ, due to the dropout of sales from planned advertisements in our B2B services that had lifted the amount of sales in the last quarter.

The number "Eight" users expanded steadily, up 0.25 million from the same period last year to 2.76 million users.

Event Tech Business: Opportunities for Encounters in B2B

Many business exhibitions, conferences and seminars of various sizes are held in Japan

Exhibitions	**Large-scale conferences**
Seminars	**Presentations**

etc…

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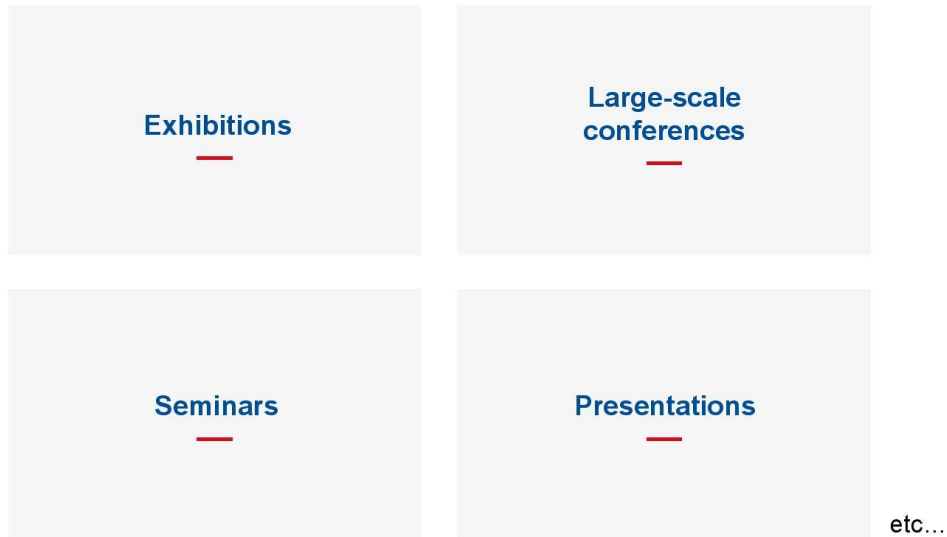
Next, I'll go over the Event Tech Business, a new initiative we announced last week. Please see page 17.

In Japan, various business events are held, from exhibitions to large-scale conferences to small-scale seminars, and I think that a place where people meet in the B2B domain is indispensable.

However, I see a major need for innovation in such events or seminars where people meet.

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Event Tech Business: Challenges in business events

From activities to attract customers before the event to conducting questionnaires after the event, there are many issues to be solved, both offline and online.

	Offline Challenges	Online Challenges
Before the Event	**Analog/manual ways of attracting customers** - Direct messaging - Faxed applications - Analog data management	**Digitized ways of attracting customers** - Time-consuming web forms - Omitted or incorrect information - Lack of accurate participant information collected
During the Event	**Held offline at the venue** - Reception lines - Can't find exhibition booths - Person in charge not there	**Held online via Web tools** - Participants can't interact - Doesn't lead to business discussions - Don't know who the other people are
After the Event	**Analog questionnaires** - Can't be used because the respondent didn't give complete information - Participants' information not correctly acquired - Paper-based aggregation of results	**Digital questionnaires** - Scattered data not managed in an integrated way - Doesn't integrate with customer database

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Please see page 18.

In managing business events, not only offline issues, but also the rapid progress of online events amidst COVID-19, have created new challenges.

First, in the case of offline events, the mainstream approach of customer attraction activities pre-event is analog customer attraction methods, such as direct mail notifications and fax applications. The management of collected participant information is by paper or manually entered into Excel, and this can sometimes require time and effort. Accurate information on prospective customers necessary for marketing is not collected, and most events do not translate into effective marketing measures.

Even in the case of online events, it is often troublesome for participants to enter information on the web form, and there are many cases where omitted information or incorrect information is entered.

Next, during the event, it takes time for event reception, especially in offline events such as large exhibitions, and the location of the target booth is hard to find. Other issues include the lack of a representative, no exchanges between participants in online events, and events not leading to business negotiations.

Questionnaires are often collected after such events, but many of the forms lack information on the participant, making them less reliable. Online questionnaires are also prone to incomplete information. Such issues point to the difficulty of linking questionnaire answers with one's own company's client database, unless they are comprehensively managed.

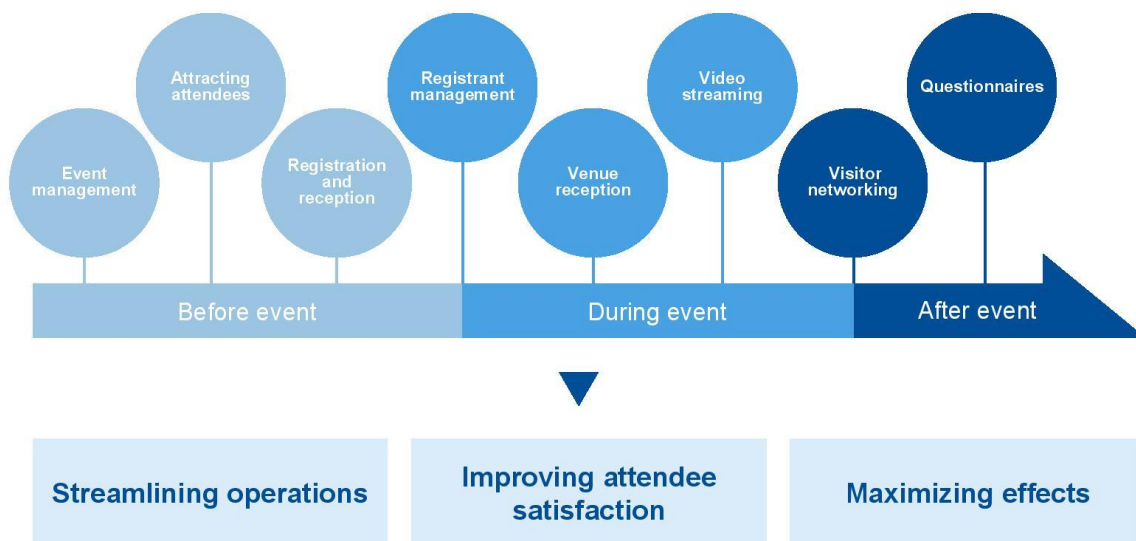To solve these issues, we decided to start initiatives in the domain of Event Tech.

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Event Tech Business: What is Event Tech?

Digital solutions services to solve issues related to event management

Before event — Attracting attendees, Event management, Registration and reception, Registrant management

During event — Venue reception, Video streaming

After event — Visitor networking, Questionnaires

Streamlining operations

Improving attendee satisfaction

Maximizing effects

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Please see page 19.

Event Tech is considered a solution not only for preparing and holding events but also for streamlining operations and raising participant satisfaction. It is also considered a solution to solve issues related to event management by utilizing technology to maximize effectiveness.

Examples of Event Tech include event management software that manages things related to events in an integrated manner, a registration reception system that allows participants to register from the web and manages their registrant information, a system that supports participant networking, a system after the event is held, and a questionnaire system.

Overseas, attention has been focused on this area even before COVID-19, and it is said that the event management software market alone has a market size of JPY500 billion worldwide.
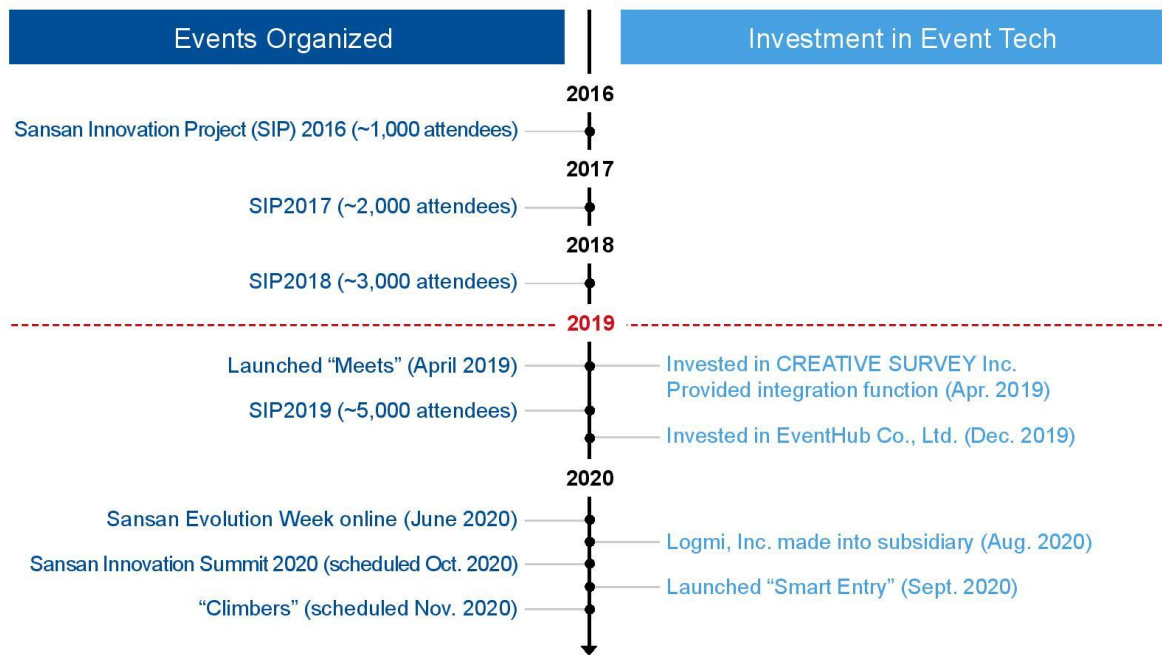
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Event Tech Business: Past Event Tech-related initiatives

In-house development of and investment in Event Tech-related services from 2019

Events Organized		Investment in Event Tech
	2016	
Sansan Innovation Project (SIP) 2016 (~1,000 attendees)		
	2017	
SIP2017 (~2,000 attendees)		
	2018	
SIP2018 (~3,000 attendees)		
	2019	
Launched "Meets" (April 2019)		Invested in CREATIVE SURVEY Inc. Provided integration function (Apr. 2019)
SIP2019 (~5,000 attendees)		Invested in EventHub Co., Ltd. (Dec. 2019)
	2020	
Sansan Evolution Week online (June 2020)		Logmi, Inc. made into subsidiary (Aug. 2020)
Sansan Innovation Summit 2020 (scheduled Oct. 2020)		Launched "Smart Entry" (Sept. 2020)
"Climbers" (scheduled Nov. 2020)		

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Please see page 20.

While working on holding large-scale offline events ourselves and providing business event services, we strongly felt the need for Event Tech. We spent more than a year preparing to enter the Event Tech field.

Specifically, we invested in CREATIVE SURVEY Inc., a questionnaire service used for seminars and event satisfaction surveys, and made EventHub Co., Ltd., an event platform, an affiliated company. In August 2020, Logmi, Inc., a media platform for seminar and event transcripts, joined our group.

Additionally, we internally developed "Smart Entry," which realizes event registrations, "Sansan Seminar Manager," a seminar management system that allows B2B companies to easily hold and manage seminars, and "Eight ONAIR," which allows "Eight" users to discover online events within their business network.

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Event Tech Business: Service portfolio

Aiming to build a system that can provide Event Tech with 360-degree support

Attendee management
sansan

Management of attendee business cards, utilization of business card information

Transcription
logmi

Event content transcription media
Distribution of information to attendees

Questionnaires/Surveys
CREATIVE SURVEY

Measurement of event satisfaction, communication with attendees

Card exchange
Virtual Cards

Encouraging exchanges at online events, making event attendees active

Seminar Management
sansan seminar manager

Management platform specializing in B2B seminars

Attracting attendees
Eight Ads

Attracting event attendees through business-oriented advertisements

Entry control
Smart Entry

Easy and accurate next-generation entry system using business cards

Event dissemination
Eight ONAIR

Discovery of online events by attendees
Disseminating information on events being held by organizers

After event | Before event | During event

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Please see page 21.

This is an illustration of our portfolio in the Event Tech Business.

From the management of seminars and events before, during, and after the event, we provide various solutions that solve the problems of each process.

Currently, it is a collection of individual solutions. But we also provide it as a comprehensive package, and we have a system that allows us to support the technology used in the event from all directions.

As for the future outlook, we aim for 3,000 companies to introduce various services in the Event Tech Business within three years. In the medium to long term, we hope to reach a level where it has some impact on consolidated business results, as an earnings driver following the current Sansan and Eight Businesses.

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Consolidated Financial Forecasts

No changes in assumptions of negative impact due to COVID-19 infections
Working to strengthen investment to accelerate growth again, aiming for sales growth rate of 30% or more in next fiscal year (ending May 2022)

(millions of yen) Consolidated Forecasts	FY2019 Full-year Results	FY2020	
		Full-year Forecasts	YoY
Net Sales	13,362	15,767 ～16,302	+18.0% ～+22.0%
Operating Profit	757	757 ～1,010	+0.0% ～+33.4%

(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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Finally, I would like to explain the full-year earnings forecast. Please see page 23.

The full-year forecast is unchanged from the initial announcement.

We issued guidance in range format for this fiscal year ending May 2021, as we expect uncertainty to continue in the business environment caused by the impact of COVID-19. We forecast net sales to increase between 18.0% and 22.0% YoY, and operating profit to be flat or increase by up to 33.4% YoY.

We are currently in a stage of securing ongoing sales growth over the medium to long term through aggressive investments. We are not in a phase of pursuing profit maximization. Hence, in the fiscal year ending May 2021, we will push forward aggressively on our growth strategy and investments toward this end.

The amount of orders received in the Sansan Business in the first quarter was the highest ever in the first quarter, thanks to the success of advertising activities such as TV commercials. Also, orders have been picking up at the fastest pace in our history for Bill One, which is an online service to digitize invoice data that we began to offer in May 2020.

We aim to achieve a sales growth rate of 30% or more in the fiscal year ending May 2022 by strengthening new initiatives and investments that contribute to the re-acceleration of growth.

This concludes my presentation.

Next, I will turn the meeting over to Tomioka to talk about the Sansan Business.

Tomioka: This is Tomioka. Thank you for giving me the opportunity to explain the Sansan Business today.

In addition to a basic overview of the Sansan Business, I'd like to cover some topics that we usually don't discuss. I hope this opportunity would help further your understanding of this business.

Self-introduction

Kei Tomioka

Sansan, Inc.
Director, Sansan Division Head

Kei began his career with Oracle Corporation Japan, and was based in Shanghai and Bangkok to take charge of market development across Greater China, Southeast Asia, and India. Since cofounding Sansan Inc. in 2007, Kei has headed up the B2B Sansan Division, and also currently leads the company's global expansion.

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2

First, let me introduce myself. This is the second page.

Currently, I am Director and Sansan Division Head, and I am in charge of the Sansan Business.

We started Sansan back in 2007 with five members, including CEO Terada. I am one of the co-founders.

Originally, I worked for Oracle Corporation Japan, a computer software company headquartered in the US, after graduating from college. I started my career at Oracle Japan, and then took on tasks to support companies in adopting IT at the China and Southeast Asia offices.

What I felt through this experience was that everyone, whether in Japan, broader Asia, or the US, cherishes business connections. I've seen many instances where a business is unsuccessful due to not being able to manage and utilize those "connections."

"I want to solve issues related to connections between companies and business professionals." "I want to have an impact on the world"—This was the motive behind founding Sansan along with my colleagues.

Table of Contents

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3

These are the main topics for today. As shown on page three, I'll broadly go over three points.

"Sansan" Service Overview

Business platform to transform business contact information into assets

sansan

**Uncover your hidden network.
Find opportunities. Make deals.**

The No.1 share in B2B cloud-based business card management service [1], supporting the growth of the company by collectively managing business cards owned by the company

Dedicated tablet or scanner for reading business cards
(Also readable via smartphone app)

**B2B cloud-based business card management service
Business card digitization with 99.9% accuracy**

Major features of "Sansan"

- Business card management/sharing/search
- Company master information
- Person master profile
- Organizational tree
- Cooperation function with Teikoku Databank
- Distribution of personnel changes
- News feed
- Financial results analysis report
- E-mail delivery
- Customer management
- Contact management

- Sansan Data Hub
- Risk intelligence powered by Refinitiv
- Survey tool powered by CREATIVE SURVEY
- "Salesforce" opportunity integration
- "CloudSign" contract management
- API related business card
- E-mail magazine delivery
- Internal contact list
- Internal message
- Security control
- Other management functions

(1) Sales share of companies in the contact management services for corporations based on "Contact Management Service Market and SFA/CRM Businesses 2020" by Seed Planning, Inc. released in January 2020

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5

First is an overview of the Sansan Business. Please see page five.

"Sansan" is a cloud-based application offered to businesses, centered on a business card management service.

As for the usage flow of the service, the user company must scan the cards that have been exchanged. This can be done easily by using a dedicated scanner or a smartphone app. By doing so, we can digitize the business card information with 99.9% accuracy, leveraging our proprietary technology and operations. Also, you can use all kinds of other functions linked with that business card information.

Various convenient tools can be used: management and search of digitized business card information; management of email distribution to business connections, along with sales leads with affiliated companies; checking new information linked with the company; and checking some information managed with a life tool.

Because it's a cloud-based application, these functions can be used without restrictions on time or place.

"Sansan" is sometimes conceived as a service to digitize business cards, but it's not just that. "Sansan" is "a business platform service that effectively utilizes the contact information that has been digitized."

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- Business cards are **exchanged in any situation, regardless of industry or occupation**

- Business cards contain **accurate and valuable information** representing the holder, such as name, company or organization, job title, and contact information

- **Exchanging business cards itself is also a valuable** source of information; with whom, for what purpose, and when

- Highly linked and augmentable with various business management tools, business card information and customer information form **center (gateway) of ecosystem**

- Even today, business cards are still almost all paper, and there is **a lot of scope for increased efficiency** in future operations and management methods.

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6

This is page six.

What's the importance of digitizing and utilizing business card information? Business cards have a very unique value to them.

First, many business professionals have business cards, and they use these cards in various situations, regardless of the industry. It's very rare to find a tool that's used alike in all industries.

Business cards also include information that accurately describes the person, including the name, company name, and title. I think it's not hard to imagine what value would be produced by accurately digitizing that information and utilizing it for business activities.

Not only that, but digitizing the business cards exchanged by each user means that inconspicuous information will be digitized at the same time, such as who exchanged the card and when the card was exchanged. That contact history itself is highly valuable data.

I'm frequently asked if the same person's business card will be digitized more than once. Even if it's the same card, there is significance in employee A and employee B in the same company each digitizing the card.

Also, the accurate customer information derived from cards has a high affinity with various other business management tools. Therefore, even when using other business tools, users first digitize business card information with "Sansan." In that sense, "Sansan" serves as an entry point of the business tool ecosystem.

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Approximately 10 billion paper business cards are estimated to be used globally, and it is said that Japan alone accounts for roughly 3.8 billion. We believe this is a tool with significant room for adoption towards streamlining operations, including the need driven by transformation of activities spurred by COVID-19.

User Benefits of "Sansan"

In response to corporate issues, providing a range of installation benefits to achieve "Uncover your hidden network. Find opportunities. Make deals."

Improving employee productivity	• Digitizes business card data automatically with 99.9% accuracy • Shortening management/ search time for business cards	Improving productivity of existing operations	• Consolidates various existing operations on "Sansan" platform • Cooperation with external tools
Strengthening sales activities	• Creating new business opportunities by in-house sharing of business card information • Recording/sharing of contact information	Strengthening compliance	• Minimization of management risk by automating anti-social forces check option • Centralized management of customer information
Accelerating marketing activities	• Organization/integration/enrichment of data by means of name aggregation technology • Effective use with external tools	Activation of internal cooperation	• Internal contact list/message • Visual representation of colleagues' areas of expertise based on analysis of business cards held

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7

Next, I will explain what kind of companies use "Sansan" and for what purpose. Please see page seven.

The value that "Sansan" provides to customers is the transformation of work style through business card management. Based on this customer value, "Sansan" is implemented at companies for various reasons according to each of their issues and purpose.

A typical example is an improvement in employee productivity. According to a survey that we conducted previously, the amount of time spent by a businessperson in checking or organizing business cards, i.e. for businesspersons who exchange at least 15 business cards a month, was over three hours a month. Converting that to an annual figure, it would mean that about 40 hours are spent per person, and on a company-wide basis, a huge amount of inefficient time is spent on such tasks. By introducing our service, this time spent can be reduced significantly, thereby improving the productivity of each employee.

Next, another reason "Sansan" is used is to strengthen sales by visualizing connections and sharing information. The basic design of "Sansan" is to share the business card data possessed by individuals across the entire company. This means that business connections are visualized as assets, and they are utilized as a company.

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For example, this may make it possible to cultivate new customers that the sales team could not access in the past. I will omit the details. There are various other benefits of implementing "Sansan" other than what is described in the material.

1 Sansan Business Overview
Service Plans for "Sansan"

Providing a fee plan as a basic plan assuming use by all employees within a company

	A. Basic company-wide use plan	**B. Previous plan (ID subscription)**	**Timing of payment**
1 **Initial cost** (Initial costs)	**A) 12 months' license cost** Cost for digitizing existing business cards	**B) Cost according to number of contract IDs** Data conversion costs for business cards already held (there is an upper limit placed on the number of business cards)	At the start of the contract
2 **Customer Success Plan** (Initial costs)	**A, B) Offer introduction support plans with individual quotation** Costs for implementation and operational support of "Sansan" services		At the start of the contract
3 **Scanner** (Running costs)	**A, B) Monthly ¥10,000 per scanner** Rent scanners and tablets to customers, whose number responds to the number of their office floors, and/or the number of branches		At the start or renewal of the contract
4 **License cost** (Running costs)	**A) Determined according to the monthly number of exchanged business cards (annual subscription)** Tens of thousands to millions of yen per subscription	**B) Setting according to number of contract IDs (annual subscription)** Fixed billing for each ID (there is an upper limit placed on the number of business cards converted into data)	At the start or renewal of the contract

Next, on page eight, I will explain about the pricing, especially the monthly licensing fee.

Currently, we provide a basic plan, whereby all employees in a company can use "Sansan," and this is Plan A described in the material.

Although our company issues a user ID according to the number of employees at companies, these IDs are not billed individually. The monthly fee of a company is determined based on the number of business cards that are digitized. However, this does not mean that the monthly fee changes depending on how many cards were digitized in a month. Rather, it is determined at the time of the contract based on an estimate of the annual number of cards, so there will not be short-term fluctuations in revenue. This basic plan was introduced several years ago, and it accounts for roughly 40% of total subscriptions.

I will next explain the plan that account for the remaining 60% of sales. This is Plan B shown in the material. This is a plan that is not billed according to the number of digitized cards, but rather, based on the number of users, or subscription IDs, at each company. Whereas the basic plan explained earlier is used by all employees within a company, this is a plan according to the number of IDs for a targeted group of users within a company, such as several dozen people in the sales and marketing teams.
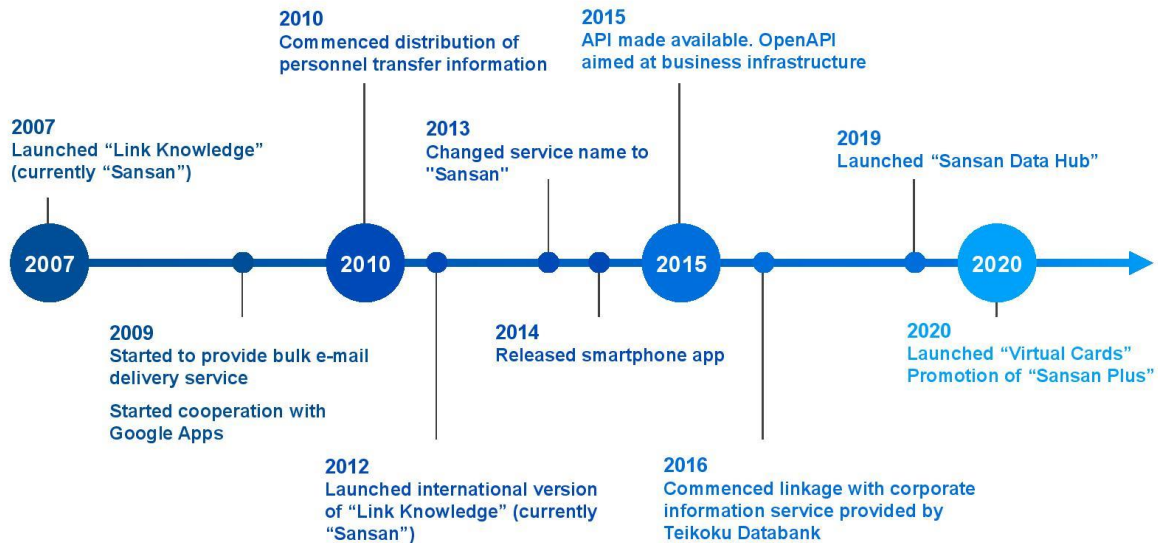
Both of these plans are annual subscriptions.

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2010
Commenced distribution of
personnel transfer information

2015
API made available. OpenAPI
aimed at business infrastructure

2007
Launched "Link Knowledge"
(currently "Sansan")

2013
Changed service name to
"Sansan"

2019
Launched "Sansan Data Hub"

| 2007 | 2010 | 2015 | 2020 |

2009
Started to provide bulk e-mail
delivery service

Started cooperation with
Google Apps

2014
Released smartphone app

2020
Launched "Virtual Cards"
Promotion of "Sansan Plus"

2012
Launched international version
of "Link Knowledge" (currently
"Sansan")

2016
Commenced linkage with corporate
information service provided by
Teikoku Databank

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9

I'll next go over the history behind how "Sansan" arrived at its current service contents. A simple illustration can be found on page nine.

We launched the Sansan service in 2007, at the same time as the Company's founding. Back then, it wasn't customary for companies to organizationally manage business cards, or spend money for that purpose, and this was true even more in the past than it is today.

We faced many struggles when conducting sales activities. I made sales calls, but the other side didn't even listen. I made appointments, but I was turned back at the front desk. That was what happened every day.

The number of customers grew gradually, by steadily enhancing functions based on user feedback, while steadfastly conveying the customer value of transforming work style through business card management, based on our mission of "turning encounters into innovation." This is the history of the Sansan service.

One of the major projects we undertook in the initial stages was to create a personal database. This continues to remain a major differentiation factor of our service compared to competitors. This is an initiative where we changed the database structure so that it wouldn't be a business card database but a personal database. An initiative where we squarely tackled the issue of effectively utilizing the accumulated data on "Sansan" was the bulk email distribution service in 2009. Furthermore, we enhanced the value of this person database through a distribution function of personnel transfer information.

In addition, in collaboration with Teikoku Databank, we enhanced the value of corporate information. In recent years, we have significantly improved the convenience of data utilization, such as through "Sansan Data Hub," which is an optional function that allows users to integrate public API and data.

We have flexibly revised our fee structure and plans many times in the past. A major change was introducing a plan for all employees in a company to use the service. This was the result of pursuing the value of business card management, not only between sales staff but all employees including back-office workers.
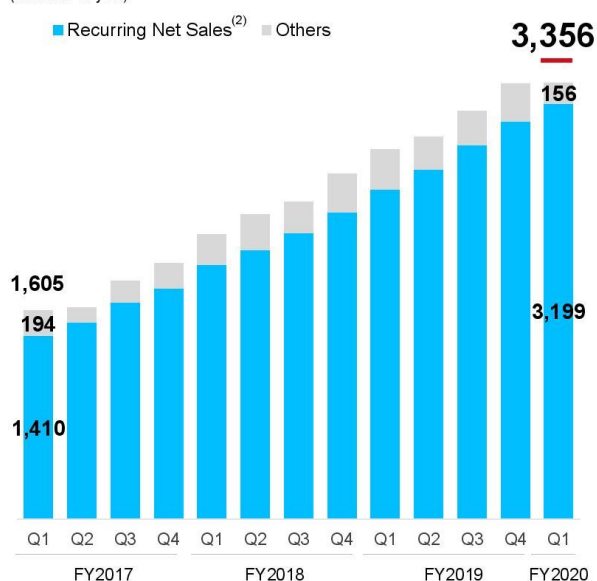
Although we are still in the middle of an expansionary phase, the all-company plan now accounts for 40% of total subscriptions. I believe this means that Sansan's concept is starting to be accepted by many companies.

1 Sansan Business Overview
Business Performance (1)

Net Sales in Sansan Business

(millions of yen)

■ Recurring Net Sales(2) ■ Others

3,356

156

1,605

194

3,199

1,410

| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |

FY2017 · FY2018 · FY2019 · FY2020

Operating Profit in Sansan Business

(millions of yen)

1,272

664

| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |

FY2017 · FY2018 · FY2019 · FY2020
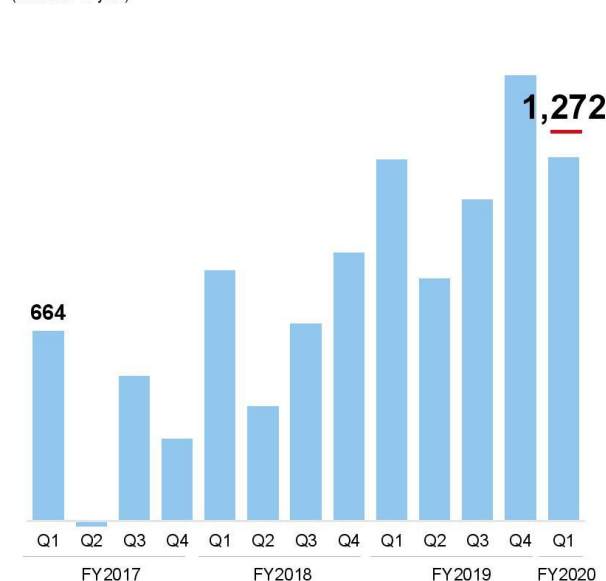
(1) Quarterly results for FY2017 were unaudited
(2) Fixed revenue with regard to "Sansan" (unaudited)

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10

On page 10 is the quarterly earnings trend of the Sansan Business.

There is no particularly significant seasonality that affects sales. Recurring net sales are expanding steadily through growth in number of "Sansan" subscriptions and sales per subscription.

On the other hand, the segment operating profit fluctuates on a quarterly basis depending on the timing of strengthening promotions, centered on TV commercials, but on a full-year basis, we are continuing to see a steady increase.
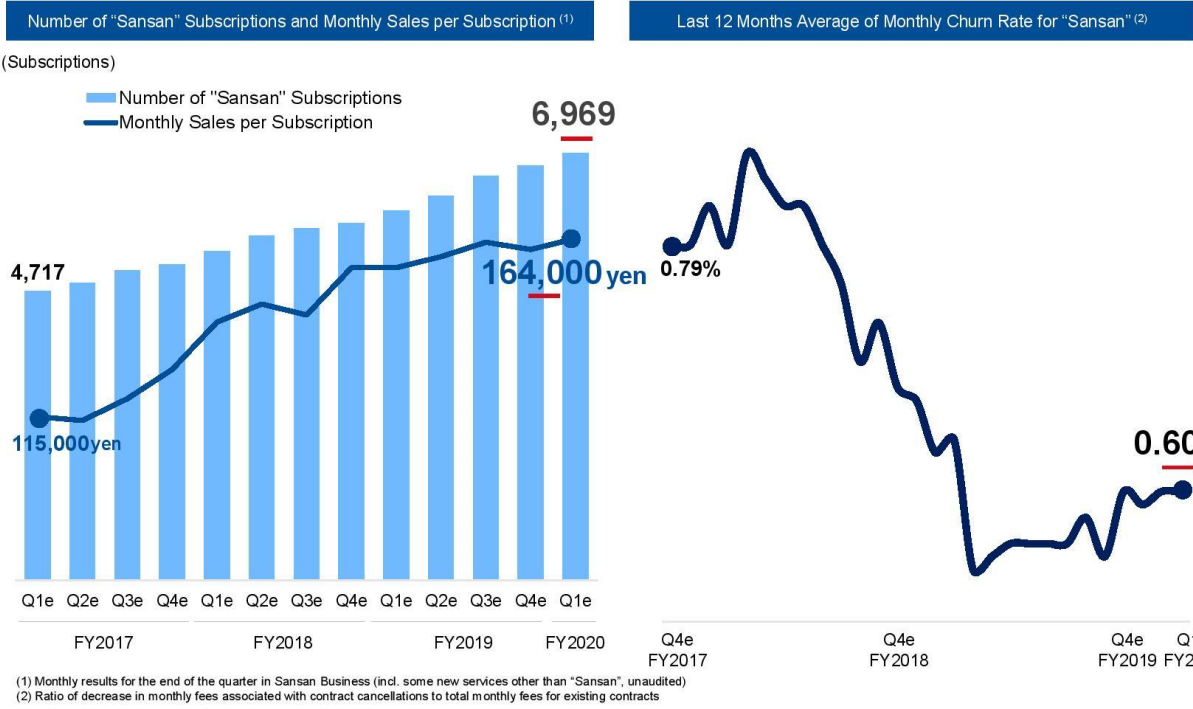
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Number of "Sansan" Subscriptions and Monthly Sales per Subscription (1)

(Subscriptions)

- Number of "Sansan" Subscriptions
- Monthly Sales per Subscription

6,969

4,717

164,000 yen

115,000 yen

| Q1e | Q2e | Q3e | Q4e | Q1e | Q2e | Q3e | Q4e | Q1e | Q2e | Q3e | Q4e | Q1e |
| FY2017 | | | | FY2018 | | | | FY2019 | | | | FY2020 |

Last 12 Months Average of Monthly Churn Rate for "Sansan" (2)

0.79%

0.60%

| Q4e | Q4e | Q4e | Q1e |
| FY2017 | FY2018 | FY2019 | FY2020 |

(1) Monthly results for the end of the quarter in Sansan Business (incl. some new services other than "Sansan", unaudited)
(2) Ratio of decrease in monthly fees associated with contract cancellations to total monthly fees for existing contracts

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11

On page 11 is our KPIs. Please see the graph on the left.

We have seen a steady expansion in the number of "Sansan" subscriptions and monthly sales per subscription.

The increase in monthly sales per subscription can be attributed to a higher ratio of subscriptions by large companies that pay a higher monthly fee, along with an increase in the number of users at existing subscriptions. In addition, usage of optional functions has led to a higher basic fee.

In terms of churn rate, shown on the right, we have lowered the churn to a very low level by focusing on post-introduction support.

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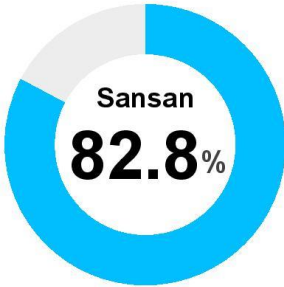
Sansan, the B2B cloud-based business card management market pioneer, has acquired overwhelming market share and diverse set of customers

Overwhelming Market Share and Recognition	Solid Customer Base with more than 6,900 Subscriptions

Sales share in 2018 [1]

Sansan
82.8%

Ver. 5 TV commercial title:
We know the customer 2017, "Our boss missed an opportunity" [2]

Ver. 8 TV commercial title:
"Remotely Done"

(1) Sales share of companies in the contact management services for corporations based on "Contact Management Service Market and SFA/CRM Businesses 2020" by Seed Planning, Inc. released in January 2020
(2) Won the top prize in the service and culture section of the 71th Dentsu Advertising Awards

13

Next, I will explain the strengths and characteristics of Sansan Business.

On page 13, I will first go over the current positioning of the business.

"Sansan" has built the business card management market on its own. As a result, it has an 82.8% share of the B2B cloud-based business card management service market in Japan. The company in second place has a market share of about 4%, and the company in third place has a share of about 2%, showing that there is an overwhelming difference. In addition, we possess a strong customer base with over 6,900 subscriptions.

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Established proprietary analog information data conversion operation that achieves both speed and accuracy

Prompt and accurate digitization of a large volume of business cards

Scan a large volume of business cards

Automatic and manual data entry of business card images

AI: Data entry
+
Human: Manual entry

Human: Final check

Database

Cycle repeated since the company's foundation

Combination of technologies

| Automatic detection and microtasking of business card information | Automatic detection of business card language | Automatic sorting to operators | Diverse network of data entry operators | Image processing technology |

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14

The question, then, is why our service continues to be chosen by customers. On page 14, we explain our competitive advantage.

One of the major competitive advantages of "Sansan" is the precision and speed of digitizing business cards, realized by our proprietary technology and operations.

I think you can imagine this fairly easily, but even a single misreading of a character in the business card data could lead to emails being sent to the wrong address. Or it may also lead to calling the wrong phone number. If that were to happen, the value of the service would be zero. Therefore, the precision of digitization is an extremely important element.

In the initial process of digitization, we leverage an optical character recognition, or OCR, technology. Unfortunately, no matter which OCR software you use worldwide, you cannot achieve an accuracy of 99.9%.

Then, how do we guarantee the accuracy and speed at "Sansan"? We do so through the power of AI and people. While our company is now in its 14th year since the founding, we have constantly devoted a huge amount of time and money through human effort to continue to achieve accurate digitization work.

Now, with the progress of machine learning, AI is able to accurately calibrate the characters that could not be read correctly by OCR. We have been able to build such technology and operations. Even so, it is difficult to fully operate this process, and we still need human effort for checking and entry work, but these operations are managed by AI, and an efficient workflow is established.

The technology and operation that we have built over many years, throughout these 14 years, provide an unrivaled competitive advantage.
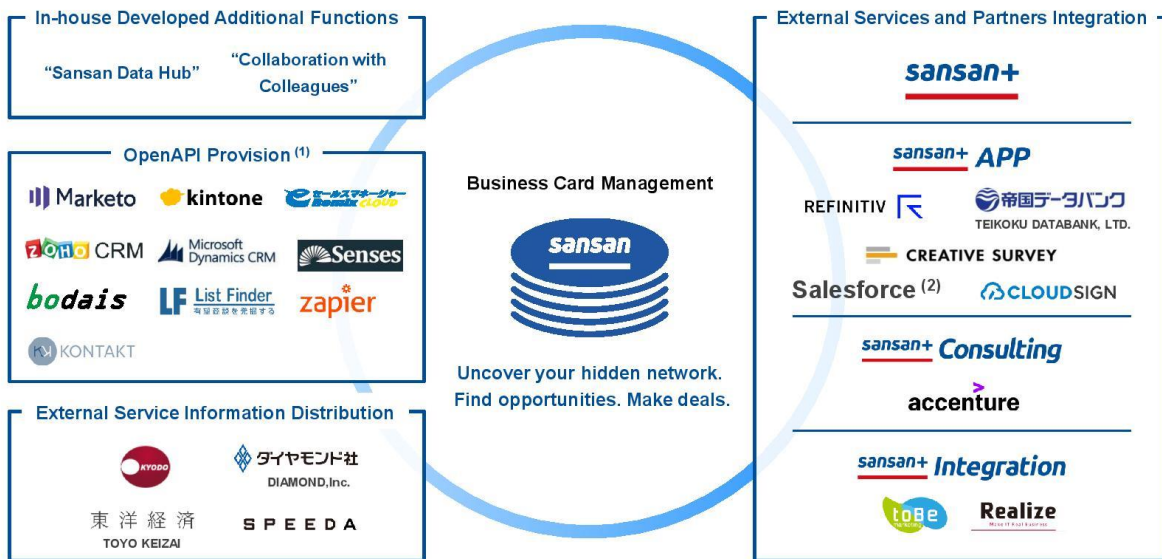
Competitive Edge: Functionality as a Business Platform

Various operations and functions are integrated on "Sansan" with business card management function and customer information at the gateway

In-house Developed Additional Functions

"Sansan Data Hub" "Collaboration with Colleagues"

OpenAPI Provision [1]

Marketo kintone セールスマネージャー Remix Cloud

Zoho CRM Microsoft Dynamics CRM Senses

bodais LF List Finder zapier

KONTAKT

External Service Information Distribution

KYODO ダイヤモンド社 DIAMOND, Inc.

東洋経済 TOYO KEIZAI SPEEDA

Business Card Management

sansan

Uncover your hidden network.
Find opportunities. Make deals.

External Services and Partners Integration

sansan+

sansan+ APP

REFINITIV 帝国データバンク TEIKOKU DATABANK, LTD.

CREATIVE SURVEY

Salesforce [2] CLOUDSIGN

sansan+ Consulting

accenture

sansan+ Integration

toBe Realize

(1) OpenAPI provided to more than 50 other companies' services, including Sales Force Automation, Customer Relationship Management, Marketing Automation
(2) A trademark of salesforce.com, inc., Salesforce is used with permission.

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Of course, Sansan's convenience is also one of its strengths. Please see page 15.

As I mentioned in the history of the service, "Sansan" aims to be used by all employees as a business platform, and continues to pursue the expansion of functions and the improvement of convenience.

Under the concept of changing the way of working from business card management, you can, for instance, check whether the company is not an antisocial force just by scanning the business card, or check the information of the contract concluded with the company. By consolidating the tasks that used to be done through different workflows in one place on Sansan, we added functions that can improve work efficiency.

Of course, there are competing services that take a similar strategy for the superficial function of business card management, but what is important for a SaaS service like us is the basic idea, such as the mission and concept of the company that the service is aiming for.

"Sansan" is a service that is deeply rooted in the Group's mission of "turning encounters into innovation," and it is evolving day by day, so we believe that we can maintain and improve our superiority in terms of functionality in the future.
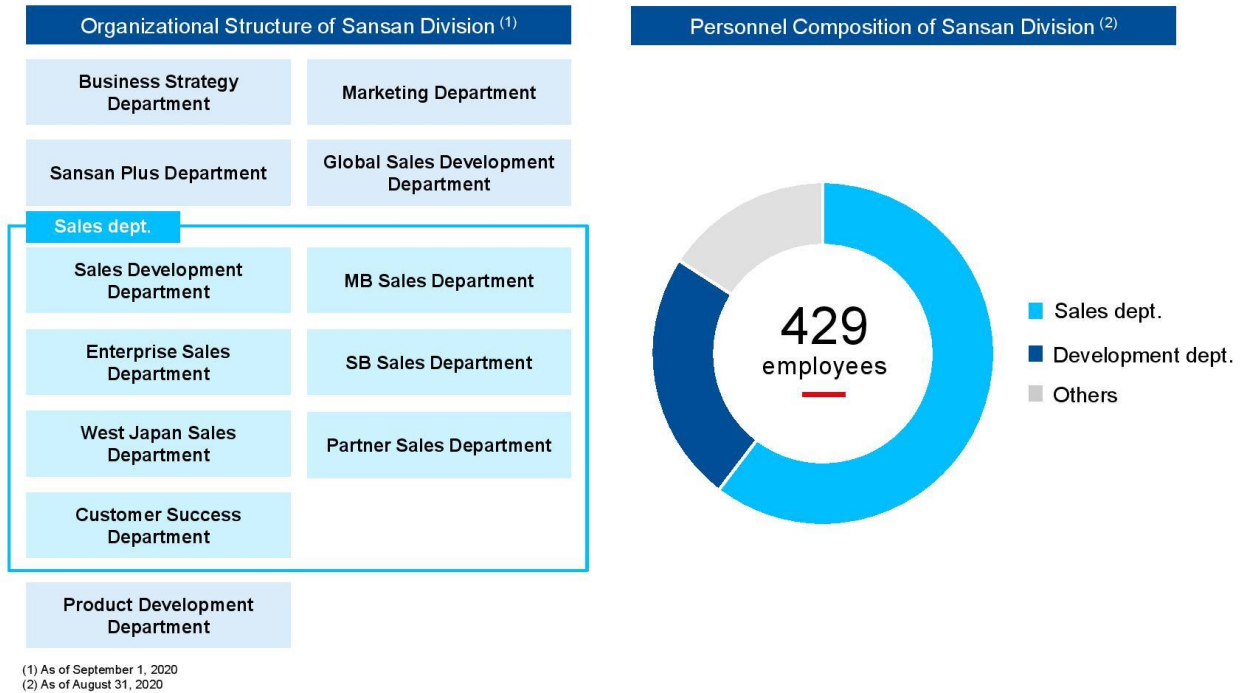
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Sansan Division Structure

Organizational Structure of Sansan Division [1]

Business Strategy Department	Marketing Department
Sansan Plus Department	Global Sales Development Department

Sales dept.

Sales Development Department	MB Sales Department
Enterprise Sales Department	SB Sales Department
West Japan Sales Department	Partner Sales Department
Customer Success Department	

Product Development Department

(1) As of September 1, 2020
(2) As of August 31, 2020

Personnel Composition of Sansan Division [2]

429 employees

- Sales dept.
- Development dept.
- Others

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16

Next, I would like to introduce the structure of the Sansan Business Division. Please see page 16.

As you can see, the Sansan Business Division has various departments, which are broadly divided into planning and management, sales, and development departments.

The development department is called the Product Development Department, which literally develops Sansan's functions. We have a common R&D and data management department called DSOC that does not belong to a single segment. Sansan's product creation is done in collaboration with that department and the CPO office that controls the development of all products, including "Eight."

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Number of Employees in Sansan Sales Department

Started strengthening the hiring of sales personnel from second half of fiscal year ended May 2019

Number of Employees in Sansan Sales Department

(persons)

259

247

176

126

92

| May 2017 | May 2018 | May 2019 | May 2020 | August 2020 |
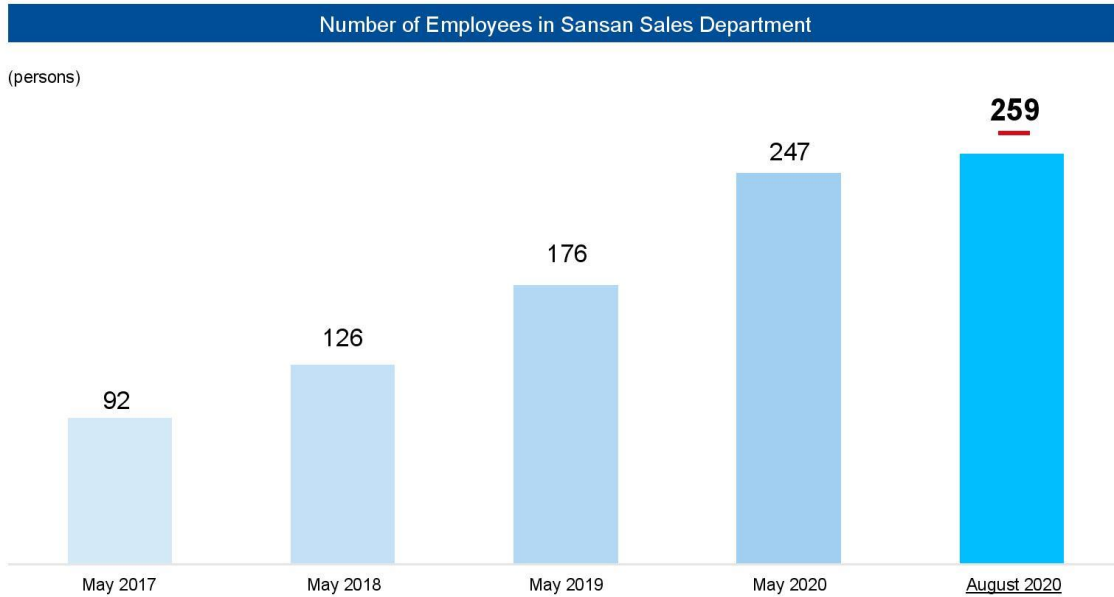
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17

We have long been strengthening the recruitment of personnel in the Sansan Business Division. In particular, we have been strengthening the structure of the sales division since the second half of the fiscal year ended May 2019. Please see page 17.

Previously, Sansan's business growth strategy focused on strengthening marketing activities, such as TV commercials. Since we have entered the phase where the additional effects of these measures are gradually declining, we have shifted focus to a policy of strengthening sales personnel from around two years ago.

Although it has become difficult to measure the effects of these measures due to the recent impact of COVID-19, we are starting to see certain effects manifesting, such as the acceleration of the sales growth rate in the third quarter of the previous fiscal year. We intend to continue to hire employees in this term as well.

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Sales Structure and Methodologies of "Sansan"

Breaking down sales functions into three major processes and roles achieved improved sales efficiency and productivity

1

Inside sales function
(Sales Development dept.)

▶

2

Field sales function
(Each Sales dept.)

▶

3

Post-onboarding support function
(Customer Success dept.)

- Non-visit sales (telephone, online, etc.) for customers expected to be gained (leads)
- Inquiry (inbound) responses
- Setting up of direct business opportunities

- Sales centered on direct visits
- Solution-type sales geared toward solving customer issues
- From subscription adjustment to subscription conclusion
- Upsell proposals to some customers after subscription acquisition

- Onboarding support after new subscription
- Problem solving support by means of daily utilization rate monitoring
- Upsell proposals to some customers

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Then, what kind of sales system and method are we adopting? I will explain this on page 18.

At our company, the sales department is roughly divided into three functions: inside sales, field sales, and customer success. These sales methods are commonly adopted nowadays for SaaS services, but we used them even before they became mainstream, and we have been working on efficient hiring.

To briefly explain each, inside sales is a function that conducts non-visit sales to prospective customers and also sets up negotiations. After that, the role shifts to field sales, and even the actual contract is made through solution-type door-to-door sales. It takes about one to two months to win this contract from small companies, but it can take three to six months for mid-sized companies and six months to one year for large companies.

After winning the contract, the final unit called Customer Success will support the introduction, support daily use, and conduct upselling support for new services.

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Main Points that Are Important in Business Management

1

New order acquisition status
—

2

Churn rate
(Maintaining a low level)
—

3

Number of sales personnel hired
and productivity per person
—

4

Status of key function usage/
market penetration
—

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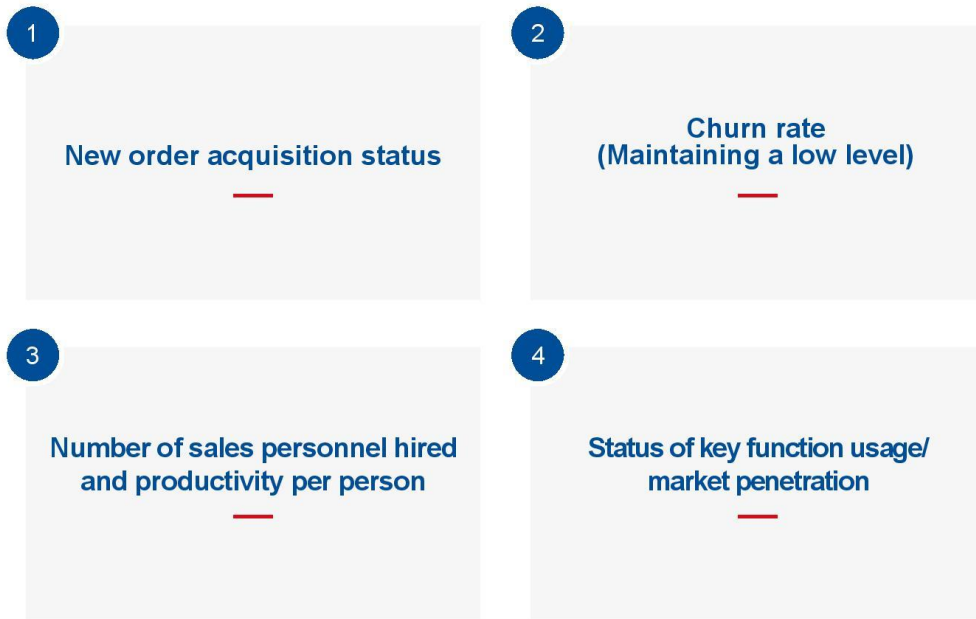
Please see page 19.

Here are some of the important points in running the Sansan Business.

First, when formulating an annual business plan, we draw up our targets and forecasts for new orders. Our method is to manage these targets, so monitoring is crucial. The results for number of subscriptions and monthly sales per subscription are analyzed, but targets aren't broken down to each indicator when creating the forecast. Instead, we manage the total value of new orders.

We monitor not only monthly indicators, but various KPIs, and a particularly important indicator is the churn rate. We hope to continue to keep it at a low level.

As stated earlier, we are strengthening recruitment of sales personnel, so we are paying close attention to progress in hiring and productivity per employee.

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Potential Market Size in Japan (TAM) for Sansan Business

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

Company size (Number of employees)	"Sansan" Coverage (Company) [1]	"Sansan" Coverage (Employee) [1]	
> 1,000 employees	13.8%	**2.3**%	
100 to 999 employees	2.9%	**2.1**%	▶ **Potential for tens of times coverage expansion**
< 100 employees	0.2%	**0.8**%	
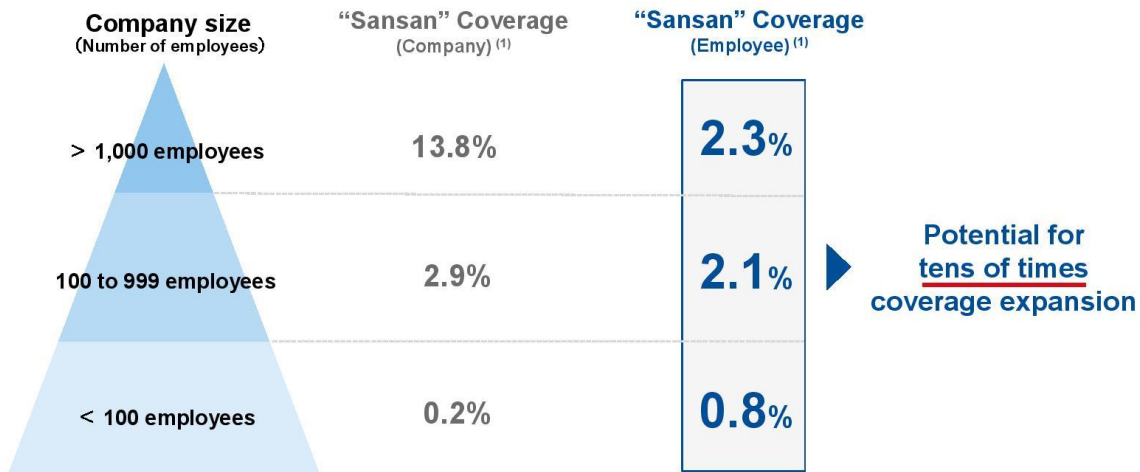
(1) "Sansan" coverage is calculated with the number of subscription and total number of IDs in "Sansan" for FY2020 Q1e as the numerator and the number based on Economic Census for Business Activity in 2016 issued by the Statistics Bureau as the denominator.

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Finally, I would like to explain our future growth strategy.

Since it overlaps with what I was talking about when announcing the financial results for each quarter, I would like to briefly introduce only the key points.

First, about Sansan's idea of TAM. Please see page 21.

I explained that Sansan's share of sales in Japan is 82.8%, but the Sansan utilization rate in Japan's working population is only around 2%. This means that DX, including the effective use of customer data, has not yet made great progress in Japan. Simultaneously, I believe it means there is plenty of room left for significant growth in the future.

I also think that the behavioral changes prompted by COVID-19 will spur the promotion of DX. In fact, I feel that many companies are beginning to face the importance of managing contact information.

For example, we held a five-day online seminar called "Sansan Evolution Week" in late June, which was able to attract 6,000 participants in less than two weeks. This is something I have never seen before. Also, we aired a new TV commercial that promoted the "Virtual Card" function in late August, to which we received the greatest response ever.

Therefore, there is ample room to raise the user coverage rate of Sansan to at least several tens of times the current level by acquiring new subscriptions and expanding usage within existing subscriptions that is limited to certain departments.

Achieve growth through an increase in both the number of subscriptions and sales per subscription

Increase the Number of Subscriptions	×	Increase Sales per Subscription		
		More Utilization by Existing Customers	+	Upselling
• Expand sales coverage to large corporations • Promote solution-based sales • Promote regional expansion • Enhance global expansion		• Promote company-wide use (from the sales department to the entire company) • Enhance implementation support • Penetration of service value • Promotion of "Virtual Cards"		• Provide optional functions • Partnerships with other companies, and M&As

Number of "Sansan" Subscriptions

2,436	▶	6,969
(FY2014 Q4e)		(FY2020 Q1e)

Approx. **2.9** times

Monthly Sales per Subscription [1]

80,000 yen	▶	164,000 yen
(FY2014 Q4e)		(FY2020 Q1e)

Approx. **2.1** times

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

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To achieve sales growth in the Sansan Business, we will continue to work to increase both the number of subscriptions and sales per subscription, as described on page 22.

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Expanded market penetration of "Virtual Cards"

Increased value of the "Sansan" platform

Strengthening of sales systems/recruitment

Improvement in productivity per sales employee

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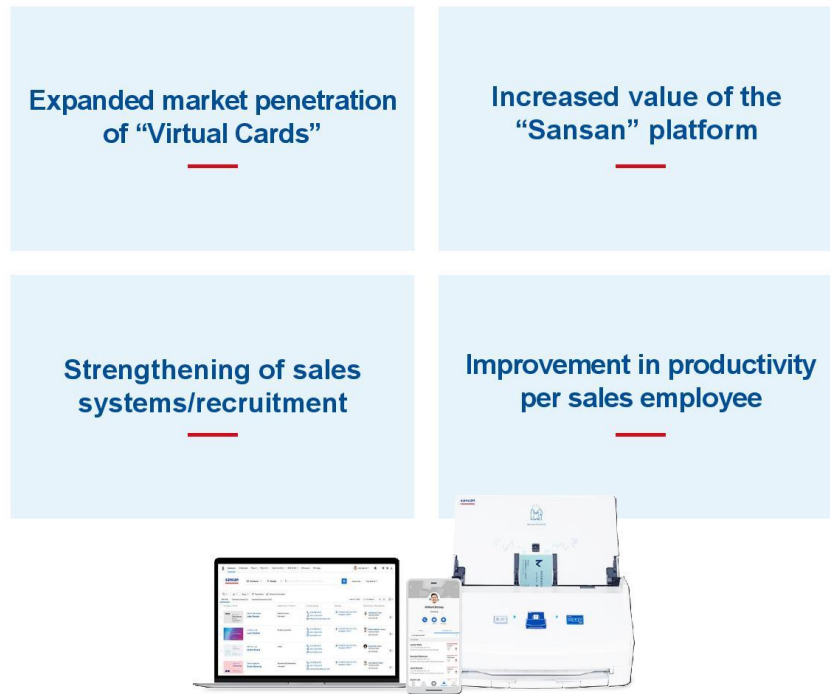
The main measures towards this end are described on page 23.

Currently, we are focusing on expanding the spread of virtual business card functions, which we started offering in June this year. I believe there is a huge uncovered potential linked to the new ways of working and behavioral norms to deal with COVID-19.

While company meetings using online tools have become widespread ever since the outbreak of COVID-19, we hear many people say that they have difficulty matching the voice that they hear with the face or name of the participant. It's also hard to figure out the job titles of the participants, so it's not immediately clear who is the key person of the meeting. As a result, in some cases, the productivity of sales activities has declined.

As I touched on earlier, far more companies will definitely need to come up with solutions for issues that arise from this environment where new ways of working are taking hold. Our "Virtual Card" function is a solution to solve these issues. We are working every day on providing this function in specific usage settings and enhancing functionality.

Of course, it won't be easy to transform old customs and replace them with new kinds of behavior, and proliferating such behavior will be a tall order. This is a major challenge for the company.

However, over 3,000 client companies have started to use this service. This rate of increase in users is far faster than the pace of acquiring roughly 6,900 subscriptions over the past 13-plus years, and we have high expectations for this service.

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Although this function itself is offered free of charge, what we aim to realize is a world where business professionals own virtual cards, just as how many of them own paper cards. If such a transformation in behavior takes hold, it will mean that the penetration rate of "Sansan" has increased drastically, so we will be working towards its realization.

This concludes my presentation. Thank you.

Question & Answer

Moderator: We will now begin the Q&A session.

Does anyone have questions? Mr. Yoshida, please go ahead.

Yoshida: This is Yoshida from Nomura Securities. Thank you for the presentation today. I could get a better understanding of the Sansan Business today, thanks to your explanation from the standpoint of the person in charge of the business. Thank you very much.

I would like to ask a question in regard to this business. In your explanation, you stated that you naturally saw negative impacts from COVID-19, such as on the cultivation of new customers. Meanwhile, you also mentioned that companies are starting to once again move to strengthen the management of contact information. Could you please give us an update on the latest development on this front?

In particular, during the last briefing meeting, you also collected and shared the figure for the number of cards that were exchanged, but this time you did not provide this figure. How do things look right now? Realistically, I would also like to know the thought process that is going through your actual customers and potential customers. That is my first question.

Tomioka: Thank you. I will answer your first question. I understand your question to be about the recent business conditions under COVID-19, and the status of cards being exchange in terms of customer needs.

As you say, we are gradually beginning to get a positive feel about business conditions. In April and May, we indeed saw an impact on our own business as well as customers, including a decline in the number of cards, but we are starting to see a recovery, as evident in the status of sales and orders in this first quarter.

In particular, we are seeing an increase in companies that are looking to incorporate DX, especially at large companies. In society, there have been talks about the establishment of a Digital Agency, urging companies to consider initiatives to adopt digital. When doing so, the foremost thing that they are growing interested in is how to organize their client information.

When holding meetings online, it is quite difficult to collect information on customers. We have seen a sharp increase in inquiries regarding "Sansan" and our "Virtual Cards" as a starting point for collecting such information.

As for the number of cards, we mentioned last time that we are seeing a recovery from the lower numbers in April and May, and our current pace remains at around the same level.

Yoshida: Thank you. Next, I would like to ask about the functions of exchanging virtual cards.

I remember last time you mentioned there was still a need to improve the product-market fit. Over the past three months, you've updated it quite a bit, and personally, I think it became far easier to use.

You mentioned it is used by 3,000 companies now, but around how many people within these 3,000 companies are actually using virtual cards? Could you give us any additional information on that?

Also, I think that there is potential for this service to have network effects with other services. For example, those who receive a virtual card may come to know about "Sansan" for the first time, and if they like it, they

may subscribe to the service in the future. Could you tell us the status of new inquiries or orders from those who see your virtual business cards? Please give us a little more information on that. Thank you.

Tomioka: Thank you. As for the usage status of virtual cards, we currently do not have the detailed numbers, but we are gradually starting to see increased usage.

Even though I mentioned 3,000 companies, many of these companies have only introduced virtual cards in specific departments. And this is especially true for larger companies. Thus, as we expected, we initially saw individuals within companies using the service, and the service is gradually expanding usage in departments.

We are very grateful that these customers are using Sansan's "Virtual Cards." We have seen a particularly large impact in the first quarter due to syncing these online cards with the Eight service. We see an increase in people sending their "Virtual Cards," as well as people sending back their "Virtual Cards." We hope to further enhance the functionalities and user value, including in this area.

As for our future development, as you point out, we expect network effects. The service that we provide is, in fact, difficult to produce a network effect. Although it is easier for communication tools like "Zoom" to produce network effects, cloud services, or SaaS, like ours, typically do not see such benefits.

However, virtual cards hold the potential for such effects. In a sense, I think that having existing customers use virtual cards will, in itself, lead to our next marketing activities.

Yoshida: I understand. Thank you very much.

Moderator: Are there any other questions?

Next, we have received a question from a participant who wishes to remain anonymous. The last name begins with the letter S. Please go ahead.

Participant: I have two questions.

First, in terms of the Sansan Business, it says on page 19 of the presentation that you consider it an important KPI to raise the productivity per sales personnel.

Looking at the growth rate of sales personnel over the past two years, it appears that productivity was falling even before COVID-19. Please tell us more about the actual conditions of sales personnel productivity.

I imagine that sales activities have normalized to an extent recently, but could you also comment about productivity? That is my first question.

Hashimoto: I will give an explanation. Mr. Tomioka will give additional input later if any.

We follow the figures for productivity on a monthly, quarterly, and yearly basis. We don't think it would be a useful comparison if you look at productivity prior to the stage when we started stepping up hiring activities for sales personnel. That said, when looking at the trend thereafter, we see fluctuation both up and down.

In the previous fiscal year ended May 2020, we saw a significant improvement in January, February, and March. We ramped up efforts to hire sales personnel from around a year and a half ago, and we also conducted onboarding programs and training. As a result of this training to raise the proposal ability of sales personnel, we saw very good improvements up to March.

Meanwhile, ever since the state of emergency declaration in April, we haven't been able to conduct sales as we wish. Consequently, there has been a slight drop in order volume and productivity per employee.

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However, we are still on a recovery track, and if we can get back to the level in March, I think the growth rate will go up even further, and our sales are recurring, so we would be able to expect a significant impact on sales in the next fiscal year.

Participant: So, the level is not back to the level in March, correct?

Hashimoto: Right. Looking at the numbers alone, we haven't reached that level yet.

Participant: I understand. Thank you.

My next question is about the adoption of your service by the government. I recall your service was adopted by METI several months ago, and I also expect there to be a push for digitalization by Prime Minister Suga.

Do you think this will make it easier for other government agencies to adopt your service, or will there be companies that are linked with the government that might be referred to your business? Could you provide us with some more information regarding these matters? That's all.

Tomioka: Thank you. I will answer this question.

I understood your question to be about the adoption of our service, particularly by the public sector, including the adoption by METI. As you said, we have seen a considerable acceleration on that front, ever since our service was introduced by METI.

We are receiving all kinds of inquiries right now, not only from ministries but also from local governments. We are, in fact, seeing a growing number of cases where government-related institutions adopt "Sansan" as part of their digital transformation, or DX, initiative.

I have met with Minister Hirai of the Digital Agency twice, and we talked about what "Sansan" can do to contribute to Japan's digital transformation. We hope to provide services that would bolster Japan's initiatives for DX, and we intend to strengthen initiatives towards this end.

Participant: Thank you.

Moderator: Next is Mr. Miyazaki.

Miyazaki: This is Miyazaki of Goldman Sachs. Thank you.

My first question is about sales. In Q1, sales grew by 18% or 19% from the previous fiscal year, but compared to the previous quarter, sales were roughly flat. Please tell us more about the cumulative and one-time effects on sales, including the impact of COVID-19. That is my first question.

Hashimoto: I will explain.

Although the numbers won't appear consistent if you look only at the KPIs, there is a slight gap in terms of cumulative increases in sales and number of subscriptions. I think this would be the answer to your question.

The amount of recurring net sales in the previous quarter, Q4 of fiscal year ended May 2020, was JPY3.062 billion as described in the presentation. I think this may seem lackluster, given that recurring net sales in Q1 were JPY3.199 billion.

If you look only at recurring net sales, ARPU grew roughly 10%, while the number of subscriptions increased 15%. So, the reason why the overall growth rate of Sansan Business has fallen below 20% is due to the usage-based sales. I think a major reason is the impact of non-recurring sales.

Therefore, I am not at all pessimistic about the business structure itself. Our recurring sales are growing steadily, and partly due to COVID-19, we are seeing a time lag in the number of subscriptions being translated into sales. I think the increase in the number of subscriptions will be reflected in sales in Q2 and Q3, and I am very optimistic regarding this point.

Miyazaki: I understand. Thank you.

My second question is about the stepped-up hiring activity, which you mentioned you intend to continue. I'd like to ask a few points regarding the sales personnel. I'd like to know more about the competitive environment around this hiring activity.

In particular, I understand that many SaaS companies have been enhancing hiring activities to strengthen sales. Given that these are sales personnel, I imagine there wouldn't be a need for them to be IT engineers. But, if there are required skills or a target talent pool, then would there be competition over the same talent between multiple companies?

And, if so, then would you stand to benefit because of your name recognition, or is the competition still very tough? Please tell us more about the status of expanding personnel, which you mention as a KPI. Thanks.

Hashimoto: I will first talk about the entire company, and then Tomioka will give his input on the Sansan Business, if any.

First, looking at the developments leading up to the present, we tightened our hiring activities in March, April, and May. This was because of the uncertainty in the business environment, including considerations of cost control, as well as controlling resources. Consequently, as disclosed in the supplementary materials, we saw a temporary fall in hiring expenses.

After that, we got a much clearer picture of the impact of COVID, and we were able to confirm the progress of our business with strong confidence, so we decided to re-accelerate our hiring efforts again.

And what we have seen against this backdrop is that the competitive environment around hiring hasn't by any means deteriorated. Although companies have launched various SaaS and are pouring energy into hiring activities, we haven't seen much of an impact.

Thus, we think it is very much achievable to continue to hire at a pace of around 150 to 200 people per year, as before. Naturally, the competition will remain tight in terms of hiring engineers and highly efficient sales personnel. But we do not see the hiring situation to have taken a downturn. Rather, various talents are considering job transfers, and my impression is that the environment has turned slightly positive.

Tomioka: I would like to give some additional explanation, particularly regarding the strengthening of sales personnel in the Sansan Business, which I mentioned earlier.

First, at present, we are making progress on hiring sales personnel as planned. As for our outlook, of course, various companies are devoting energy to hiring, but some are holding back hiring due to COVID-19. Therefore, if you were to ask us if the hiring environment is tough, my understanding is that it is not that bad.

As you say, it would be better in terms of the talent pool if we can hire people with a background in digital, but there aren't that many people in the market to begin with, who have sales experience of starting up a SaaS in Japan. Of course, there are people who have had experience at a foreign company, as was the case for me, but it's very rare for them to have had an experience related to SaaS at a global company or brand.

In that sense, our target is to hire people with a certain degree of capability with experience in corporate sales, and to train them so that they can also conduct IT solution sales. That is one of the major policies of our recruitment activities.

I think it will be crucial also in terms of sales productivity, as mentioned in a separate question, to strengthen the sales structure. Thus, we are working to reinforce the sales structure, too.

Miyazaki: Thank you. I'd like to ask for clarification on just one point. I believe it may partly be due to Sansan's brand profile that makes it easier for you to hire talent. But, if the hiring environment is not that tight, and you step up your recruitment activities, then the supply-demand balance is conducive for you to hire a fair number of talents. Is that correct?

Hashimoto: Yes, that's right. I believe that would be a fair assessment of the current situation.

Miyazaki: Thank you.

Moderator: Next is Mr. Yamashina. Please go ahead.

Yamashina: This is Yamashina of Macquarie. Thanks. I have two questions regarding Event Tech.

Will you be establishing this as a new business division, or will it be nested under the Sansan or Eight business? And also, when you say that you aim for adoption at 3,000 companies, how many personnel or sales expenses do you think will be required to realize that? Could you share your current estimates as much as possible? Could you first answer that, please?

Hashimoto: I will answer this question.

We announced we would be starting Event Tech as a new initiative. Given that it is still early days since the announcement, we are still conducting sales and building up from here, though we already received orders.

This will also mainly be based on a SaaS model, so it will take some time until it has a certain degree of impact on overall earnings. Once we are in the stage of seeing this impact take shape, then we will consider at that time whether to create a new segment or bring it under Sansan or Eight.

As things stand now, the Event Tech concept we announced is a combined portfolio of various products and services. One of the core services in this portfolio is our proprietary Sansan Seminar Manager, which is, of course, used and sold by both our sales personnel for Eight and Sansan. We are making company-wide efforts on this front, and we intend to execute sales.

In the Sansan Business, we have over 6,900 clients, which also have a CRM system introduced, so there will be various ways to link this system with "Sansan Seminar Manager." And by providing support, I think considerable synergies

I mentioned 3,000 companies as a target, not merely through sales of "Sansan Seminar Manager," but a combination of various services that would, in total, be adopted by 3,000 companies. We still don't know what shape or form this would take in the future. We will make adjustments as we go, while deploying our SaaS, conducting various tests and modifying our products in many ways as we move forward.

Yamashina: I understand. My second question is a clarification to make sure I understand it correctly.

For example, in terms of large-scale IT events, I believe there are event management companies like NANO OPT Media. I understand that these players aren't competitors, but more like business partners, who might consider using your service. Is that an accurate understanding of how you position this business?

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Hashimoto: Essentially, our image is to focus on smaller seminars, rather than large exhibition-type events, that would hold several dozen to several hundred people.

I think this is a service domain in which there are opportunities to collaborate not only with event hosts, but those who look to attract customers online. There are different parts of the overall scheme where we can contribute. For example, our "Smart Entry" function leveraging technology can be used when registering participants or taking surveys. These sorts of combinations can be made so that we, in fact, serve as business partners of event organizers, rather than their competitors.

Yamashina: For example, if there is a seminar hosted independently by a company within a large-scale exhibition, then it can be expected that your event tech services will be used for these specific seminar slots. Is that a fairly accurate image of the service?

Hashimoto: Yes. I think it will depend on each event, as well as the system used by the host and how it is defined, but I think that sort of application is highly probable. The ultimate goal is to have customers input the customer information they gather at these vents into "Sansan" so that they can use it for their marketing and nurturing activities. So, by all means, we hope to develop such services.

Yamashina: I understand. Thank you.

Moderator: Are there any other questions? Please go ahead.

Participant: First, regarding Sansan, Mr. Tomioka mentioned earlier that the demand for organizing client information will increase due to COVID-19. When do you expect this increased demand to start appearing tangibly in, for instance, your lead orders or sales growth? That is my first question.

Tomioka: Thank you. I understood your question to be about the extent of the positive impact from COVID, and the timing in which this impact would appear in the numbers.

This is a somewhat difficult question to answer, but as things stand now, our outlook is for a recovery from the COVID-19 impact from around the second half, and we have formulated guidance on that basis.

We are currently anticipating results to trend in line with this plan.

Participant: Okay. Also, I would like to know your medium-to-long-term expectations of the approximate amount of sales you expect from Event Tech.

Earlier, Mr. Hashimoto said that the company intends to create another earnings driver following "Sansan" and Eight. But there is a ten-fold difference in sales between "Sansan" and Eight. What kind of scale do you expect for each of these businesses in the next five to 10 years? Also, if, for instance, you were to create a third business, then who do you currently expect to be the executive that would take charge of this business?

Hashimoto: I think the challenge going forward is to connect the separate parts of this new initiative, such as "Sansan Seminar Manager" and "Smart Entry," and how we can comprehensively build on these initiatives.

The ultimate concept of what the business would look like in the end is still in the stage of trial and error. Therefore, it is quite difficult at this stage to say what scale of sales can be expected.

At least, based on our understanding, out of the more than 6,900 customers in the Sansan Business, far more than 1,000 companies hold seminars or events. If the service can be used by these customers, then

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although it may take time, I think the size of the business will be large enough to comprise a segment on its own.

Whether that would be mixed with the Sansan Business down the line, and expressed as a number of subscriptions or ARPU, would require various other considerations. At least, I don't think that it will be a business that ends up being just several tens of millions of yen, but I also don't think it will become a business with JPY10 billion in sales immediately within five years. I hope you will understand that this is the rough expectations at this point.

As for the business structure, up until the release, we had a department directly supervised by the president, who is in charge of new business development, and we conducted development activities through cooperation from people affiliated with "Sansan" and "Eight." After the release, we will continue to allocate these people who are specialized in development, but in addition, we will make use of our personnel belonging to "Sansan" and "Eight" in terms of sales activities for some time.

If we get a very clear view on product-market fit, or if it gains traction very rapidly, then we will for instance consider organizing a dedicated sales team, but it won't be 100 people all of a sudden. It will first start with a few people, and we intend to increase the number to 10 and then 20 people.

For your reference, we still haven't created a business division for "Bill One," which we released in May. But we are seeing a steady increase in traction, so we plan to once again slightly increase the number of dedicated sales personnel for "Bill One." Even though we say we are increasing personnel, the number is currently in the single digit, and this will first be increased to 10 people, and then to 15 people. That's the pace of increase, so in terms of investments, the company-wide impact is very small.

However, in order to turn it into a growth catalyst over the next three to five years, I think we would need to aim for enhancement and improvement towards products by conducting steady recruitment.

Participant: Thank you.

Moderator: Next is the participant with the last four digits of the phone number being XXXX. Please go ahead.

Ishihara: This is Ishihara from Daiwa Securities. I would like to ask about the net increase in the number of subscriptions.

In Q1, it says that the number of subscriptions increased by 215 QoQ, so I thought that the number of subscriptions increased by a fair amount. You mentioned in your explanation that you struggled to acquire new customers due to COVID-19. Do you attribute this net increase in subscriptions to an increase in new subscriptions, or the result of keeping the churn low? Or do you assess that the business struggled, because the number of subscriptions didn't increase that much, given the amount of advertising expenses such as TV commercials? Could you please tell us about this net increase in subscriptions, including the trend in other sales, in a little more detail? That is my first question.

My other question is somewhat similar to the first one. What kind of outlook do you have with regards to subscriptions that will be acquired from the second quarter onwards? Should I expect the marketing efforts taken in Q1 to contribute to results from Q2, resulting in a further uptick in the rate of net increase in subscriptions? Or do you think the same kind of trend will continue as in Q1? Could you please give us a little more information on this point?

Those are my two questions.

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Hashimoto: I will answer your questions. Mr. Tomioka will provide an additional explanation, if any.

If you look only at the number of subscriptions, it increased by 215 compared to the end of the previous fiscal year ended May 2020. But, when we say there was a delay in new acquisition of subscriptions, we mean two things. First, we aimed for a higher number, so the actual number came in below our expectation.

Second, in relation to the first point, we didn't see an uptick in the number of subscriptions in Q4—March, April, May—compared to Q3. This March, April, and May period is typically the timing in which we are able to acquire the largest number of new subscriptions in the year, because this is the timing when many of our customers start a new fiscal year. However, even though this was supposed to be when we bring in a lot of subscriptions, we weren't able to do so because of the impact of COVID. Therefore, the number of subscriptions is slightly depressed in Q4, and some of the subscriptions were pushed back to Q1.

Hence, part of the new subscriptions were ones that we originally intended to bring in at the time of Q4, but were delayed until Q1. Even though the number of new subscriptions increased by 215, this partly includes these delayed subscriptions, so our gut feeling is that the newly acquired subscriptions are somewhat low.

From Q2 onwards, we hope to secure orders of at least 200 subscriptions, more or less sustaining the prevailing trend, but the outlook remains unclear due to the impact of COVID, and we're seeing both tailwind and headwind. As for the certainty or comfort level of our outlook compared to the past, we believe the outlook is slightly unclear.

That said, if the positive aspects offset the negative aspects, then I believe it will turn positive, so I think the number of subscriptions to increase at a rate that is the same as before.

Tomioka: As a side note, the churn rate differs quite significantly depending on the customer size. We categorize our customers into S for small businesses, M for mid-sized businesses, and large-sized businesses.

In terms of the small businesses, we had concerns over cancellation subsequent to the COVID-19 outbreak, and there were in fact some cancellations, along with reduced volume, especially in April, May, and June. I get the feeling that we've already crossed that peak.

On the other hand, the timing of the contract also matters when it comes to mid-sized and large companies. For example, customers will likely make decisions on how to manage their budget according to their business performance, and these budget reviews have recently taken place in September, and will take place in March next year. We are currently making efforts to keep the churn rate low, while also having our customer success support members focus on this matter.

Ishihara: I'd like to clarify just one more point. When you say that you expect new subscription acquisition to be the same as before, do you mean that the target will continue to be around the 200 subscriptions you recorded in Q1, and you expect roughly 200 or so new acquisitions to continue for this fiscal year? Is it correct to understand that you are starting to feel confident that this is achievable?

Hashimoto: Yes. As I explained before, we are ultimately looking at the buildup in sales as our internal KPI, and we are following the amount of orders. Our goal is not the number of subscriptions, but I think around 200 as a result of the efforts we make is a fair or reasonable estimate.

Ishihara: Thank you.

Moderator: Are there any other questions?

There are no other questions, so we will now conclude the briefing meeting.

Thank you for joining us today despite your business schedules.

[END]

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