

**Sansan, Inc.**

Financial Results Conference Call for the Fiscal Year Ended May 2020

July 15, 2020

## Event Summary

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[Company Name]	Sansan, Inc.	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Conference Call for the Fiscal Year Ended May 2020	
[Fiscal Period]	FY2019 Annual	
[Date]	July 15, 2020	
[Number of Pages]	35	
[Time]	10:00 – 11:00 (Total: 60 minutes, Presentation: 26 minutes, Q&A: 34 minutes)	
[Venue]	Dial-in	
[Venue Size]		
[Participants]	100	
[Number of Speakers]	2	
	Chika Terada	Representative Director & CEO
	Muneyuki Hashimoto	Executive Officer, CFO
[Analyst Names]*		
	Kenichi Ito	Ichiyoshi Research Institute Inc.
	Jumpei Yoshida	Nomura Securities

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

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# Presentation

**Moderator:** Thank you for your patience. We will now start Sansan, Inc.'s Financial Results Conference Call for the Fiscal Year Ended May 2020.

Mr. Terada, please go ahead.

**Terada:** Thank you for participating in our consolidated results teleconference today. This is Terada, the CEO. I will explain based on the materials.

Please take a look at the table of contents on page three. I would like to explain about our full-year initiatives, results, and growth strategies.

<sup>1</sup> Regarding Novel Coronavirus (COVID-19)

## Impact of COVID-19 Outbreak and Main Initiatives

**Despite a certain degree of negative impact, the effect on financial results for the fiscal year ended May 31, 2020, was within the expected range. It is assumed that the uncertain business environment will continue at least into the first half of the fiscal year ending May 31, 2021.**

	Up to and including FY2019 Q4 (Up to May 2020)	From FY2020 (From June 2020 onward)
<b>Social Conditions</b>	<ul style="list-style-type: none"><li>- State of emergency declaration issued</li><li>- Exercising of self-restraint on going out and remote working accelerate</li></ul>	<ul style="list-style-type: none"><li>State of emergency declaration lifted</li><li>Work styles based on remote working</li><li>Growing need for online business card exchanges</li></ul>
<b>Sansan Group</b>	<ul style="list-style-type: none"><li>- Work style/environment improvements for telecommuting</li><li>- Partial review of investment plan <sup>(1)</sup></li></ul>	<ul style="list-style-type: none"><li>Partial review of recruitment plan</li></ul>
<b>Sansan Business</b>	<ul style="list-style-type: none"><li>- Slowed pace of gaining new subscriptions <sup>(1)</sup></li><li>- Reduction in gaining of leads due to cancellation of offline attracting event <sup>(1)</sup></li><li>- Shifting of sales resources to expand utilization by existing customers</li></ul>	<ul style="list-style-type: none"><li>"Virtual Cards" function newly installed</li></ul>
<b>Eight Business</b>	<ul style="list-style-type: none"><li>- Holding of "Meets" offline business event cancelled <sup>(1)</sup></li></ul>	<ul style="list-style-type: none"><li>Negative impact on "Eight Career Design" due to slowdown in personnel recruitment activities</li><li>Promotion of "Virtual Cards" utilization</li></ul>

<sup>(1)</sup> Impacts and initiatives expected to continue from June 2020 onward

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First of all, the effects of COVID-19 and measures taken.

As stated on page five, we believe that COVID-19 had a certain negative impact on our results for the fiscal year ending May 2020, but it was within the scope of our expectations.

In the Sansan business, the acquisition of new contracts was negatively impacted to some extent by the cautious investing activities and sentiment of corporations. In addition, because we were unable to hold off-

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line events to attract customers, the number of leads we acquired and the number of business negotiations we set for acquiring new subscribers decreased.

In the Eight business, we stopped holding business events offline, including “Meets”. In light of these conditions, we have implemented appropriate controls throughout the Company, such as reviewing some of our investment plans.

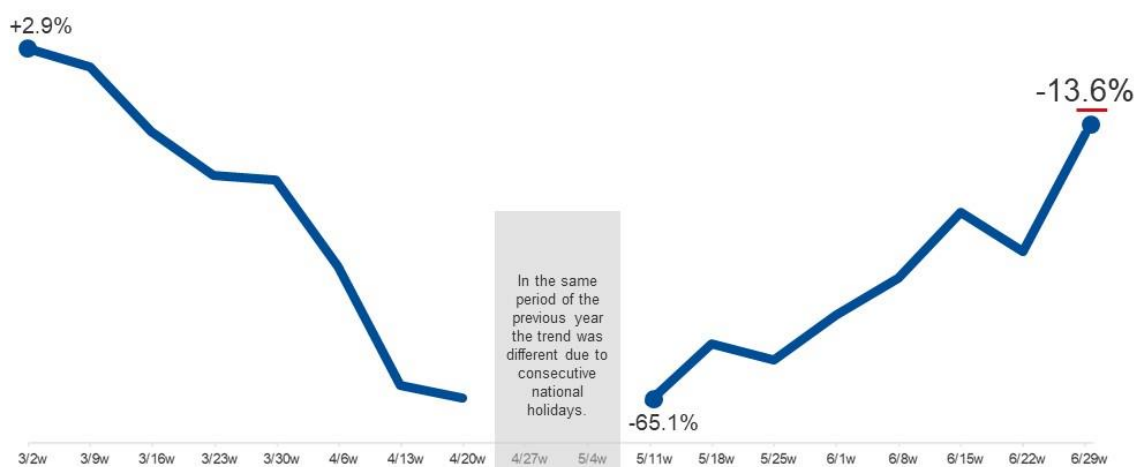
In the fiscal year ending May 2021, it is difficult to reasonably estimate when the effects of the COVID-19 will settle down. However, in the foreseeable future, an uncertain business environment is expected to continue, and we assume that a certain negative impact will continue to occur in both the Sansan business and Eight business at least over the first and second quarters of the period ending May 2021.

1 Regarding Novel Coronavirus (COVID-19)

#### Year-on-year comparison of weekly numbers of business cards digitized (March through June 2020)

**Despite the decrease in the number of business cards digitized from the time COVID-19 infections began to spread, the number recovered following the lifting of the state of emergency declaration in June.**

Year-on-year Comparison of Weekly Numbers of Business Cards Digitized in “Sansan”



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Page six shows the trend of the number of business cards digitized through the B2B cloud-based business card management service “Sansan.”

In order to prevent the spread of COVID-19, companies implemented remote work in accordance with the Declaration of Emergency Situation, and as a result, the number of digitized cards was greatly reduced. In the week of May 11, there was a decline of 65.1% YoY. However, the number of digitized business cards started to recover from the week of June 1 after the emergency declaration was lifted.

It is difficult to make reasonable estimates, but we believe it is unlikely that things will worsen even further than what we saw in April and May, when the emergency declaration was issued.

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## Highlights of Full-year Results

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- **Net Sales +30.9%, High growth has continued**

Sansan Business +27.4%, Eight Business +90.3%

- **Achievement of profit in multi-step profit or loss**

Operating profit increased by 1,607 million yen year-on-year to 757 million yen

(Sansan Business +64.8%, Eight Business +318 million yen (decreased loss))

Ordinary profit and profit attributable to owners of parent also in the black in the period under review

- **Accelerate measures to achieve medium- to long-term growth and new business development**

The number of employees increased by 164 compared with the same period of the previous year to 713, and personnel recruitment is progressing smoothly

Promotion of “Sansan Plus” business strategy in Sansan Business and installation of the new “Virtual cards” function

New business development of “Bill One” and “Contract One,” which are horizontal developments of business card digitization technologies

Next, I will explain our full-year results for the fiscal year ending May 2020. There are three highlights listed on page eight.

The first point concerns net sales performance. Consolidated net sales continued high growth at 30.9% YoY due to increased sales in the Sansan and Eight businesses.

The second point is the achievement of profitability at each line of profit. Profits increased in the Sansan business and losses decreased in the Eight business. As a result, we achieved profitability in consolidated operating profit and following stages.

The third point is our initiatives towards medium-to long-term growth. As of the end of May 2020, the number of employees increased by 164 from the same period of the previous year to 713, making steady progress in recruitment. In Sansan business segment, we promoted “Sansan Plus,” a new business strategy that enhances the value of “Sansan” as a business platform, and an “Virtual Cards” function that promotes and supports new work styles. In addition, we developed “Bill One” and “Contract One,” applying business card data technology to new services.

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## Overview of Consolidated Financial Results

### Net Sales +30.9%, High growth has continued Achievement of profit in multi-step profit or loss

(millions of yen) Consolidated Results	FY2018	FY2019	
	Full-year Results	Full-year Results	YoY
Net Sales	10,206	13,362	+30.9%
Gross Profit <sup>(1)</sup>	8,608	11,541	+34.1%
Gross Profit Margin <sup>(1)</sup>	84.3%	86.4%	+2.1pt
Operating Profit	-849	757	—
Operating Profit Margin	—	5.7%	—
Ordinary Profit	-891	435	—
Profit Attributable to Owners of Parent	-945	339	—
EPS	-40.42 yen	10.98 yen	

<sup>(1)</sup> Business card entry costs in the Eight Business are recorded in SG&A

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The full-year consolidated results are presented on page nine.

Net sales increased 30.9% YoY to JPY13.362 billion. Operating profit increased by JPY1.607 billion YoY to JPY757 million. Ordinary profit increased by JPY1.327 billion YoY to JPY435 million. Profit attributable to owners of the parent increased by JPY1.285 billion YoY to JPY339 million, and all levels of income achieved profitability.

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## Results by Segment

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

(millions of yen)	FY2018	FY2019	
Net Sales	Full-year Results	Full-year Results	YoY
Consolidated	10,206	13,362	+30.9%
Sansan Business	9,639	12,284	+27.4%
Eight Business	566	1,078	+90.3%
Operating Profit			
Consolidated	-849	757	—
Sansan Business	2,909	4,794	+64.8%
Eight Business	-1,212	-894	—
Adjustments	-2,546	-3,142	—

The results by segment are described on page 10.

In the Sansan business, net sales increased 27.4% YoY to JPY12.284 billion. Operating profit increased 64.8% to JPY4.794 billion. In the Eight business, net sales increased 90.3% YoY to JPY1.078 billion. Operating loss was JPY894 million, a decrease of JPY318 million. In adjustments costs, increased by JPY596 million, due to higher personnel costs, recruitment costs, and rent accompanying increased number of people hired.

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## Our Mission and the Surrounding Business Environment

**Confront the business “encounters” and work to gain access to a variety of adjacent business opportunities**

**In post-COVID-19 society, Digital Transformation (DX) will rapidly accelerate**

### Mission

## Turning encounters into innovation

Our world is built on encounters; they are the very basis of society. We believe they bring innovation, which in turn leads to new ways of working and doing business. By developing innovative products, we change how people value their encounters, and even change how those encounters take place.



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Next, I will talk about the Company's growth strategy going forward.

On page 12, I would like to start by reemphasizing our mission. Our mission is "Turning encounters into innovation." Our world is built on encounters; they are the very basis of society. We believe they bring innovation, which in turn leads to new ways of working and doing business. By developing innovative products, we change how people value their encounters, and even change how those encounters take place.

Considering the current market environment with COVID-19, we believe there will be a growing need to adapt to the new business environment as well as behavioral changes aimed at drastically improving labor productivity and efficiency, such as diverse work styles including remote work, non-direct communication, and online sales activities.

Returning to our mission, to answer the question of what we can and should do to pursue our mission, we believe it is to drive innovation by applying our strengths built through our experience of enhancing encounters into surrounding areas, and changing the way people encounter each other through “Virtual Cards”.

Specifically, starting with business cards, which facilitate encounters in business, we are planning to expand our service into contract documents, which are the outcome of subsequent business activity, and then invoices issued by the Company as the final stage of a business transaction. We are aiming to contribute to further digital transformation (DX) in these areas.

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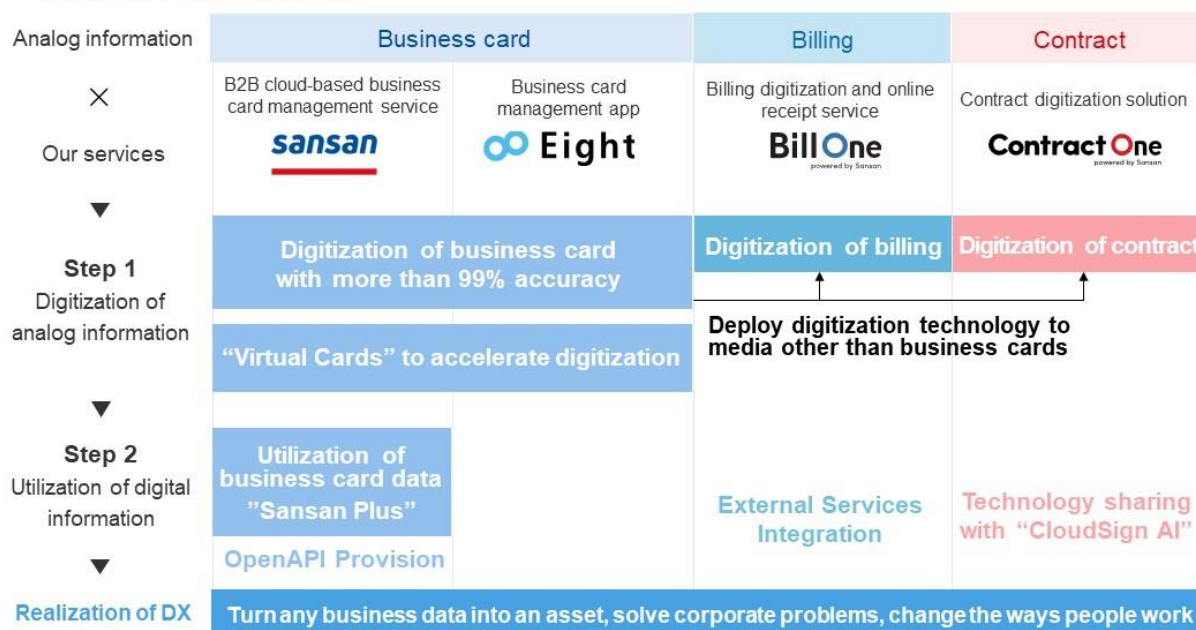
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## Digital Transformation and Service Development

**Required first to promote DX is digitization of analog information**

**Develop a service to digitize and utilize all types of analog business information, such as business cards**



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Page 13. According to the market forecast prepared before COVID-19, the DX market in Japan is expected to reach JPY1.4357 trillion in 2021, an increase of JPY870.4 billion over 2017. Anyone can easily imagine that DX will accelerate further in the post-COVID market.

What, then, does a Company need to drive DX? That is to digitize analog information and utilize the digital information to improve productivity. In other words, in order to promote DX, it is first important to create a state where companies are able to utilize various business information, including analog information, that has been accumulated up to now.

Since our founding, we have been converting of paper business cards into data, and we have built data technology with an accuracy of over 99% that is unrivaled by our competitors. As a result, "Sansan" has grown to become a service with an 82.8% market share. To accelerate digitization, we have introduced an "Virtual Cards" function, taking into account the current social environment. In addition, we are promoting a strategy called "Sansan Plus" that will improve the use of "Sansan" as a business platform. We are adding various functions to "Sansan" that drive data utilization.

Next, based on accurate business card data processing technologies that we have cultivated in "Sansan" and "Eight," we launched new services for documents other than business cards: "Bill One" handles billing data and online receipt services, and "Contract One" is a solution to convert contract documents into data. We aim to drive medium-to long-term business growth as we support corporate DX through these service solutions.

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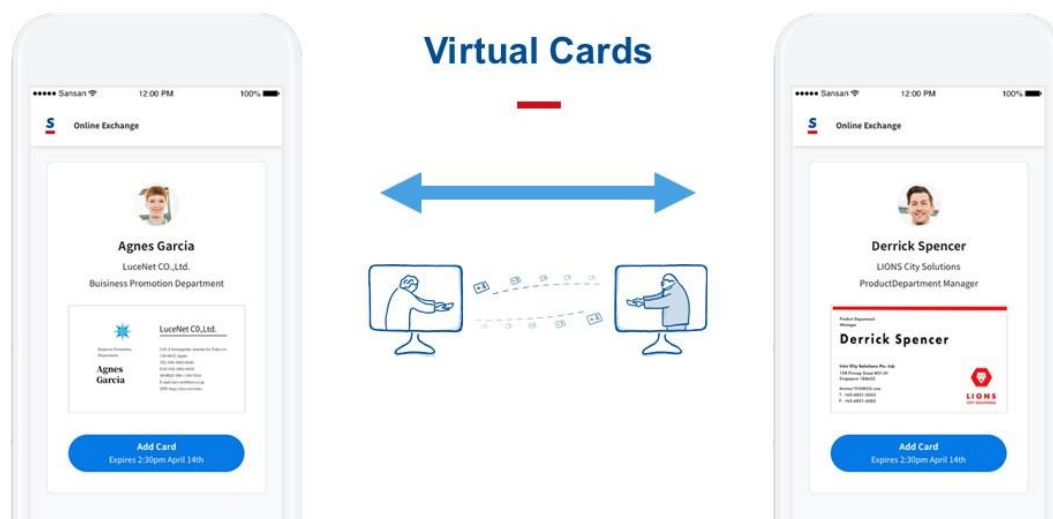
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## “Virtual Cards” to Realize New Work Styles

Launching “Virtual Cards” function in June 2020 to realize new work styles



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In this section, I will walk you through specific content in order. Please see page 14.

As an initiative in the Sansan business, I would like to touch upon the “Virtual Cards” function that we launched in June 2020. Based on reports from the government's expert committee addressing COVID-19 and the stance of industry associations, there is a growing need for exchanging business cards online as a new way of working in Japan to prevent the spread of infections over the long term. While one purpose of this is to ensure social distancing, as another factor, the expansion of remote work has caused a situation in which contact information, which is an essential element of business, cannot be obtained smoothly.

The “Virtual Cards” function provided on “Sansan” enables users to receive and return business cards to people who are not using “Sansan.” In addition, while you can exchange business cards online on “Eight” already, we are planning to connect it with “Sansan.” We believe that promoting the spread of the “Virtual Cards” function will not only support corporate activities, but also expand the use of Sansan corporate contracts, improve service retention rates, and lead to the acquisition of new contracts.

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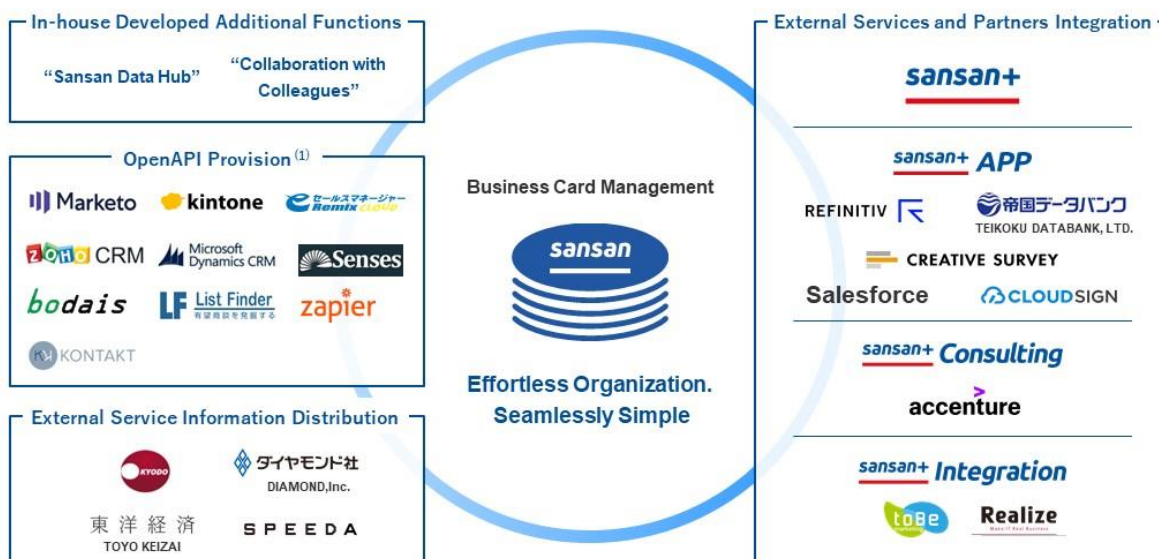
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## Business Strategy “Sansan Plus”

**By connecting various functions to “Sansan” with business card management function and customer information as entry points**

**Promoting data utilization, aiming to increase its value as a business platform**



(1) OpenAPI provided to more than 50 other companies' services, including Sales Force Automation, Customer Relationship Management, Marketing Automation

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Next, I will explain how “Sansan Plus” accelerates DX. Please see page 15.

The diagram on the page is a brief description of the main optional functions “Sansan” currently offers and the status of collaboration with external services. “Sansan” not only converts business cards into information assets that are useful for business, but is also linked to external tools using OpenAPI including SFA and CRM, as well as marketing automation. It also obtains information from external services to provide opportunities for utilization. In this way, we have been pursuing enhanced convenience for users.

In addition to these developments, “Sansan Plus” aims to increase its value as a business platform by enhancing productivity through data utilization enabled by various optional functions on the “Sansan” application.

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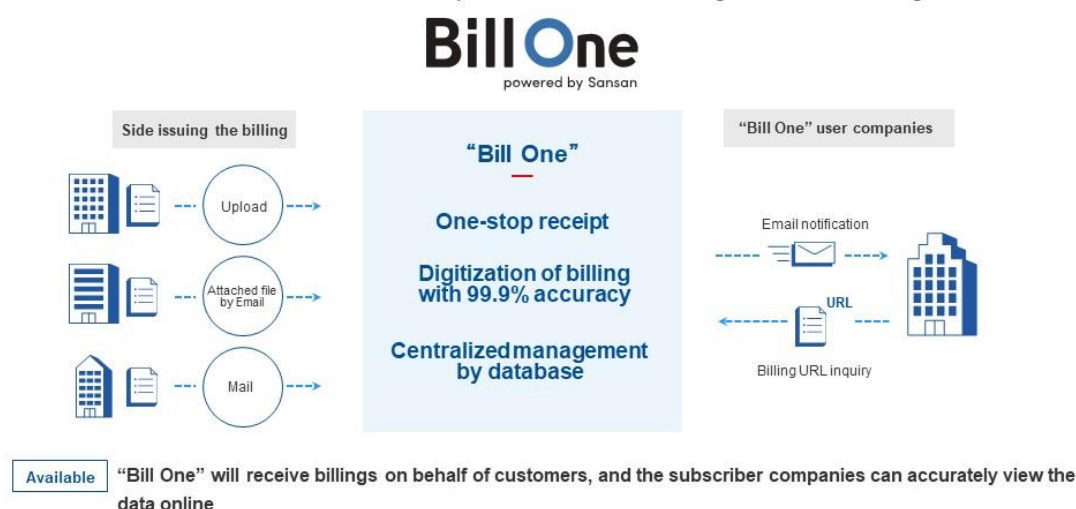
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## “Bill One” Billing Digitization and Online Receipt Service

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

**In the COVID-19 pandemic, contributing to remote working/BCP<sup>(1)</sup> problem solving, adding impetus to corporate growth**

“Bill One” enables online receipt and centralized management of all billings



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Next is “Bill One,” a billing digitization and online receipt service. Please see page 16.

Companies have recently been forced to shift to remote work in order to prevent the spread of COVID-19. In the case of billing-related operations, we recognize issues such as the need to come to the office in order to process and receive paper documents.

This service essentially handles PDF or paper billing documents delivered to different offices and divisions and gathers them online and converts it into data at 99% accuracy with appropriate indexing.

By acting on behalf of the customer in receiving invoices and converting them into data to build a database, the customer company can leverage such data to increase operational productivity, create cost-control or sales opportunities, and maximize future revenues.

There are numerous forms of paper invoices in circulation in Japan, in the same way as business cards, that vary according to the Company that issues them. Because our service Bill One converts invoices with such countless differences into data, it has the potential to spread widely based on the need of recipients, i.e. companies that receive invoices, without altering the behavior of companies that issue invoices.

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## “Contract One” Contract Digitization Solution

**A function that digitizes paper and PDF contracts and organizes the data required for management**

**Planning to provide “Contract One” technology to Bengo4.com, Inc., “CloudSign AI”**

Contract digitization solution



Planned for Summer 2020

“CloudSign” contracts and paper contracts can be centrally managed, boosting business reform of corporate legal affairs and improvements in productivity

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Page 17. Next, I will explain a little about the contract data conversion solution “Contract One.”

This is also based on a similar idea to “Bill One.” This service enables you to organize paper and PDFs into text data, and to extract and organize items necessary for management. This not only increases the efficiency of searching and sharing contracts, but also enables companies to analyze and improve corporate issues. We plan to provide this technology to the “Cloud Sign AI” of Bengo4.com.

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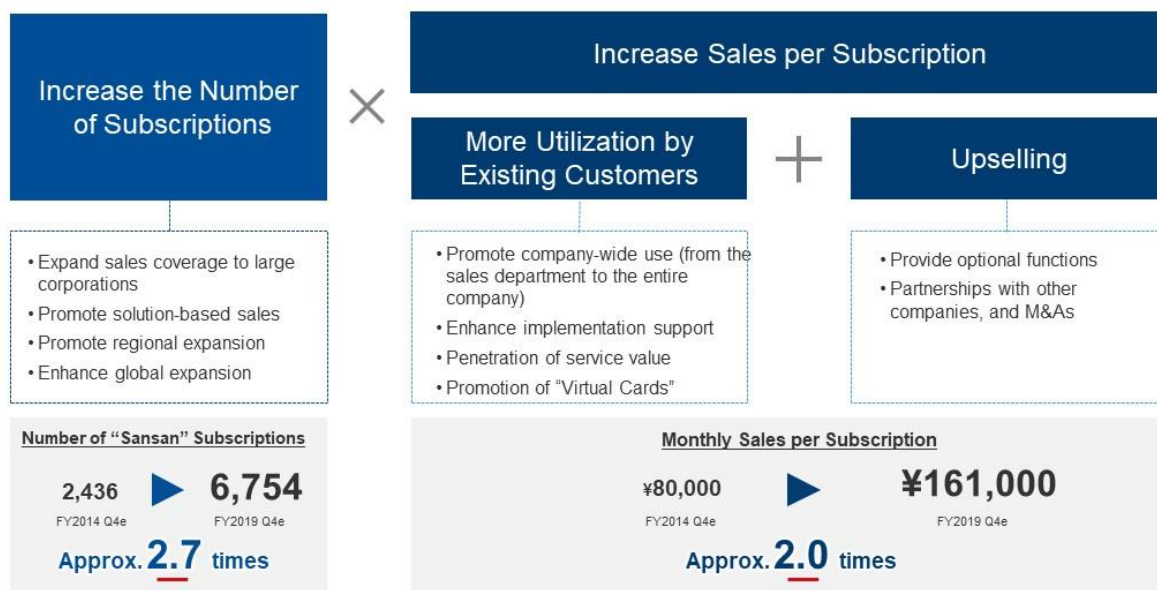
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## Number of Subscriptions and Sales per Subscription

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



(1) Monthly results at the end of each quarter (unaudited)

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Page 18. I have explained our new strategies and services. As a strategy for the existing areas of the Sansan business, we will continue to work to increase the number of contracts and sales per contract.

As a specific measure, we are working to strengthen our sales division, focusing on increasing the number of sales representatives. To increase the number of subscribers, we are establishing a sales system for mid-and large-sized companies and conducting a wide range of sales activities through our bases in Japan and overseas.

At the same time, we are working to increase sales per contract by acquiring large-scale contracts based on Company-wide use, and by promoting the expansion of usage by existing customers. As an example from July, the Ministry of Economy, Trade and Industry officially introduced "Sansan" to be used by about 4000 staff members. More than 100 employees had been using "Sansan" on a trial basis, and it has been officially introduced as the digitization of business cards has resulted in improved productivity, information gathering efficiency, and enhanced information sharing through the visualization of personal contacts. In addition, METI has begun using the "Virtual Cards" function in order to drive DX, which METI itself is promoting.

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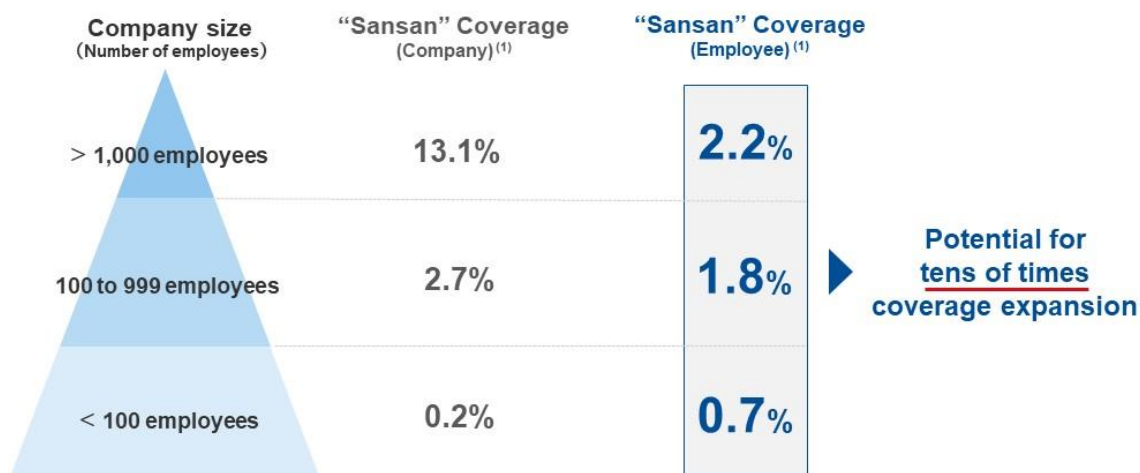
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## Potential Market Size in Japan (TAM) for Sansan Business

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



(1) “Sansan” coverage is calculated with the number of subscription and total number of IDs in “Sansan” for FY2019 Q4e as the numerator and the number based on Economic Census for Business Activity in 2016 issued by the Statistics Bureau as the denominator.

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Page 19. Let me explain our approach to Sansan business in our existing areas.

Sansan has a 82.8% share of the corporate business card management market. However, there is still plenty of room for this market to grow. Although the number of users of “Sansan” services increased more than 40% YoY, the percentage of employees in Japan who use these services among total employees is still slightly less than 2%. Therefore, we believe that there are tens of times more room for further development.

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## Consolidated Financial Forecasts

**In FY2020, growth rate temporarily expected to slow down due to impact of COVID-19 outbreak**

**Working to enhance investment to accelerate growth rate again, aiming for sales growth of 30% or more in FY2021**

(millions of yen)	FY2019	FY2020	
	Full-year Results	Full-year Forecasts	YoY
Consolidated Forecasts			
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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As the last part of my presentation, I would like to explain the full-year earnings outlook for the fiscal year ending May 2021.

Page 21 shows the Company's forecasts for the fiscal year ending May 2021 as a range, due to the remaining uncertainty in the business environment caused by the impact of COVID-19.

Net sales is expected to increase by 18% to 22% YoY, while operating profit is expected to be flat or grow by up to 33.4%. We assume that COVID-19 will cause a certain negative impact at the beginning of the fiscal year, and the upper limit is based on the scenario where this negative impact basically recedes in the second quarter. The lower limit is based on the scenario where business will continue to be affected until the end of the fiscal year.

In the Sansan business, we have factored in some slowdown in new subscriber acquisitions and expect it to gradually improve over the course of the fiscal year as economic activity recovers as a whole. In the Eight business, we take into account factors such as the inability to hold offline business events for the time being. For your reference, on a management accounting basis, consolidated monthly sales in June 2020 increased by 18.1% from the same month of the previous year.

Next, the growth rate of operating profit. The forecast assumes the probability of growth being flat, but this is due to our intention to actively invest in growth in order to reaccelerate sales growth from the fiscal year ending May 2022 onwards. In addition to further strengthening our corporate business including spreading the use of "Virtual Cards", we also invest in the creation of new businesses, such as "Bill One" and "Contract One" described above, and in a variety of solution services. We will determine the amount of investment in a flexible and functional manner, depending on sales status, investment opportunities, and the startup status of new businesses during the fiscal year.

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To reiterate our current phase, we are now in the stage of actively investing to continue medium-to long-term sales growth, and not in the phase of maximizing profits. Therefore, we intend to actively pursue these growth strategies and growth investments in the fiscal year ending May 2021. In the fiscal year ending May 2022, we aim to achieve a sales growth rate of 30% or more.

In addition, as disclosed separately today, we have decided to issue paid-for stock options for the purpose of further enhancing motivation, morale, and unity of our directors and executive officers in relation to our earnings forecasts for the fiscal year under review. With this, I'd like to finish my presentation.

Next, Hashimoto will provide a detailed explanation of consolidated results for the fourth quarter.

Consolidated Financial Results for FY2019 Q4 (three months)

## Overview of Consolidated Financial Results

### Both net sales and profits increased year on year

(millions of yen)	FY2018	FY2019		(FYI) FY2019	
Consolidated Results	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
Net Sales	2,844	3,690	+29.8%	13,362	+30.9%
Gross Profit <sup>(1)</sup>	2,422	3,227	+33.2%	11,541	+34.1%
Gross Profit Margin <sup>(1)</sup>	85.2%	87.4%	+2.2pt	86.4%	+2.1pt
Operating Profit	-194	563	—	757	—
Operating Profit Margin	—	15.3%	—	5.7%	—
Ordinary Profit	-207	354	—	435	—
Profit Attributable to Owners of Parent	-256	433	—	339	—

<sup>(1)</sup> Business card entry costs in the Eight Business are recorded in SG&A

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**Hashimoto:** This is Hashimoto, CFO. I will walk you through our quarterly results. Please see page 24.

Net sales increased by 29.8% YoY to JPY3.69 billion, and operating profit returned positive, improving by JPY757 million YoY, due to the increase in sales.

Ordinary profit was JPY354 million, as a result of recording a JPY187 million loss on cancellation of lease contracts for some offices in non-operating expenses.

As a result of careful consideration of the recoverability of deferred tax assets in the fourth quarter, the Company has decided to record JPY145 million in deferred tax assets. As a result, profit attributable to owners of the parent was JPY433 million, after income taxes adjustments of minus JPY145 million.

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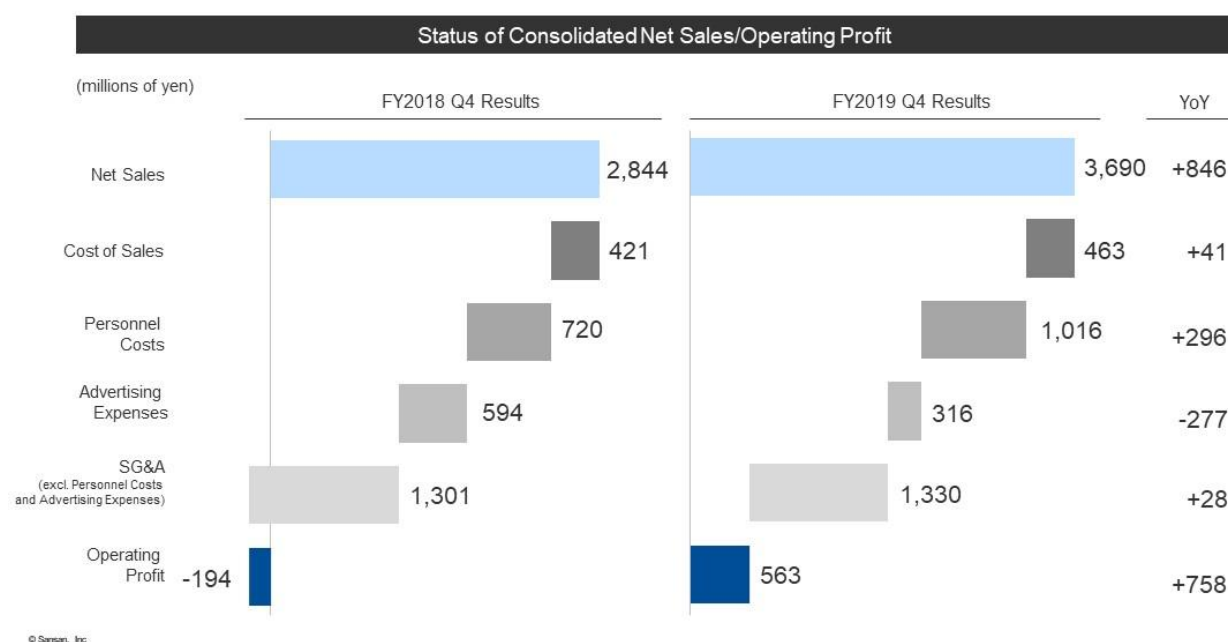
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## Factors Contributing to Changes in Consolidated Operating Profit

**Operating income in the black due to sales growth and the decrease in advertising costs associated with the suspension of business events**



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This is the next page. I would like to explain why operating profit has improved.

In the fourth quarter, personnel costs and other SG&A expenses increased along with the progress in recruitment of personnel. However, due to sales growth combined a decline in advertising expenses from cancellations of events due to COVID-19, operating profit returned to profitability.

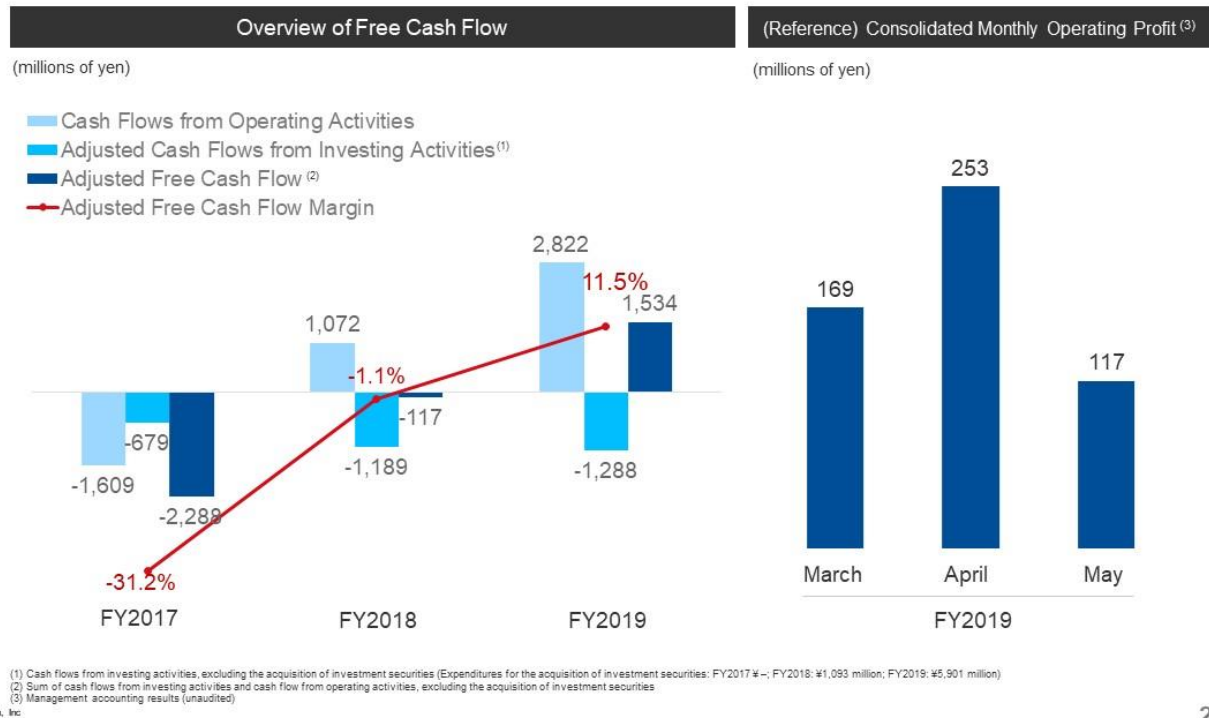
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## (Reference) Overview of Free Cash Flow



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Next, I will explain free cash flow on page 26.

At present, we are making flexible investments, so cash flows from investing activities may fluctuate greatly depending on the fiscal year, mainly due to the acquisition of marketable securities. However, when excluding the purchase of investment securities, for the fiscal year ended May 2020, free cash flow turned positive on a full-year basis, and the free cash flow margin reached 11.5%.

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## Results by Segments

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

(millions of yen)	FY2018	FY2019		(FYI) FY2019	
	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
<b>Net Sales</b>					
Consolidated	2,844	3,690	+29.8%	13,362	+30.9%
Sansan Business	2,656	3,353	+26.2%	12,284	+27.4%
Eight Business	187	337	+80.3%	1,078	+90.3%
<b>Operating Profit</b>					
Consolidated	-194	563	—	757	—
Sansan Business	939	1,558	+65.8%	4,794	+64.8%
Eight Business	-305	-178	—	-894	—
Adjustments	-829	-815	—	-3,142	—

Page 27 shows results by business segment.

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## Sansan Business Overview

**Net sales increased 26.2% compared with same period in previous fiscal year**

**Operating profit margin increased due to continued growth in net sales and cost controls, such as of advertising expenses**

(millions of yen)	FY2018	FY2019		(FYI) FY2019	
Sansan Business	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
Net Sales	2,656	3,353	+26.2%	12,284	+27.4%
Recurring Net Sales	2,362	3,062	+29.6%	11,169	+30.0%
Operating Profit	939	1,558	+65.8%	4,794	+64.8%
Operating Profit Margin	35.4%	46.5%	+11.1pt	39.0%	+8.8pt
Number of "Sansan" Subscriptions	5,823 Subscriptions	6,754 Subscriptions	+16.0%		
Monthly Sales per Subscription <sup>(1)</sup>	156,000 yen	161,000 yen	+3.2%		
Last 12 Months Average of Monthly Churn Rate <sup>(2)</sup>	0.68%	0.60%	-0.08pt		
Number of Employees	308 persons	420 persons	+112 persons		

(1) Monthly results for the end of Q4 in the 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 (In accordance with the revision of calculation method, we changed past numerical values)

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Then, I would like to talk about the individual performance of the Sansan business on page 28.

Net sales made a smooth start in March thanks to the strengthened sales structure and efforts to improve productivity. However, the acquisition of new subscriptions was negatively impacted in April and May by COVID-19. As a result, sales increased 26.2% YoY to JPY3.353 billion.

Operating profit increased by 65.8% YoY to JPY1.558 billion. Due to increased sales and lower advertising expenses, the operating profit margin improved 11.1 percentage points compared with the same period of the previous fiscal year.

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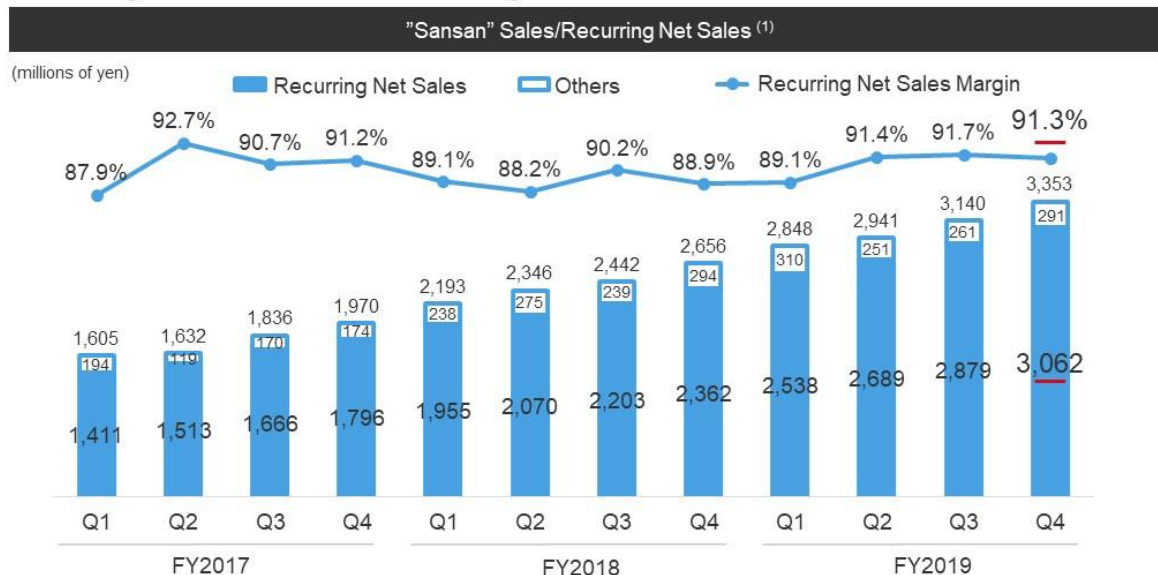
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## Sansan Business : "Sansan" Sales/Recurring Net Sales

**Recurring Net Sales increased 29.6% compared with corresponding period in previous fiscal year**

**Recurring Net Sales ratio remained high at 91.3%**



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

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Next, page 29. Recurring net sales of the Sansan business is disclosed from this time.

Recurring net sales refers to fixed monthly income according to scanner rentals and contract terms. Other sales include the upfront costs customers pay when digitizing all of the business cards they already have, one-time revenue for installation support, and the revenue from additional charges when the user exceeds the volume limit given in their contract. Recurring net sales increased by 29.6% YoY to JPY3.062 billion, which was strong compared to overall sales of the segment.

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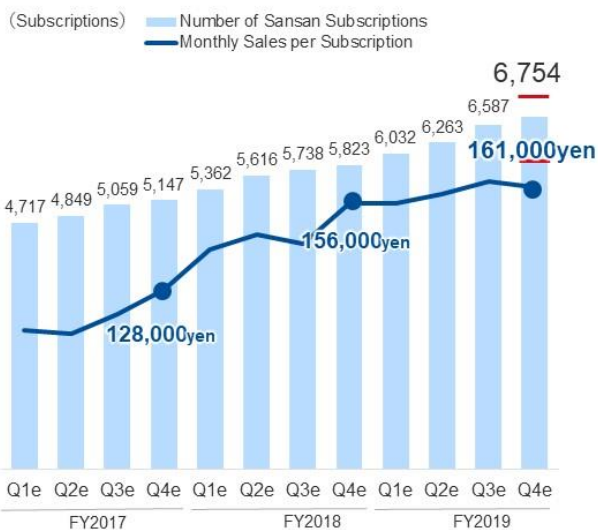


**Sansan Business: Number of “Sansan” Subscriptions, Monthly Sales and Number of Employees**

**Number of subscriptions increased 16.0% and monthly net sales per subscription increased 3.2% compared with same period in previous fiscal year**

**Recruitment of personnel, mainly for sales departments, also steady**

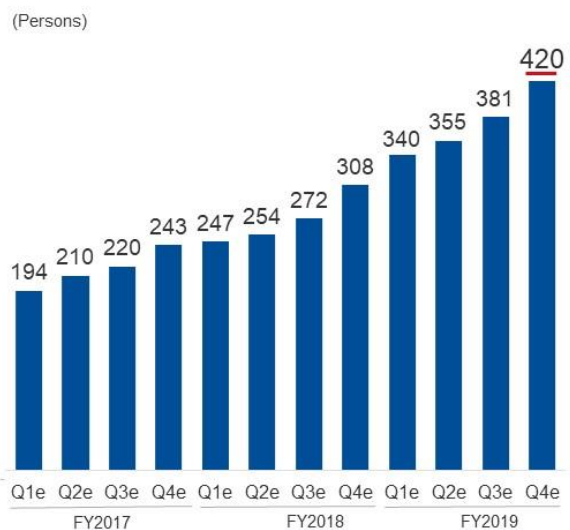
Number of “Sansan” Subscriptions and Monthly Sales per Subscription (1)



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

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Number of Employees in Sansan Business



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Next is page 30.

The number of “Sansan” subscriptions increased 16% YoY to 6,754. Monthly sales per subscription increased by 3.2% to JPY161,000. The number of subscriptions increased steadily by 167, although the increase slowed from the previous quarter as new contract acquisition became more challenging with COVID-19.

On the other hand, while monthly sales per subscriptions increased by only 3.2% YoY, this was due to low momentum in non-recurring sales, including one-time revenue from new installations, due to the impact of COVID-19. When we look just at monthly recurring sales per subscription, it increased by 10.9% YoY.

The number of employees in the entire Sansan business increased by 112 YoY to 420.

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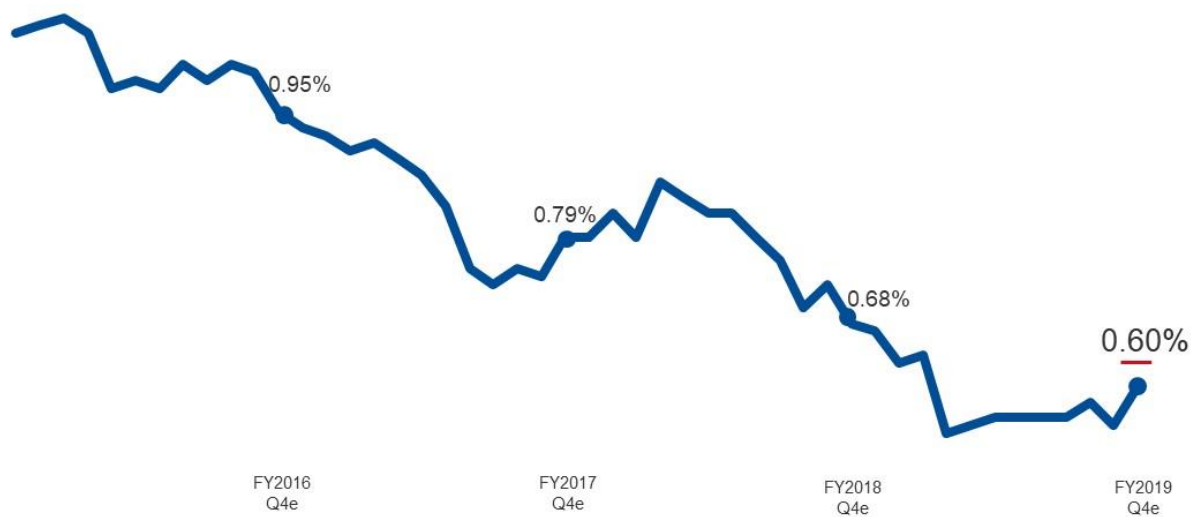
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## Sansan Business: Last 12 Months Average of Monthly Churn Rate

Average churn rate over the last 12 months improved by 0.08 points compared to the same period last year, and remained at a low level

Last 12 Months Average of Monthly Churn Rate <sup>(1)</sup> for “Sansan”



(1) Ratio of decrease in monthly fees associated with contract cancellations to total monthly fees for existing contracts (In accordance with the revision of calculation method, we appealed and changed past numerical values)

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As shown in page 31, the last 12 months average of monthly churn rate for “Sansan” at a low level, averaging 0.6% for the most recent 12 months.

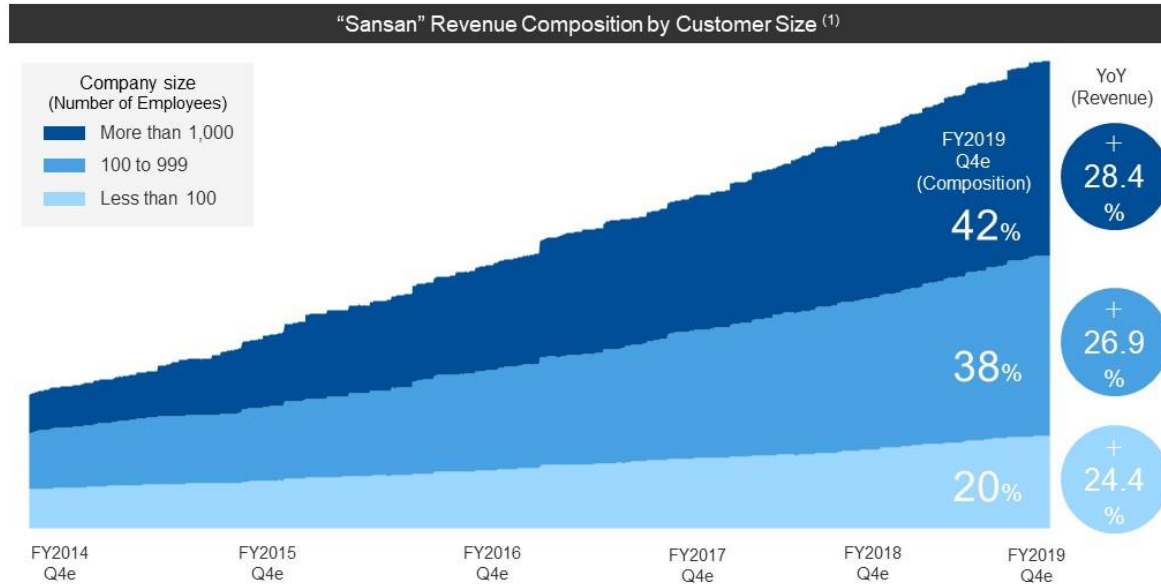
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## Sansan Business: “Sansan” Revenue Composition by Customer Size

Revenue ratio from larger customers with large sales per subscription continues to rise



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Next is page 32.

Breaking down Sansan's revenue by the number of employees of client companies, revenue from large companies increased 28.4% YoY, similarly to previous trends. We will continue to hire personnel while strengthening training and education to accelerate the growth of Sales.

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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)	FY2018	FY2019		(FYI) FY2019	
	Q4 Results	Q4 Results	YoY	Full-year Results	YoY
<b>Eight Business</b>					
Net Sales	187	337	+80.3%	1,078	+90.3%
B2C Services	66	71	+7.9%	289	+21.7%
B2B Services	120	265	+120.0%	788	+139.8%
Operating Profit	-305	-178	—	-894	—
Operating Profit Margin	—	—	—	—	—
Number of "Eight" Users <sup>(1)</sup>	2.44 million people	2.70 million people	+0.26 million people		
Number of "Eight Company Premium" Subscriptions <sup>(2)</sup>	828 subscriptions	1,535 subscriptions	+85.4%		

(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, I will walk you through the Eight business. Please turn to page 33.

Net sales increased by 80.3% YoY to JPY337 million, which is significantly faster than the growth rate in the third quarter. This was mainly due to the expansion of temporary project-type advertising services in B2B services. Operating loss was JPY178 million, a decrease of JPY128 million in losses, due to increased sales.

The number of contracts for "Eight Company Premium" service increased 85.4% YoY to 1,535.

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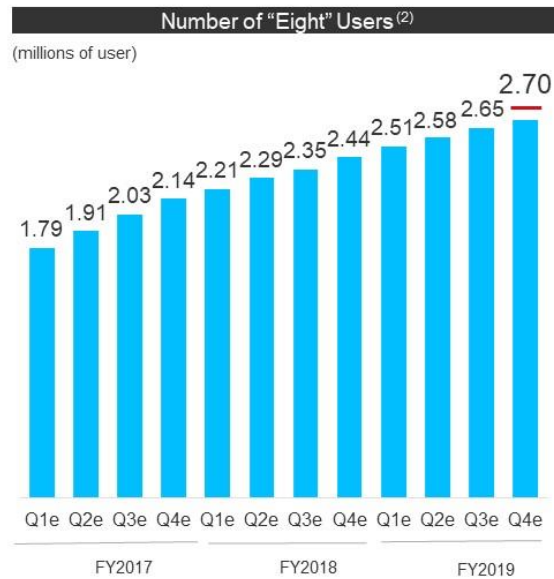
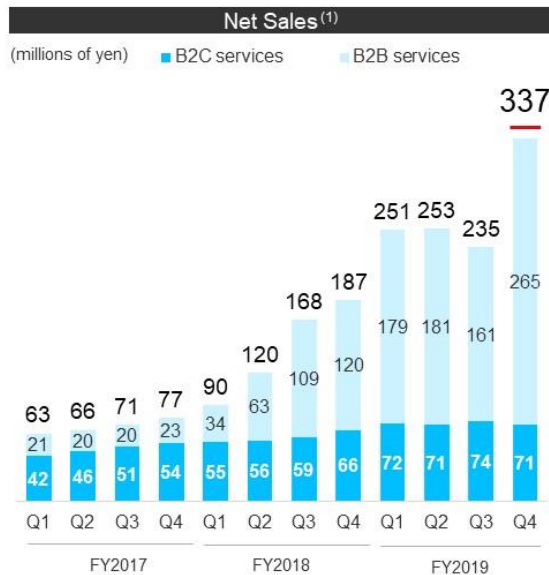
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## Eight Business: Net Sales/“Eight” Users

### Steady increase in “Eight” users



(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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Finally, page 34. The number of “Eight” users increased steadily, increasing by 260,000 from the same period of the previous fiscal year to 2.7 million.

With this, I’d like to close my presentation.

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## Question & Answer

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**Hashimoto:** We would like to move on to the question and answer session. Please follow the moderator 's instructions for questions and answers.

**Moderator:** The first question is from Mr. Yoshida from Nomura Securities. Mr. Yoshida, please.

**Yoshida:** Thank you, this is Yoshida from Nomura Securities. I have three questions in total. Should I ask one at a time or all of them at once?

**Terada:** Either is fine.

**Yoshida:** Then I'll ask one at a time. First of all, you have released the number of data for weekly business cards, which is very helpful. I think we can see the situation recovering at the moment. Actually, what is the current situation regarding the customer's response to business meetings? There are also people in the media who say that business cards will no longer be needed in the middle term, while your Company has been taking various measures such as "Virtual Cards", and I think that the response between new customers and existing customers may be quite different. Please provide more detail on what the customer's reaction is right now.

**Terada:** Yes, thank you. While there is a perspective on what will happen with business cards, there is also a strong awareness that customer information must be organized into a cloud database in order to continue sales activities in the remote environment or at home. First of all, from this point of view, I have the real feeling that customers have come to realize to some extent that they have to properly install something like "Sansan."

On the other hand, while we feel that opportunities to use business cards are decreasing a little, I feel that customers have some level of understanding of the need to ensure ways to exchange contact information in a remote environment, such as by introducing the concept of "Virtual Cards".

We have just started the "Virtual Cards" feature, and we will need a little more time and investment to reach a product market fit where our current customers feel it's fully worth using online. We are still at the stage of expectation, so if we can bring it to the stage where it is really usable, we think it can lead to an increase in demand for business cards and, in fact, an expansion of use cases. I believe customers have a certain level of confidence that "Sansan" can be used as a foundation for managing customer data, both online and offline, over the medium to long term.

Of course, as I mentioned earlier, overall business activities are slowing, so it is probably a fact that decision-making for new investments tends to be delayed. We recognize the need to put forward the message that this is the right time to invest in data conversion, and this is where "Sansan" is needed, including with "Virtual Cards".

**Yoshida:** Thank you. As a follow-up question, you mentioned it will take a little more time for the "Virtual Cards" to achieve a product market fit. I'd like to know if you can share anything about the recent situation.

**Terada:** Well, we have really just started, with the feature finally in "Sansan" and nearly ready to connect with "Eight." There is a huge pile of things to do, and we are working through them one by one. In addition, in order for "Virtual Cards" to be used in a seamless way without having to think about it, we are working to create a connected environment to use the feature with calendar software, video conferencing tools, and other tools. There has recently been a surge in the number of online events, and we'd like to incorporate the flow of using "Virtual Cards" from the stage of registration to participating and interacting in online events.

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We are already implementing a variety of measures, and we are gradually releasing those measures, so we are at the stage of preparing the experience for the user to feel value of “Virtual Cards”.

**Yoshida:** Okay, thank you. The second point concerns the current fiscal year forecast. If you subtract the figures, it seems that costs will increase by about JPY2.5 billion from the previous fiscal year, towards the reacceleration of sales growth in the next year. Nevertheless, 30% sales growth for the fiscal year ending May 2022 seems to be a fairly challenging goal, if you calculate in the model. I’d like to know specifically where you will invest in to achieve 30% growth in which areas. Of course, there is little visibility at the present stage, and you said there is a certain degree of flexibility in how you will allocate expenses. But if you have something in view, can you tell us how you are going to build towards this 30% sales growth?

**Terada:** Indeed, at this stage it is difficult to say how much we will allocate in which areas. As we said, we have been offering “Sansan Plus” for a long time, and most importantly we now have the “Virtual Cards” feature, as well as “Bill One” and “Contract One,” which we have recently launched. While watching the startup situation, we are planning to invest in advertising and promotions, increase the number of employees, and invest in new initiatives that will lead to growth in the next fiscal year and beyond.

More than anything else, in our core business Sansan, we will improve the “Virtual Cards” function to a point where its worth is fully recognized and it would naturally be used, as I mentioned earlier. Companies have been using “Sansan” to manage business cards, but by adding the rationale of having employees use “Virtual Cards”, we believe we will be able to capture a wider market. By doing so, we hope to achieve 30% growth in the next fiscal year.

**Yoshida:** Thank you. I understood you have secured a certain budget for costs based on the current plan, and you are preparing to execute it in a flexible manner, such as being ready to allocate substantial expenses when “Bill One” or “Contract One” is successfully launched.

My third question is on a related note. A number of new products are being launched, including “Virtual Cards”, “Bill One” and “Contract One,” and “Sansan Plus” seems to be progressing as well. Please tell us if you have anything to share regarding the latest response. Also, please give us an idea of how you incorporate this performance forecast for the current period, or how it is envisioned to contribute to the 30% growth in the fiscal year ending May 2022.

**Terada:** “Sansan Plus” has quite a lot of content. There are various options such as screening anti-social business activities and managing contracts, so it would be an individual topic, but I feel that they are becoming more of a regular additional feature in “Sansan.” We are proposing to our customers that when using “Sansan,” it is standard practice to also use the Plus feature, and we feel that this stance is being gradually established. I am convinced that this will make a substantial contribution to the use of “Sansan.”

Regarding “Bill One” and “Contract One,” based on our experience of launching new services like “Sansan” and “Eight,” we feel that the response has been very positive. It seems to be truly relevant in today’s environment. If COVID-19 did not occur, we might have taken a little more time to find the point of market fit before releasing the product, but we decided to launch it to support corporate activities amid the COVID-19 crisis. We are feeling a very good initial action as a result of meeting companies’ needs.

Of course, in the current fiscal year, given that the Sansan business is not small in comparison, it’s not an exaggeration to say that their contribution to overall figures is negligible. However, from the next fiscal year onward, we intend to invest from the perspective of these services making a sufficient contribution in order to raise our growth rate.

**Yoshida:** Thank you very much. I understood well.

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**Moderator:** The following question is from Mr. Ito, Ichiyoshi Research Institute. Mr. Ito, please.

**Ito:** This is Ito. Thank you very much. First, I would like to ask about the slowdown in the number of business cards exchanged. If the number of business cards exchanged by some customers slows down at the timing of renewing their license, I think there will be a certain degree of pressure to reduce prices. On the other hand, since you have launched the electronic business card feature, I wonder if it might turn out that there is no significant drop in the number of business cards exchanged after all. How much of the downward pressure on prices caused by the change in license fees in accordance with the number of business cards exchanged is incorporated into the Company's forecast? I would like to ask if you think it has little impact or otherwise.

**Hashimoto:** I will answer your question. Actually, we have not factored this into the Company's plans as a whole. We do not believe that this has had a significant impact on our business performance. On the other hand, if we look at each individual case, the demand for such price reductions is not zero. Therefore, we will offer a variety of features and approaches to avoid any price reductions. Therefore, our view is that there will be no significant impact on the Company's overall performance.

**Ito:** Okay. Thank you very much. Next, I assume that the churn rate tends to rise a little at the end of the fiscal year in the fourth quarter. On the other hand, in the previous year the churn rate had steadily declined from first quarter to second quarter, third quarter and fourth quarter. In the last fourth quarter, it was 0.6%, slightly up from the third quarter. What are your thoughts about the increase in the churn rate: is it partly due to the impact of COVID-19? Or is there no need to worry as this reflects the renewal of contracts at the end of the fiscal year?

**Hashimoto:** Honestly, I think it is too early for us to determine clearly. There were some cases where we did feel some pressure towards cancellations due to the market/business environment. However, looking at the results, we have always regarded a churn rate of 1% or more as sufficiently manageable, so in that sense, we can say it is within that range. At present, we do not expect that the churn rate will rise significantly from here in the mid-to long-term, as we feel that users are recognizing reasons to keep using Sansan even more strongly than what we had assumed around March.

**Ito:** I see. Thank you very much.

**Moderator:** The next question is from Mr. A. Mr.A, please.

**A:** Regarding the sales force in Sansan business, I would like to confirm how many members were in the fourth quarter of the last and previous year. I understand that you have increased the number of sales personnel over the past year, and this probably leads to the acquisition of customers with a lag of about six months after training. Currently, I assume the acquisition of customers is being negatively impacted by COVID-19. I'd like to hear your comment on whether we can expect that customer acquisition can accelerate after COVID-19 due to the increase in the number of sales personnel. This is my first question.

**Hashimoto:** I will answer your question. As of the end of May 2020, our sales activities consist of three divisions: field sales, inside sales, and customer success. A total of about 250 members are involved in sales of Sansan business. One year ago, that was about 180, so it had increased by about 70 in a year.

In the current fiscal year, we intend to continue hiring, but the net increase is likely to be smaller than in the last fiscal year.

Actually, until March of the last fiscal year, the amount of orders received per sales person, mainly per field sales person, has been quite good, and we had been building up strong figures. However, in April and May, the number of orders per employee seems to have declined considerably.

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On the other hand, in terms of this year and the next, if the amount of orders received per employee returns to the level of the previous fiscal year's March, even if it will be difficult to catch up in the current fiscal year, growth of about 30% is sufficiently possible in the next fiscal year as a whole. Therefore, we are currently focusing on training the sales members hired last fiscal year to raise productivity and bring orders per member to the same level as in the previous year.

**A:** I see. Second, I would like to have you comment on your approach to ARPU. As drivers, I think the increase of large companies in the client mix will have a positive impact, as well as various additional services such as Sansan Plus, Bill One, and Contract One. I understand that the latest ARPU was about JPY161,000. For instance, what is the average ARPU with a major corporate customer, and what is the base ARPU and what kind of additional services can have a positive effect?

**Hashimoto:** The latest monthly ARPU in May 2020 was JPY161,000, but actually there are large differences across large corporations when it comes to ARPU. Some customers are charged between several million yen to nearly JPY10 million as monthly fees, while some large corporations use our service only in certain divisions, so the differences are huge.

However, it is not that a large number of companies are charged millions of yen, but rather in terms of ARPU, the bulk of companies are around average or lower.

Regarding ways to raise ARPU, of course it can be partly lifted by the subscription of large companies, and this can accelerate the increase. Meanwhile, another effective move is for companies expanding use from certain divisions to the whole Company. ARPU can be raised by increasing penetration within the same Company, and in the most recent April and May, there were quite a lot of new orders that would raise penetration among existing customers rather than new customers, and I think this has contributed to a certain degree.

In the case of up-selling, including existing options, there are big differences depending on the options and "Sansan Plus" services, but what we feel is the biggest contributor is a directory service called "Sansan Data Hub." This comes with a data integration service, and despite some stagnation, we are able to increase our billing from our existing services, so there is a certain level of contribution.

**A:** In addition, what is the penetration of this "Sansan Data Hub" among current customers? I'm sorry to ask again.

**Hashimoto:** It's not that big yet. Within total sales, approximately 15% of sales in the Sansan business is from the use of this option.

**A:** Thank you very much.

**Moderator:** The next question is from Mr. Yamashina from Macquarie Capital Securities. Please go ahead.

**Yamashina:** This is Yamashina from Macquarie. Thank you for your explanation. I have two questions. The first is about how to sell "Bill One" and "Contract One," which were announced this time. When cross-selling, for example with Sansan, I assume that you typically approach a division like the human resources department. Given that you may have to approach different divisions in the same Company, what do you think about the possibility of conducting efficient sales activities? This is the first point.

**Hashimoto:** "Sansan Plus" and "Sansan Data Hub" are offered as upselling products for "Sansan." Regarding "Bill One" and "Contract One," we have temporarily suspended our predictions on how things will turn out in the future, but we have been building a small sales team separately, and their current style is to go and sell the products after receiving referrals from the "Sansan" sales team.

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This is because, as you just mentioned, we cannot determine whether these new services can be sold as an extension of “Sansan.” In the case of Bill One, there are many cases where our counterpart for selling the service is the accounting division or administration division. Due to this aspect, we are creating a separate sales team.

However, the customer base is the same in a broad sense, and in conceptual terms, it can be seen from the perspective of promoting DX as a Company for both business cards and invoices. If we get to that point, I think we will be able to create a flow in which the IT department considers “Sansan” and “Bill One” together as a package, so I think it would be good if we could eventually bring it to that trend, as we currently work on the initial launch.

**Yamashina:** My second question is about advertising expenses in the last fourth quarter. I may have missed what you said, but I think the final result was about JPY300 million. For advertising and promotion expenses, how much were you unable to spend against the budget, and how is that reflected in the first quarter budget? And how are you spending recently?

**Hashimoto:** In the last fiscal year, the actual amount was slightly lower than the budget. It was not a major decline, but it slightly fell short for the full year.

In March every year, we hold a major event called “Sansan Innovation Project.” We cancelled it last year, together with various offline seminars and events in different locations. In the last fiscal year, the impact of such cancellations was the main reason for not being able to fully execute the budget.

For the new fiscal year, we do not expect a sudden increase in advertising and promotion expenses as we plan to add only a little to the amount spent last year. We previously told you that the amount will be between JPY2 billion and JPY2.5 billion, but it’s likely to be roughly the same in the current fiscal year as well.

**Yamashina:** I see. Thank you very much.

**Moderator:** The next question is from Mr. Yang. Mr. Yang, please.

**Yang:** This is Yang. I have two questions. First, as you mentioned earlier, I assume there are a number of companies that use your service only at some departments, or those that are using them on a trial basis like METI. Among the current 6,700 subscriptionss, how many of them are such customers, and what is your idea of the time frame at which usage will spread throughout the Company?

**Hashimoto:** Currently, approximately 30% to 40% of customers use the service throughout the Company. Therefore, the majority of customers have not yet reached the point of Company-wide use.

In terms of the timeline, it's quite difficult to tell, but actually due to COVID-19, people are forced to work remotely including at home. When we look at the companies, there are many who think they should have adopted “Sansan” on a Company-wide use basis. While it is hard to give a time frame, we believe that the current business environment is a tailwind for promoting the Company-wide use introduction of our services, and we think it is an opportunity.

**Yang:** I see. Also, with regard to “Bill One” and “Contract One,” what are your thoughts on their competitive advantages unique to “Sansan”? Until now, your Company has been handling business cards with a combination of manual and automated work to achieve 99.9% accuracy. The amount of information on business cards is rather small, but when it comes to contracts or invoices, I wonder if the same method would work. How do you think about the added value that you can provide based on your unique strength, and the competitive advantage that other companies cannot imitate?

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**Terada:** First, let me talk about how we have improved the Sansan business card data recognition. In the first phase, while relying mostly on human resources for operations, we worked to refine the engines by feeding the data that emerged as certain type of correct data and kept raising the automation rate.

We believe that it is essentially the same with “Bill One” and “Contract One.” It is not necessarily easy to run engines to accurately convert data from the outset, but I think the foundation of our operations itself is competitive in the first place. In the sense of doing the same thing, by accurately converting data by first using human resources, and refining the engine using this data as teacher data, I think we can capitalize on the technologies including the know-how that we have cultivated up to now.

Regarding “Bill One” and “Contract One,” our approach is not to accurately record all data in the same way as business cards. Instead, we take the approach of converting the items required for invoices into data, and instead of converting the entire text into data for contracts, we adopt a stance of converting things like indexed information into data. In general, we adopt the approach of absorbing the difference with business cards by setting the data items as needed according to the actual operational benefits.

**Yang:** I see. Thank you very much.

**Moderator:** The next question is from Mr. Ito, Ichiyoshi Research Institute. Mr. Ito, please.

**Ito:** Sorry to bother you often. There seemed to be spare time, so please allow me to ask one more question. On a related not to the last question, I think there is a certain possibility of electronic business cards becoming widespread in the future, but I would like to ask how your Company's competitiveness, in other words, the accuracy of data conversion of business cards, will play out in that case.

Also, if electronic business card exchange becomes widespread, the competitive environment will change somewhat. Please tell us again about your thoughts on the impact of electronic business cards on your Company.

**Terada:** For electronic business cards, the scale of users seems to be significant. As I explained earlier, either with “Sansan” or “Eight,” the “Virtual Cards” exchange function can be used even if the counterpart is not a user, and the counterpart can send their business card in return as well. But of course, users of “Sansan” and “Eight” can send their business cards with one click, and the data goes directly into the database, so it functions as a network. For example, in the case of Eight, there are now 2.7 million users who have set up their own “Virtual Cards” as they like.

With regard to Sansan, we are currently proceeding with the establishment of “Virtual Cards” within our client base, so we believe that not only will business cards be sent electronically as a function, but also that when we consider the actual experience of exchanging business cards, we will have an overwhelmingly favorable position. In terms of active investment, usage, and development, we are committed to this more than any other Company, and we don't think we are second to any other Company in those two points. The one challenge we face is how to encourage people to use “Virtual Cards” as a new standard practice.

**Ito:** Okay. Thank you very much.

**Moderator:** We're about to finish, so we'll take one more question. The last question is from Kushiro, SMBC Nikko Securities. Mr. Kushiro, please.

**Kushiro:** Thank you very much. Page six shows the weekly number of business card data. In the second week of March, it was up 2.9%. If possible, can you disclose the weekly number of business cards before the COVID-19 crisis? Could you tell us how it was trending?

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**Hashimoto:** We don't have the figures at hand, but as a trend, while the customer base had expanded from March of the previous year, I don't think it was so different from the first week of March.

**Kushiro:** Okay. Thank you very much.

**Moderator:** The question and answer session will now be finished. Mr. Terada, please.

**Terada:** Thank you for attending our consolidated results teleconference today. We look forward to your continued support.

**Moderator:** Sansan, Inc. will close the consolidated results teleconference for the full year ending May 2020. Thank you very much for your participation.

[END]

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#### **Document Notes**

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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