

**Anticipated High-interest Items in Q2 Results
for Fiscal Year Ending May 31, 2021 (“FY2020”)**

Consolidated Results

Q1: The numbers of people infected by the novel coronavirus (COVID-19) is on the rise, so is the negative impact on business performance worsening?

Although it is expected that the number of infected people will remain uncertain for the time being, compared with April and May 2020, when a state of emergency declaration was issued across Japan, restrictions on sales and other activities have tended to be more relaxed. As a result, although continuing to receive certain negative effects from COVID-19, the negative impact on business performance improved, as evidenced for example by the number of “Sansan” subscriptions having increased significantly in Q2 compared with Q1.

On the other hand, as a state of emergency declaration was issued for some areas of Japan in January 2021, it will be necessary to pay close attention to future trends, but we at least consider that the impact will not be as great as in the abovementioned April and May 2020. Therefore, we do not anticipate any further significant negative impact, and in light of the strong performance trends so far, at this time there is no change in the full-year consolidated earnings forecast announced at the beginning of the term.

Q2: Can you provide any contributory factors for the net sales growth rate, which had exceeded 30% in FY2019, slowing down to the 20% range compared with the same period in the previous year?

The main contributory factors were the greater caution being displayed in corporate investment behavior and mindset as well as the slower pace of new “Sansan” subscription acquisitions due to the uncertain business environment caused by COVID-19.

In contrast, compared with Q1, the Q2 consolidated net sales growth rate is on a recovery trend. To achieve medium- to long-term growth in net sales, in the current fiscal year our policy is to aggressively promote the necessary growth strategies and investments, aiming for consolidated net sales of 30% or more in the next fiscal year, ending May 2022.

Q3: What were the contributory factors for the significant increases in all profit items following operating profit (returning to profit) in both the Q2 YTD and Q2 (three-month) results?

Although Q2 YTD consolidated net sales grew 21.3% year-on-year, this was on account of the decline in the SG&A ratio and the significant improvement in profit margin due to the increases in some operating expenses, such as advertising expenses, having remained at a low level.

In addition, when seen in terms of the Q2 (three-month) results, in the previous fiscal year a new TV commercial had been aired in Q2, but in this fiscal year this was implemented not in Q2 but in Q1. Thus, the Q2 advertising expenses decreased significantly, and the Company returned to profit.

Q4: The progress rate of operating income against the full-year earnings forecast is high. What are your reasons for not changing the forecast at this time?

To achieve medium- to long-term growth in net sales, in the current fiscal year our policy is to aggressively promote the necessary growth strategies and investments, aiming for consolidated net sales of 30% or more in the next fiscal year, ending May 2022. The Q2 YTD results are making good progress against the full-year consolidated earnings forecast announced on July 14, 2020, but there is no change in the consolidated earnings forecast at this time as we plan to consider and implement various growth strategies

and investments (including TV commercials) to achieve that medium- to long-term growth from Q3 onward.

Sansan Business

Q5: Whereas the growth rate of recurring net sales was strong when compared with the same period in the previous fiscal year, what were the factors behind the decrease in other net sales?

Steady growth in recurring net sales continued since the number of "Sansan" subscriptions has been steadily increasing since the same period in the previous fiscal year, and the "Sansan" churn rate has remained at a low level even in the COVID-19 pandemic.

In contrast, other net sales consist of the service charges provided at the time of the initial installation of "Sansan" and the fees for use beyond the predetermined range, and these sales have decreased year on year due to the negative impact of COVID-19.

Q6: What are the reasons for the significant improvement in the number of "Sansan" subscriptions compared with the previous quarter?

In addition to the tendency to ease the restrictions imposed under COVID-19, such as those on sales activities, this was due to our having successfully expanded and upgraded our sales system centered on the recruitment of human resources, which we had been promoting before, and strengthening the syncing system with other company partners in sales and marketing activities.

Q7: What was the reason for the growth rate of monthly sales per subscription remaining at the low level of the same quarter in the previous fiscal year?

Monthly sales per subscription are calculated based on the sales of the entire Sansan Business at the end of the month (November 2020 in this Q2). Other net sales, however, which consist of the service charges provided at the time of the initial installation of "Sansan" and the fees for use beyond the predetermined range were sluggish due to the impact of COVID-19 infections.

If monthly sales per subscription were calculated based on recurring net sales only, the increase was 7.5% compared with the end of the same period in the previous fiscal year.

Q8: Compared with the same period in the previous year, the average churn rate for the last 12 months has deteriorated slightly. What do you understand from that?

Although the churn rate deteriorated by 0.09 of a percentage point year on year, this was negligible. Since the churn rate is being maintained at the low level of 0.65%, we believe that it continues to be in good condition. Also, since the churn rate is already low and is expected to fluctuate slightly going forward, the Company is placing importance on maintaining the level at 1% or less.

Q9: How many salespeople do you have in the Sansan Business?

Including Inside Sales and Customer Success, we have 264 salespeople as of November 30, 2020, which increased by 59 compared with the same period in the previous year and by 5 compared with the last quarter.

In the current fiscal year, the Company as a whole planned to hire about 200 people for the purpose of strengthening the development department and the sales department of the Sansan Business. In light of the steady progress in business performance up to and including Q2, we plan to review some of them and hire about 250 people.

Eight Business

Q10: What were the factors behind the significant increase in B2B service sales in Q2 (three-month) compared with the same period of the previous year?

In addition to holding the new "Climbers 2020" business event that targets young business people in November 2020, the increase was because our services overall remained strong. For example, the number of subscriptions for the "Eight Company Premium," business card management service, increased by 67.4% year on year.

Q11: Now that the company has started to contribute to the Company's consolidated business results, how well did logmi, Inc. perform?

Having contributed to the three months from September 2020, logmi's business performance is recorded under B2B service sales in the Eight Business. Event transcription services, such as "logmi Biz" and "logmi Tech," performed steadily, but please note that we do not disclose the results by each company individually.

Others

Q12: You stated that "Bill One" is performing well, but in which segment is the performance of this service recorded?

At the present time, "Bill One" is included in the Sansan Business and Eight Business, and the actual results are allocated based on certain rules. However, this service has just started, and its impact on the segment performance of either is not significant at this time.

Q13: How would you like to bring about "Bill One" growth in the years to come?

Although we have not disclosed the actual number at this time, the number of "Bill One" subscriptions as of the end of November 2020 is 10.6 times that of the end of June 2020, making it the fastest growing of our services. We are aiming for more than 1,000 contracts at the end of May 2022.

Toward achieving that aim, in addition to having established the Bill One Division in December 2020 to strengthen the development and sales system, we will work to improve convenience by syncing other companies' services, including OBIC Business Consultants CO., LTD's "Kanjo Bugyo Cloud," Yayoi Co., Ltd.'s "Yayoi Kaikei," and Cybozu, Inc.'s "kintone."

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