Sansan, Inc.

Briefing for Earnings Results for FY2020 Q3 and Our Data Integration Division; DSOC

April 14, 2021

Event Summary

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[Participants]	130
[Number of Speakers]	2

Satoru Joraku	Director, CISO, DPO, Managing Executive (DSOC)
Muneyuki Hashimoto	Director, CFO, Managing Executive (Finance & Accounting Department)

[Analyst Names]*	
Kenichi Ito	Ichiyoshi Research Institute Inc.
Jumpei Yoshida	Nomura Securities Co., Ltd.
Hiroko Sato	Jefferies Securities (Japan) Ltd.

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

Presentation

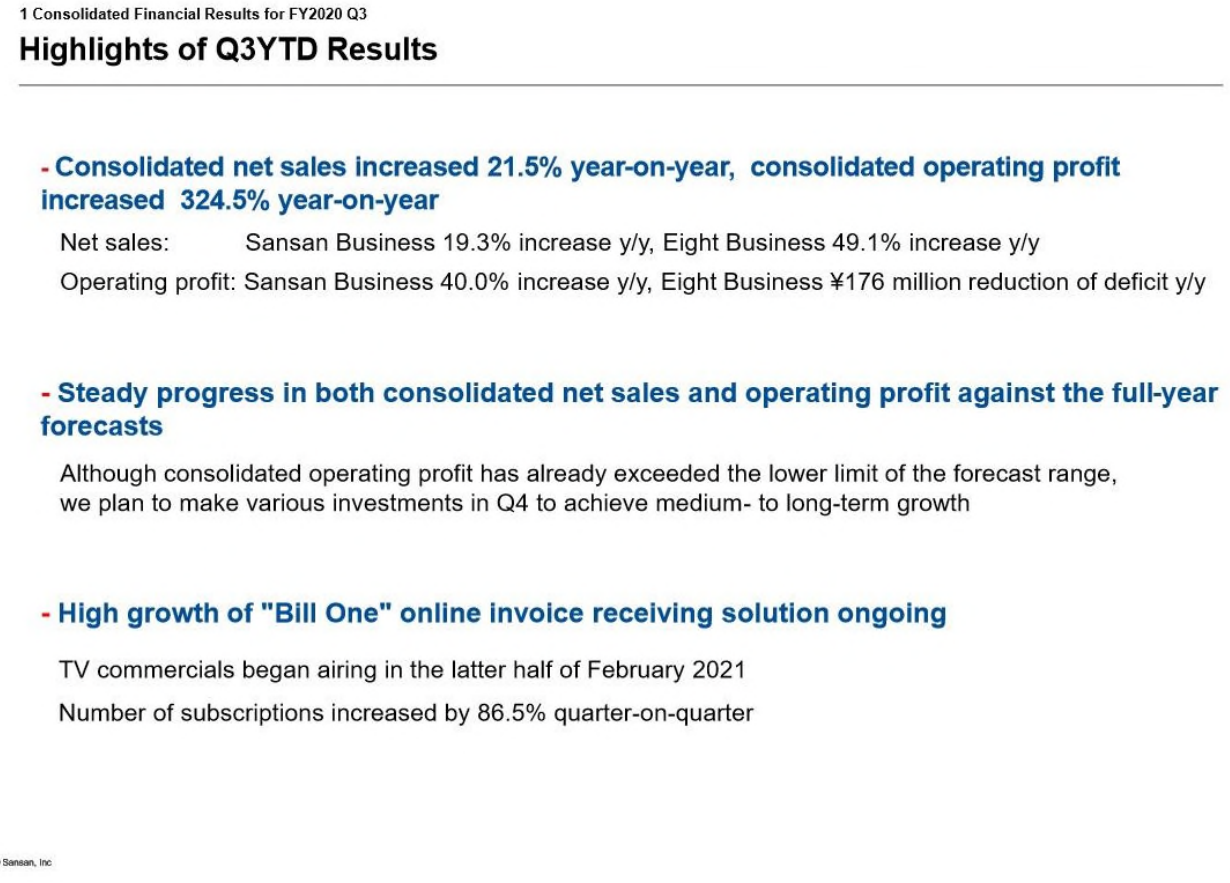
Moderator: It is time to start. We would like to begin the briefing meeting for Q3 of the fiscal year ending May 2021 and the Data Integration Division DSOC of Sansan, Inc.

First, allow me to introduce our speakers today: Satoru Joraku, Director of DSOC, and Muneyuki Hashimoto, Director and CFO.

Today's presentation will be based on two sets of materials: the earnings presentation and explanatory presentation on the Data Integration Division.

Hashimoto will first give an overview of financial results for about 15 minutes. After that, Joraku will explain about DSOC for about 25 minutes. Finally, we would like to have time for a Q&A until 11:30 AM.

I would now like to turn the conference over to Mr. Hashimoto.



Hashimoto: Thank you for joining us in our earnings briefing. This is Hashimoto, CFO of "Sansan".

I would like to go over the consolidated financial results for Q3 of the fiscal year ending May 2021.

First, these are the highlights for the cumulative Q3 results. Please see page five.

Consolidated net sales and consolidated operating profit both posted solid growth rates YoY and made steady progress towards the full-year outlook.

Our cloud-based invoice receiving solution, “Bill One”, continued to post robust growth. At “Sansan”, we have high expectations for “Bill One” as a new business that will drive the Group’s medium-to-long-term growth.

1 Consolidated Financial Results for FY2020 Q3

Overview of Consolidated Financial Results

Net sales increased by 21.9% year-on-year

Operating profit margin improved as net sales increased, and operating profit increased significantly

(millions of yen)	FY2019	FY2020		FYI: FY2020	
Consolidated Results	Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Net Sales	3,376	4,116	+21.9%	11,753	+21.5%
Gross Profit	2,931	3,630	+23.9%	10,321	+24.1%
Gross Profit Margin	86.8%	88.2%	+1.4pt	87.8%	+1.8pt
Operating Profit	84	136	+62.1%	823	+324.5%
Operating Profit Margin	2.5%	3.3%	+0.8pt	7.0%	+5.0pt
Ordinary Profit	63	25	-60.8%	479	+490.4%
Profit Attributable to Owners of Parent	-3	25	–	413	–
EPS	-0.10 yen	0.83 yen	–	13.29 yen	–

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Please see page six. Here are our consolidated financial results for the three-month period in Q3.

We saw a slightly negative impact from the reissuance of the state of emergency in some regions during January of this year. Nonetheless, net sales trended steadily overall and reached JPY4,116 million, up 21.9% YoY.

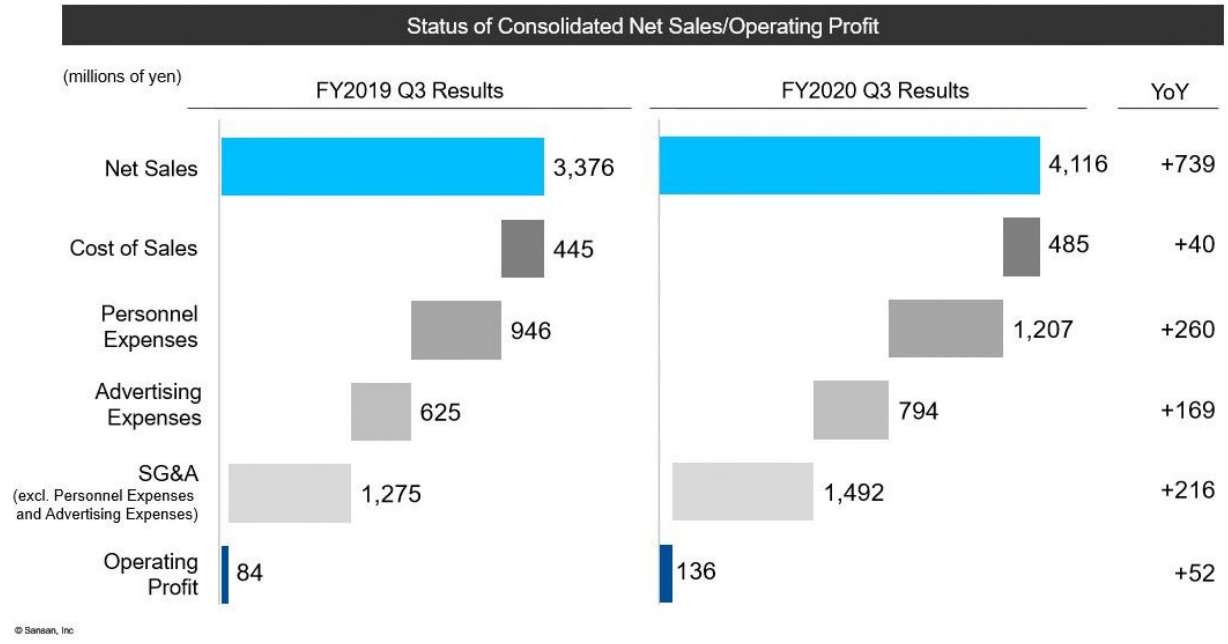
Operating profit was JPY136 million, up 62.1% YoY, driven by an improvement in margins in parallel with the rise in net sales.

Ordinary profit declined YoY due to an increase in non-operating expenses. However, profit attributable to owners of parent was in the black, thanks in part to a decline in extraordinary losses.

1 Consolidated Financial Results for FY2020 Q3

Factors Contributing to Changes in Consolidated Operating Profit

Although advertising expenses/personnel expenses increased due to the implementation of our growth strategy, operating profit increased by ¥52 million year-on-year due to the increase in net sales



Page seven explains the factors contributing to changes in the consolidated operating profit.

Our growth strategy has been to strengthen the sales structure of the “Sansan” Business and to reinforce marketing activities for “Bill One”. In accordance with this strategy, we mainly saw an increase in personnel expenses and advertising expenses. However, contributions from the growth in consolidated net sales outweighed those factors. As a result, operating profit increased by JPY52 million YoY.

1 Consolidated Financial Results for FY2020 Q3

Results by Segment

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

(millions of yen)	FY2019	FY2020		FYI: FY2020	
Net Sales	Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Consolidated	3,376	4,116	+21.9%	11,753	+21.5%
Sansan Business	3,140	3,751	+19.4%	10,651	+19.3%
Eight Business	235	366	+55.3%	1,104	+49.1%
Adjustments	–	-1	–	-2	–
Operating Profit					
Consolidated	84	136	+62.1%	823	+324.5%
Sansan Business	1,123	1,674	+49.1%	4,528	+40.0%
Eight Business	-248	-179	–	-538	–
Adjustments	-790	-1,358	–	-3,166	–

Please see page eight for an overview of the results by segment.

The Sansan and Eight Businesses posted increases in sales and profits. I will explain the details in order.

Note that the losses from adjustments expanded. These losses were mainly attributable to an uptick in the number of personnel who do not belong to any particular segment due to the strengthening of hiring activities from before, coupled with the airing of TV commercials to promote “Bill One” since February 2021.

Currently, we are allocating and recording the sales and some costs related to “Bill One” in each segment according to internally established rules. However, we adopt a method where other costs and all SG&A expenses related to the business are not allocated to each segment but are instead recognized as company-wide expenses.

1 Consolidated Financial Results for FY2020 Q3

Sansan Business Overview

Net sales increased by 19.4% year-on-year

Operating profit increased by 49.1% year-on-year due to the increase in net sales and the decrease in advertising expenses

(millions of yen)	FY2019	FY2020		FYI: FY2020	
Sansan Business	Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Net Sales	3,140	3,751	+19.4%	10,651	+19.3%
Recurring Net Sales (1)	2,879	3,538	+22.9%	10,100	+24.6%
Operating Profit	1,123	1,674	+49.1%	4,528	+40.0%
Operating Profit Margin	35.8%	44.6%	+8.8pt	42.5%	+6.3pt
Number of "Sansan" Subscriptions	6,587 Subscriptions	7,523 Subscriptions	+14.2%		
Monthly Sales per Subscription (2)	163,000 yen	167,000 yen	+2.5%		
Average Monthly Churn Rate over Past 12 Months(3)	0.56%	0.67%	+0.11pt		
Number of Employees in Sansan Division	381 persons	478 persons	+97 persons		

(1) Fixed revenue with regard to "Sansan" (unaudited)
(2) Monthly results for the end of Q3 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

Please see page nine. First, here are the financial results in the Sansan Business.

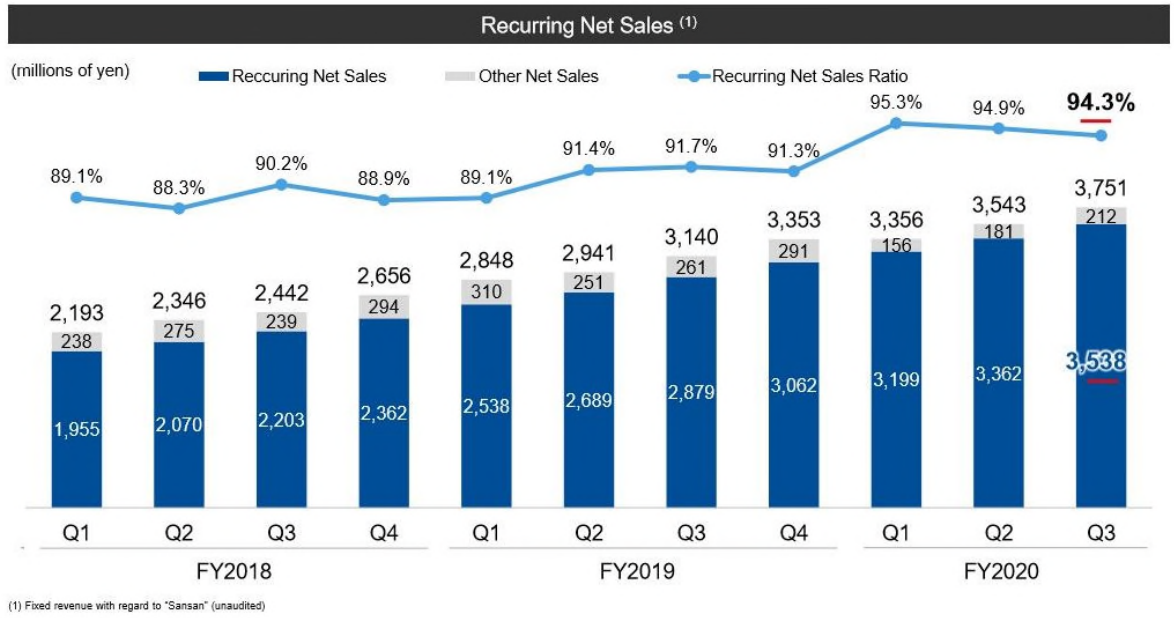
Net sales increased by 19.4% YoY to JPY3,751 million. Sales growth slowed a little compared to Q2 mainly due to the reissuance of the state of emergency in some areas. But, overall, the results were steady.

Operating profit expanded by 49.1% YoY to JPY1,674 million on an improvement in the profit margin, thanks to an increase in net sales and a decrease in advertising expenses.

1 Consolidated Financial Results for FY2020 Q3

Sansan Business: Recurring Net Sales

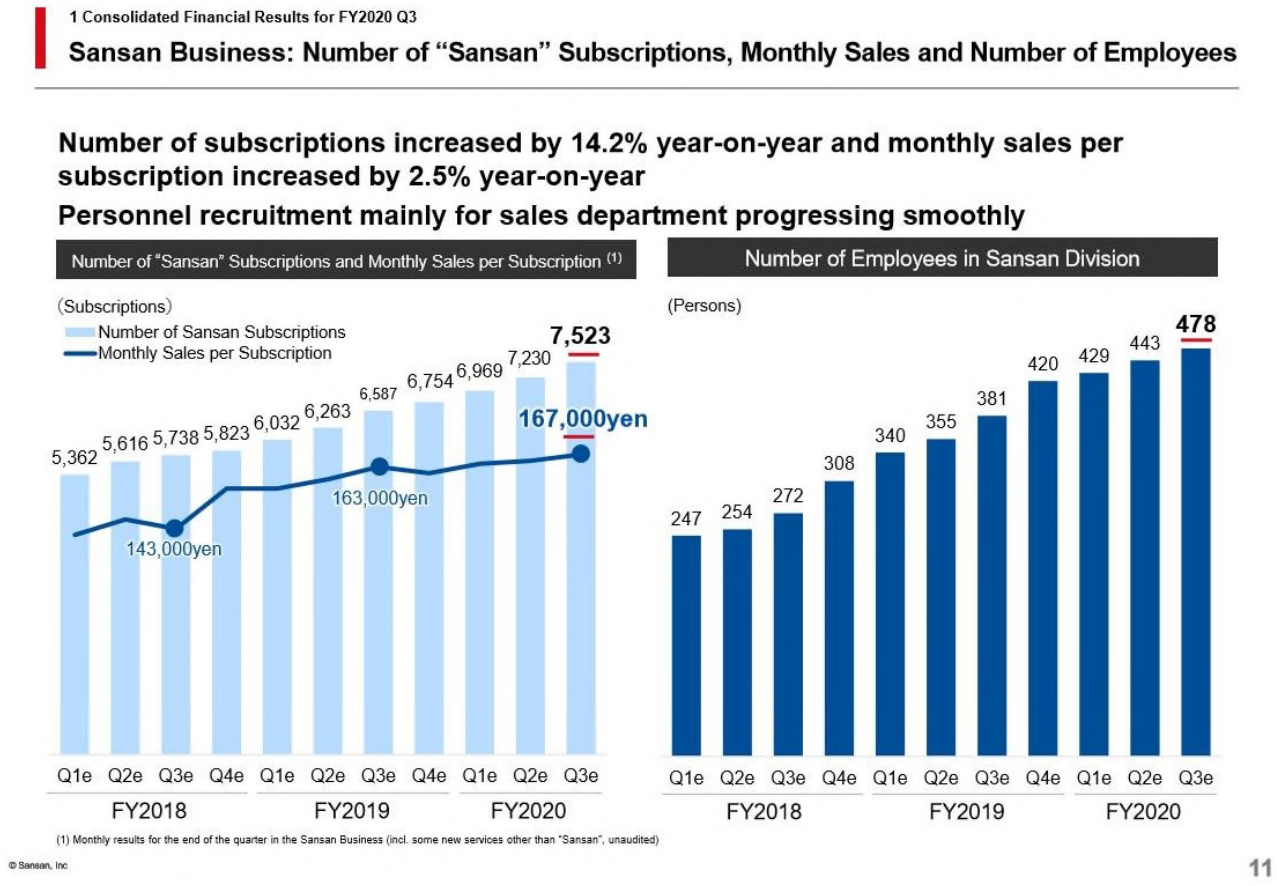
Recurring net sales steadily increased by 22.9% year-on-year against the backdrop of steady increase in number of subscriptions



Please see page 10 for the recurring net sales in the Sansan Business.

The number of “Sansan” contracts has increased steadily over the one-year period from the same period last year. In addition, the churn rate of “Sansan” remained low even during the pandemic. As a result, recurring net sales increased by 22.9%, a higher growth rate than overall segment sales.

Other net sales decreased. Based on a comparison of the three-month period with the same period last year, the COVID-19 pandemic caused a slowdown in the number of new subscriptions, and there were fewer cases of the number of digitized cards exceeding the number set forth in contracts.



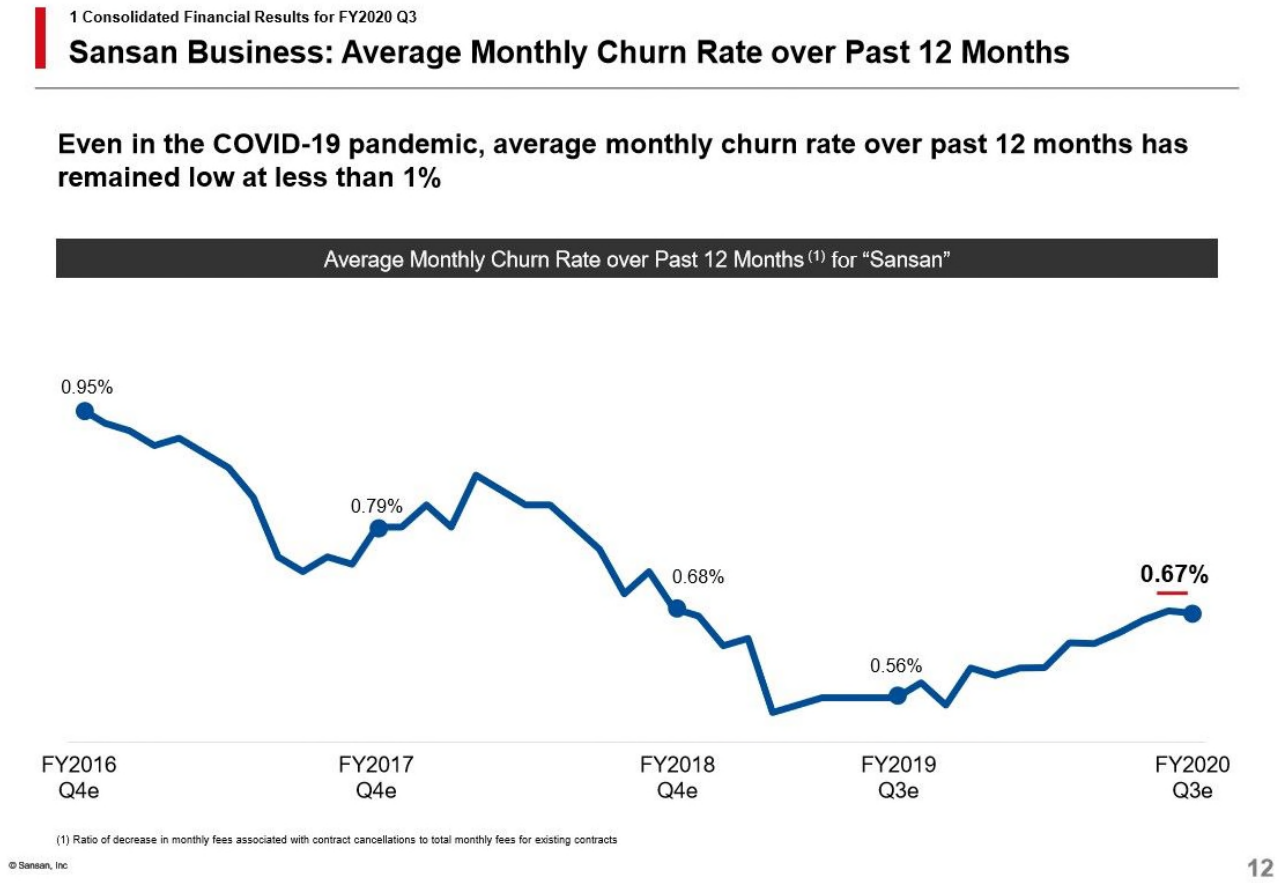
On page 11, we show the number of "Sansan" subscriptions, monthly sales per subscription, and the number of employees.

As of the end of Q3, the number of subscriptions reached 7,523, up 14.2% YoY. In the second half of the quarter, we saw a slightly negative impact from the reissuance of the state of emergency in some areas. But, in the quarter, the number of subscriptions continued to recover and recorded a net increase of 293.

On the other hand, monthly sales per subscription were JPY167,000, up by only 2.5% YoY, chiefly due to sluggish other net sales non-recurring net sales under the pandemic circumstances, as explained earlier.

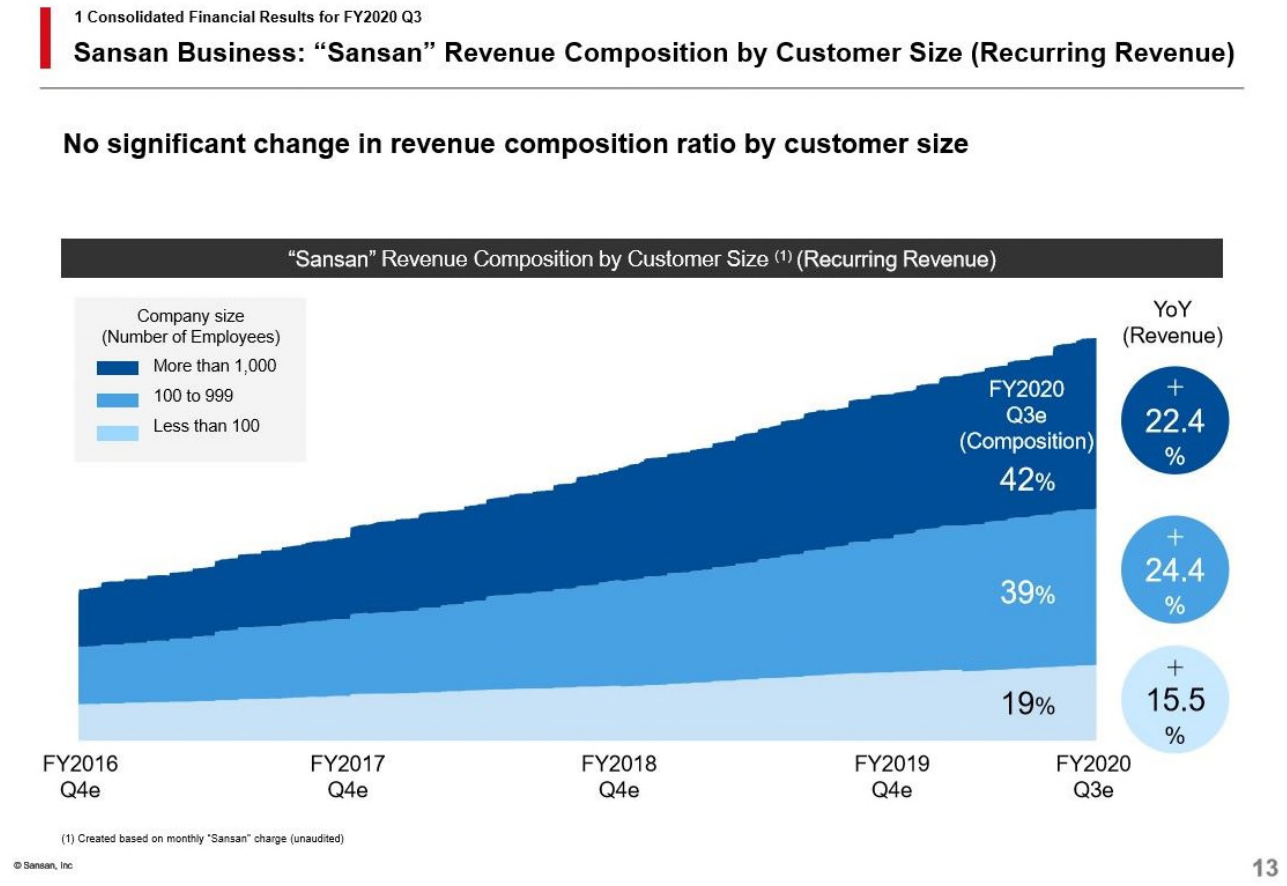
Note that if the monthly sales per subscription is calculated for recurring net sales alone, then they rose by 6.7% YoY.

The number of employees in the "Sansan" Business expanded steadily to 478, up 97 from the end of the same period last year on steady progress in hiring.



The average monthly churn rate of "Sansan" over the past 12 months is shown on page 12.

The COVID-19 pandemic has created an environment where the churn rate is prone to increase. But we took various countermeasures and maintained it at a low level of sub 1%.



We show the revenue composition of “Sansan” by customer size on page 13.

Compared to Q2, the composition ratio and growth rate of the segment with more than 1,000 employees rose a little, but it wasn’t a significant change.

1 Consolidated Financial Results for FY2020 Q3

Eight Business Overview

Net sales increased by 55.3% year-on-year due to the expansion of B2B services
Operating loss shrank by ¥68 million year-on-year due to the increase in net sales

(millions of yen)	FY2019	FY2020		FYI: FY2020	
Eight Business	Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Net Sales	235	366	+55.3%	1,104	+49.1%
B2C Services	74	73	-1.4%	221	+1.9%
B2B Services	161	292	+81.4%	882	+68.8%
Operating Profit	-248	-179	—	-538	—
Operating Profit Margin	—	—	—	—	—
Number of "Eight" Users (1)	2.65 million people	2.86 million people	+0.20 million people		
Number of "Eight Company Premium" Subscriptions	1,354 subscriptions	2,132 subscriptions	+57.5%		

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

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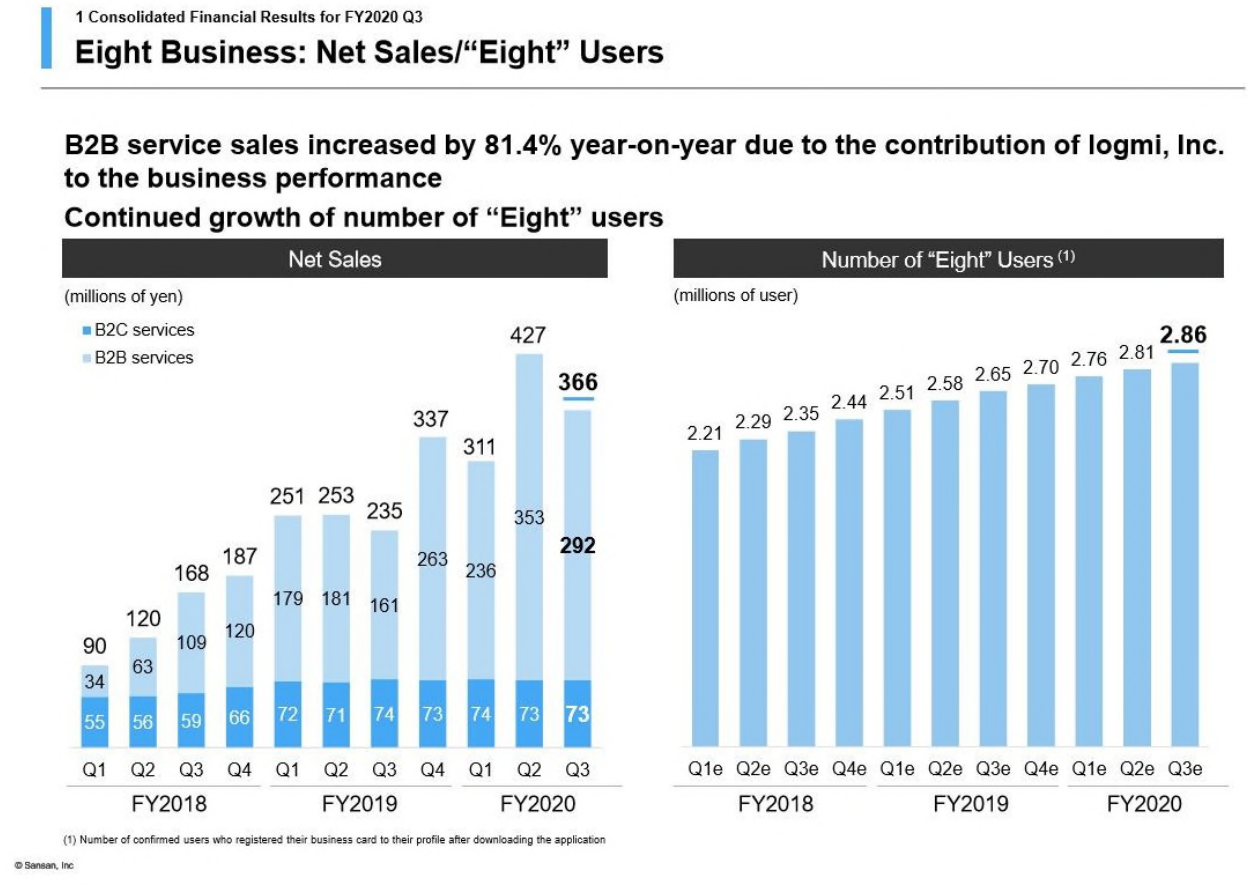
Next, please see page 14 for the results overview of the Eight Business.

Net sales came to JPY366 million, up 55.3% YoY, driven by an expansion in B2B services.

The operating loss was JPY179 million, a contraction of the loss by JPY68 million, thanks to an increase in net sales.

As for "Eight Company Premium," which is one of the B2B services, the number of subscriptions continued to expand steadily and reached 2,132, up 57.5% from the end of the same period last year.

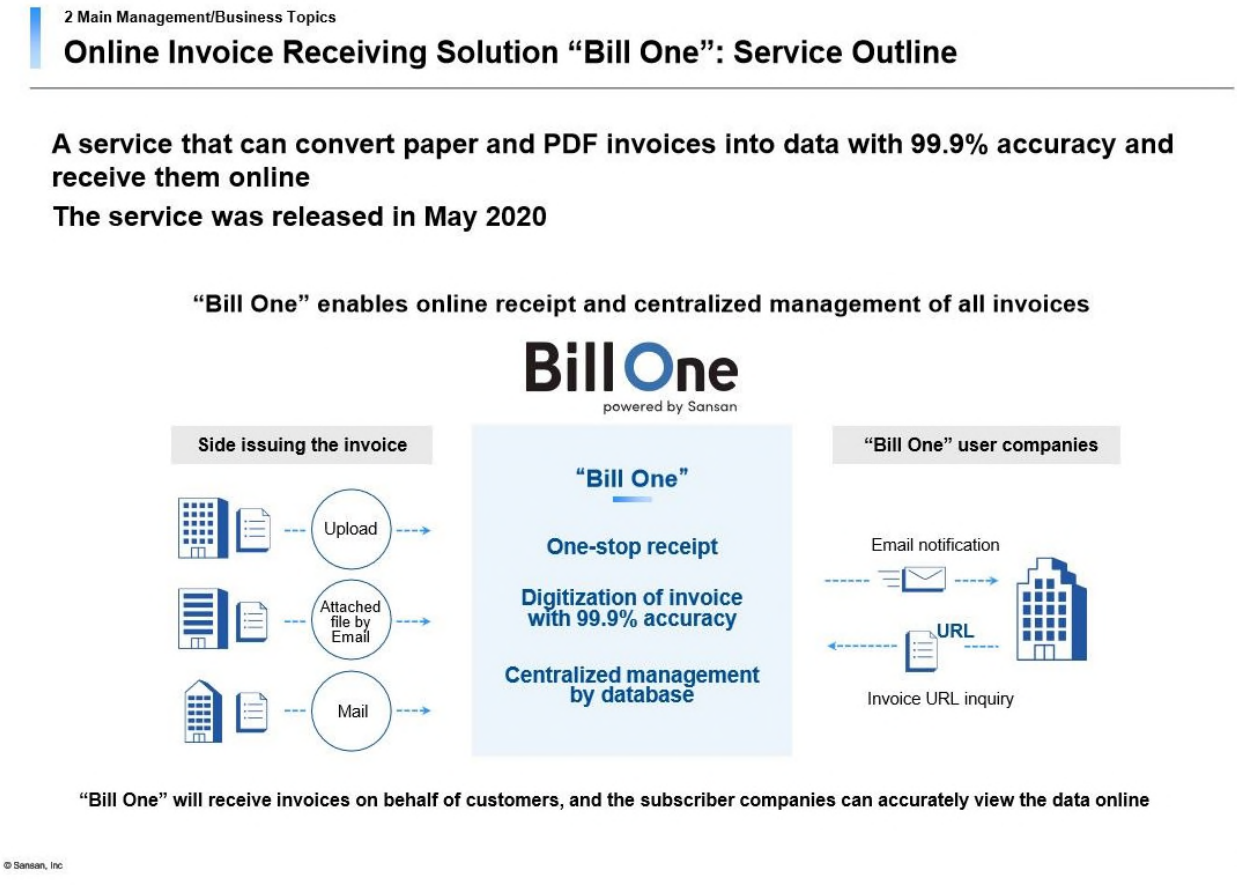


The net sales trend and the number of "Eight" users are shown on page 15.

B2B service sales increased by 81.4% YoY partly due to the earnings contribution of logmi, Inc., which we made into a subsidiary.

B2B service sales declined compared to Q2. But the decline was in line with expectations because it was mainly due to the dropout of earnings contributions from the holding of a large-scale business event called "Climbers" in Q2. In Q4, we are scheduled to hold a Climbers even in May.

The number of "Eight" users increased steadily and reached 2.86 million, up 200,000 users from the same period last year.



Next, I will go over the business topics. Specifically, I will report on the progress made in “Bill One”.

Please see page 17. Allow me once again to give a quick overview of “Bill One”, the online invoice receiving solution.

“Bill One” is a service that makes it possible to receive all invoices, which are often received separately in different formats such as paper or PDF and stored in different locations or departments, in one-stop online.

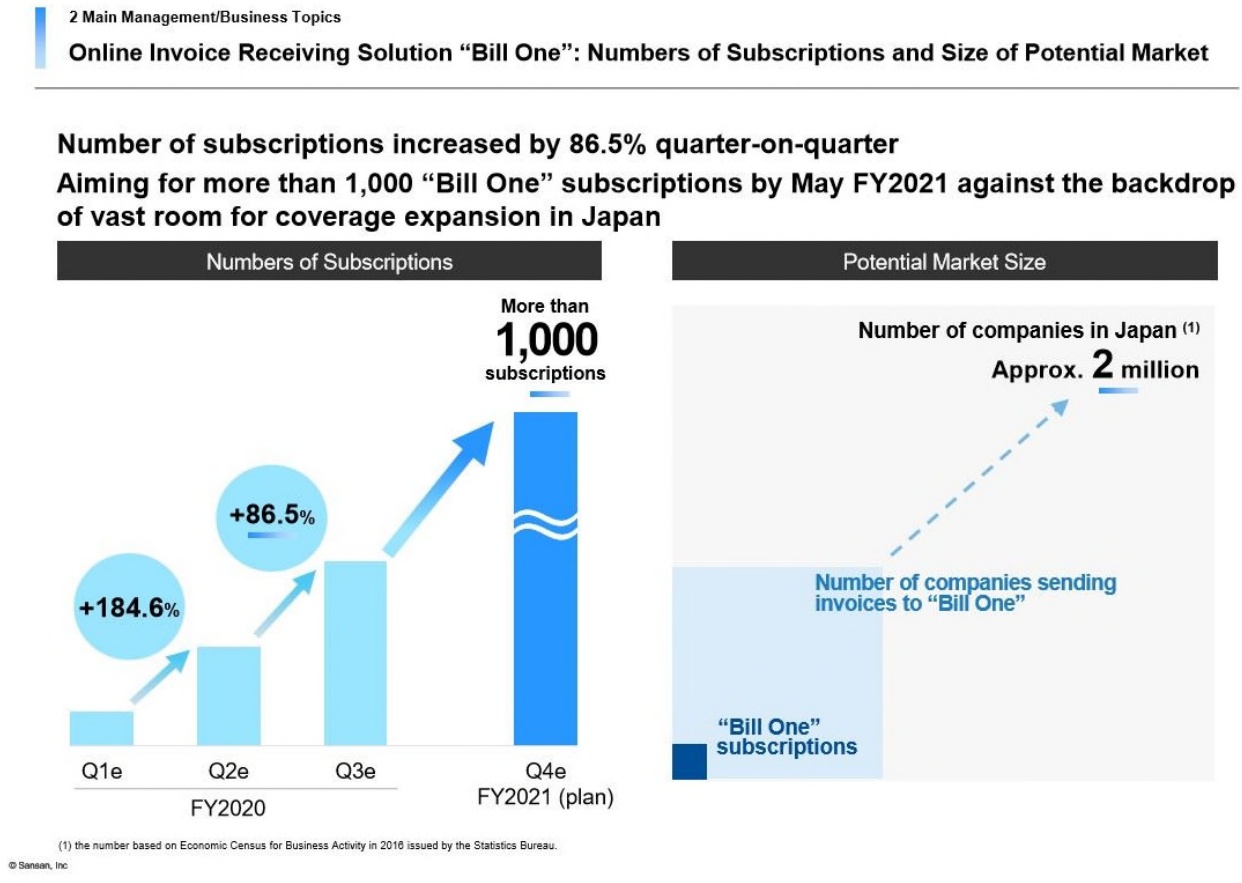
Paper invoices are received at Bill One’s scanning center on behalf of customers and are digitized in a short period with 99.9% accuracy. Invoices that are attached to emails such as in PDF file format are received at a dedicated “Bill One” email address and then digitized.

Accordingly, companies that receive invoices can receive all kinds of invoices online simply by designating “Bill One” as the recipient.

In addition, the company issuing the invoice simply needs to change the recipient’s email address. Because they can continue to send the invoices in the conventional format, it doesn’t burden them.

Under the COVID-19 pandemic, the shift to remote work has become a pressing management issue for many companies. On the other hand, a major issue has been invoice-related operations, which required employees to go to the office to receive and process invoices in paper format.

We consider the “Bill One” Business to have considerable growth potential supported by such tailwinds in the operating environment.



On page 18, we describe the number of "Bill One" subscriptions and the potential market size.

We will refrain from disclosing the actual number of "Bill One" subscriptions. But the number of subscriptions continued to expand robustly, up 86.5% from the end of Q2.

We aim to reach 1,000 subscriptions by the end of the fiscal year ending May 2022.

Next, I'd like to explain how we view the TAM. We think this is a service that could be used by any company throughout Japan, regardless of their industry or size. "Bill One" is a unique service that can be used as long as there is a need for it at companies receiving invoices regardless of whether it is adopted by the companies issuing invoices.

On the graph on the right, we illustrate the number of "Bill One" subscriptions as of the end of the current quarter in dark blue. The light blue area represents the number of companies sending invoices to "Bill One". And the large gray square reflects the number of companies in Japan, which is the target market.

As you can see, there is considerable room for expansion, and the business model is such that the number of companies sending invoices to "Bill One" increases more than the number of subscriptions. Hence, we expect the contact points with companies will increase at an accelerating rate going forward.

2 Main Management/Business Topics

Online Invoice Receiving Solution “Bill One”: Initiatives for Growth

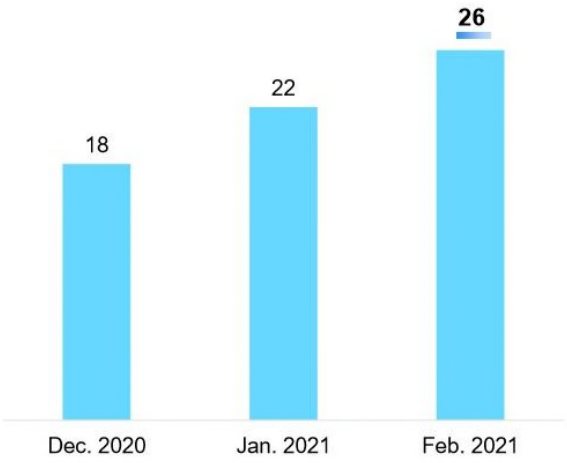
TV commercials began airing in the latter half of February 2021

Has actively promoted recruitment since establishment of business division in December 2020

“Bill One” TV Commercial

Bill One
powered by Sansan

Number of Employees in Bill One Division



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Please see page 19.

We started airing a TV commercial for “Bill One” for the first time starting from the second half of February 2021.

Ever since airing the commercial, the number of leads acquired via the Web more than doubled, and we have received extremely good feedback. We hope to take effective measures that would translate the leads into an expansion of subscriptions in the future.

In December 2020, we established the “Bill One” Business division. Since then, we have continued to actively hire personnel. As a result, the number of employees reached 26 as of the end of Q3. We intend to continue to strengthen our hiring activities with the aim of building a 40-person organization by the end of May 2021.

3 Full-year Forecasts for FY2020

Consolidated Financial Forecasts

No changes to consolidated financial forecasts

Working to strengthen investment to accelerate growth, aiming for net 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	FY2020 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.

Lastly, I will explain our full-year earnings forecast. Please see page 21.

The third-quarter cumulative results marked steady progress against the full-year consolidated earnings outlook. The progress rate was particularly robust for operating profit, which has already exceeded the lower bound target of the full-year forecast.

However, we have plans to consider and implement various strategies and associated investments toward accelerating the topline growth rate over the medium to long term. As such, we have left the initial guidance unchanged.

This concludes my part of the presentation.

Next, Joraku will explain about the Data Integration Division, DSOC.

Joraku: Thank you for the opportunity today to introduce the Data Strategy & Operation Center (DSOC).

Until now, we didn't have much of an opportunity to spend time explaining to many investors or analysis about the Data Center & Operation Center, DSOC. Today, I would like to explain about the source and schemes of our competitive advantages with a focus on the details about the technology. It would be a great pleasure if you would use this opportunity to deepen your understanding of DSOC.

Introduction

Satoru Joraku

Sansan, Inc.
Director, CISO (1), DPO (2), Managing Executive (DSOC (3))

Satoru cofounded Sansan Inc. in 2007 and he initially led product development of the Sansan, a B2B cloud-based contact management service. He now serves as the Director of Sansan's research hub DSOC, which conducts analysis and application of collected data, and refines the company's digitization technology. He also drives and implements internal security measures as CISO.

(1) Chief Information Security Officer
(2) Data Protection Officer
(3) Data Strategy & Operation Center

First, please let me introduce myself. Please see page two.

Currently, I service as Director, CISO, and DPO while being the Managing Executive of DSOC.

Sansan was founded in 2007 by five colleagues, including CEO Terada, and I was one of the co-founders.

I will deliver today's presentation as the Managing Executive of the Data Integration Division DSOC, but I would also like to briefly explain my roles as CISO and DPO.

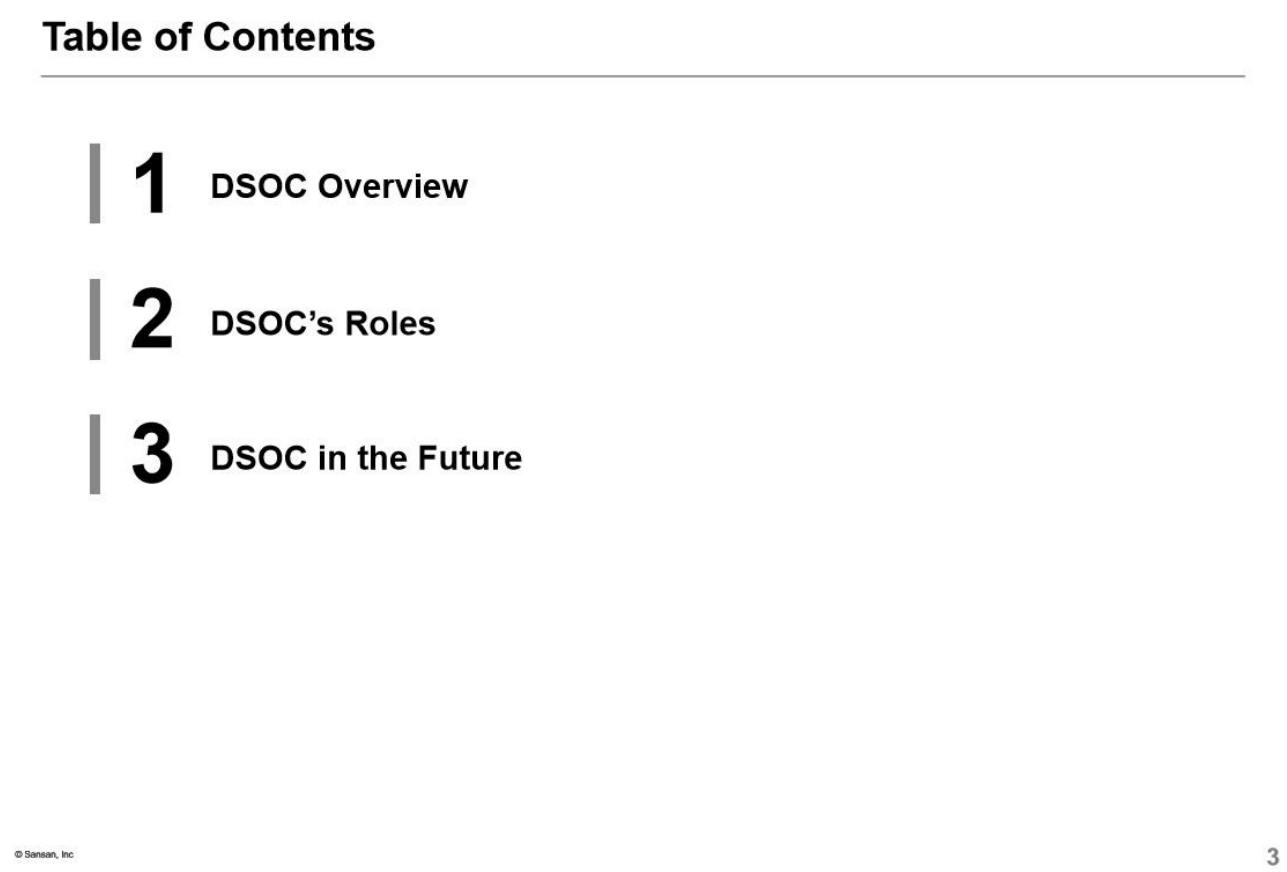
At Sansan, we position information security and data protection as top priority management items. We are taking all conceivable measures for these purposes. The role of CISO and DPO is to promote these measures. Specifically, I am in charge of overseeing the penetration tests, where we use a white hat hacker to attack the internal system, and promoting the acquisition of personal information protection qualifications by employees.

Next, I would also like to give the history up until I joined Sansan.

My background is in engineering. Perhaps because of that, I had no interest in business cards. I had a strange uneasiness about business cards in paper, given that so many things were being digitized around the time of our founding, such as emails and PDFs. That's why I thought digitizing business cards might be a promising business.

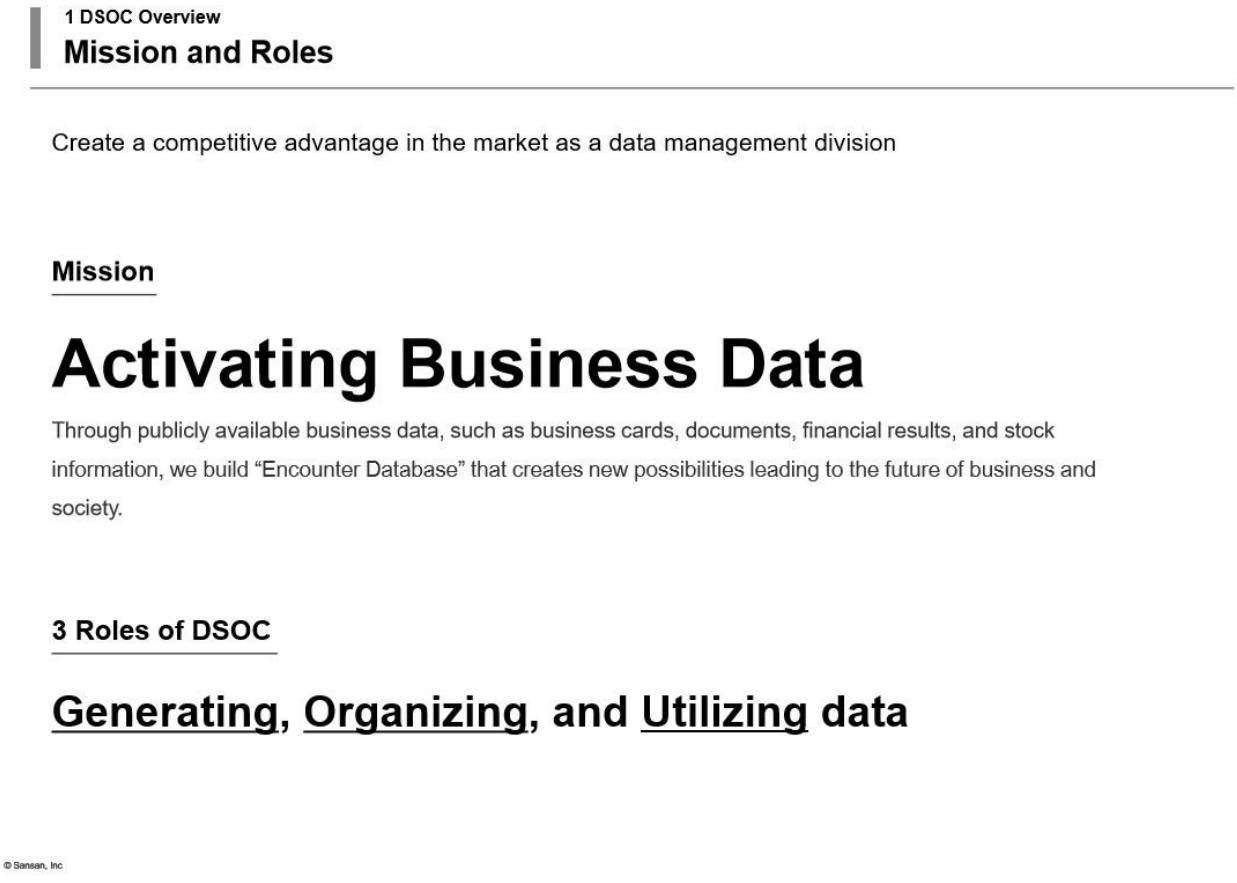
Back then, just like how it is today, the US was the global leader of innovation in IT. But, because we started out with business cards, we thought there was potential for us to create some kind of new innovation that

could be transmitted from Japan to the rest of the world and change how people encounter others. That was the motivation behind founding the business.



Next, I would like to go into the main topic.

Today, as shown on page three, I would like to give the presentation divided into three parts.



First, I will give an overview of DSOC. Please see page five.

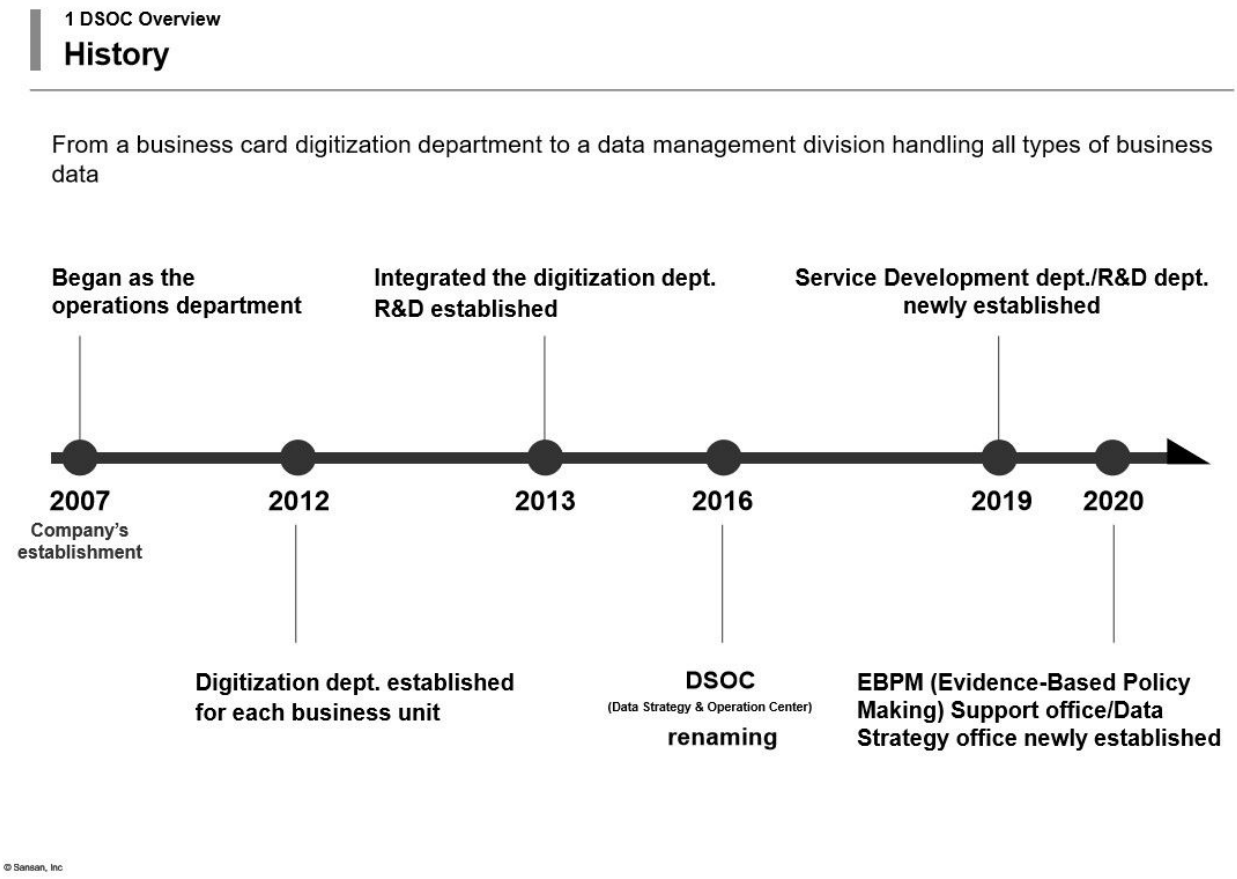
The greatest role of DSOC is to boost the speed of business growth in the Data Integration Division and to establish a competitive advantage in the market. So far, we have been working on digitizing business cards with speed and accuracy and at a low cost. We have supported the Company's robust growth by generating technologies that underpin our business activities.

Since our founding, we have been working on the opportunities created through business encounters involving the exchange of business cards. Currently, the business data that we handle include personnel transfer information, news, and other business data. It also includes invoices, contracts, and other business documents, which can be said to be proofs of business encounters between companies.

We uphold the mission, Activating Business Data, at DSOC to unlock the opportunities in this expanding range of handled data.

Under the mission, we have written the three roles of DSOC as the Data Integration Division. The first role is to generate data by aggregating diverse sets of business information, including business cards. The second role is to organize data by standardizing it and turning it into rich data. And the third role is to utilize that data.

I will explain these three roles in more detail in the second chapter.



Next, on page six, I would like to explain the history of DSOC.

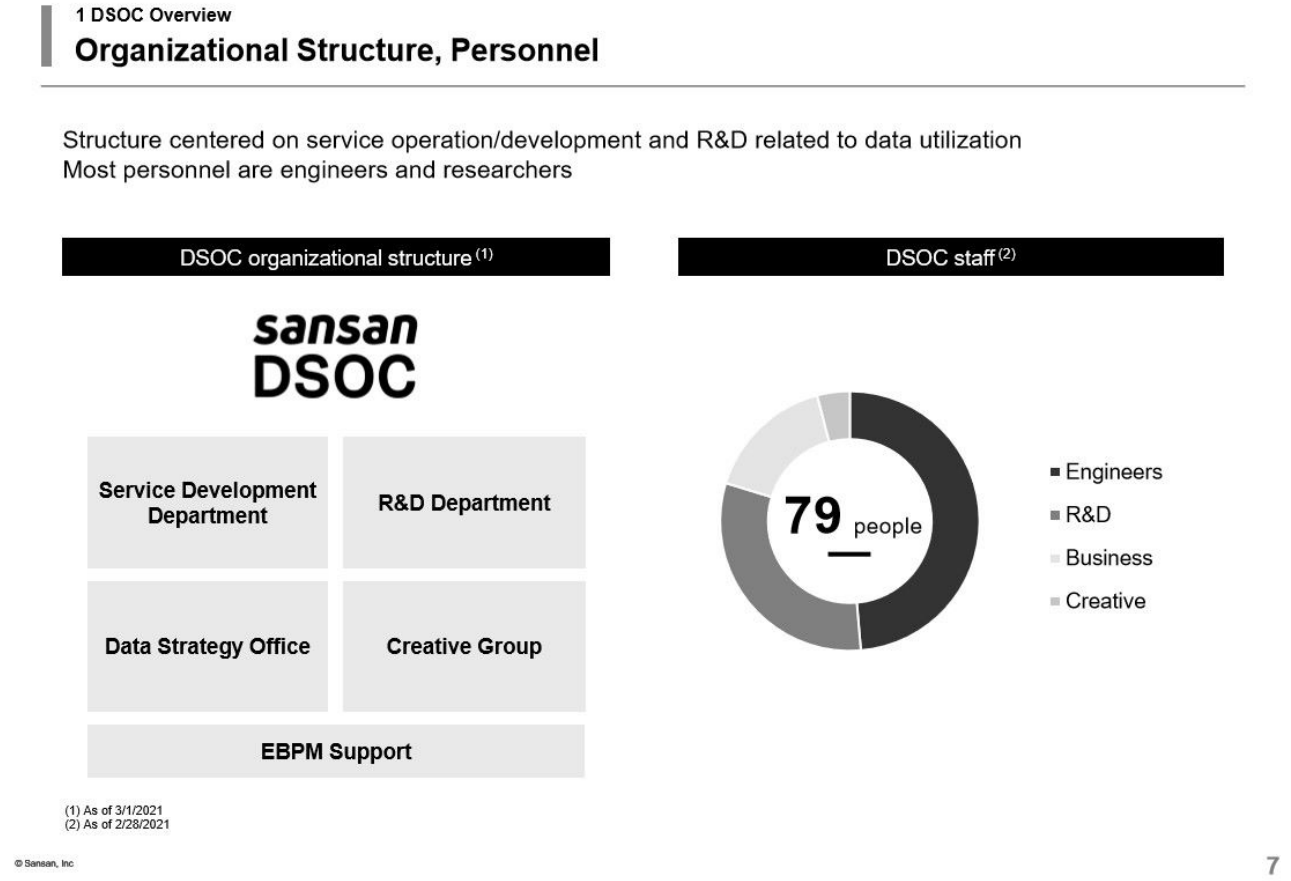
Back when the Company was established in 2007, we launched an operation department as the business card digitization division of the Sansan Business. After we launched the Eight Business in 2012, the business card digitization division was established separately in the Sansan and Eight Businesses due to differences in focal points such as speed and cost depending on each service.

However, operations fell completely behind the demand for business card digitization, which had increased in tandem with the growth of each service, and the Business Card Digitization Business had become a hindrance to business growth.

In 2013, we created an R&D organization that deals with the efficiency gains and automation of business card digitization by integrating the Business Card Digitization Division separately established in the two Business Divisions.

In 2016, we renamed the organization DSOC and newly added a role to it whereby it would not only digitize data but seeks ways to utilize it.

Ever since, the types of data handled have increased and DSOC started handling data other than business card data. That's when we set forth DSOC's mission as "Activating Business Data," and established teams such as the Service Development Department and R&D Department.



Next, I will introduce the structure of DSOC. Please see page seven.

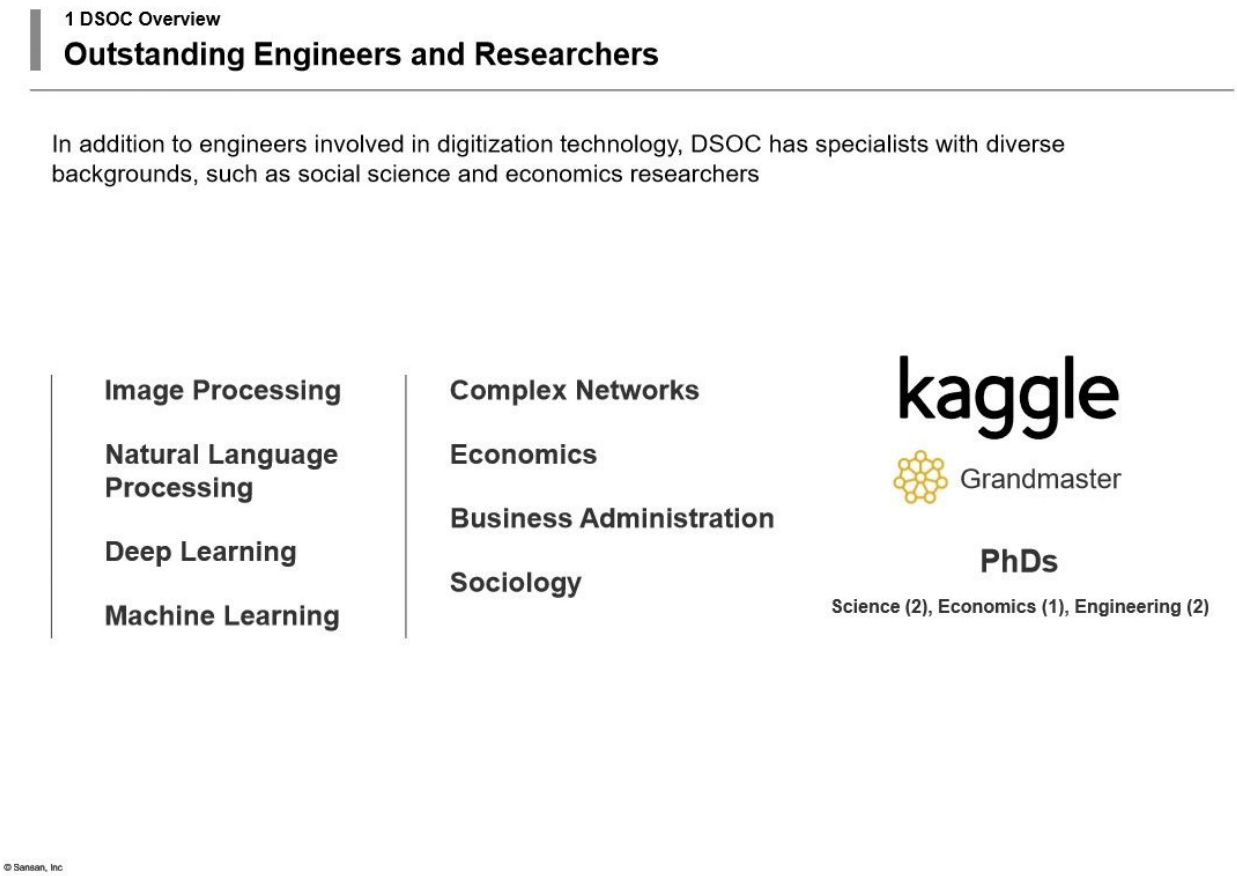
Currently, DSOC consists of three groups in addition to the Service Development Department and R&D Department.

The Service Development Department is made up of engineers and business professionals who serve to organize and generate data, starting with operations to digitize business cards. The department is responsible for developing and operating services provided to our Business Divisions.

The R&D Department has researchers who are specialists in diverse fields enrolled in it and conducts R&D for the utilization of data.

In addition, we have established a Creative Group, where there are creators enrolled who are responsible for DSOC's branding, and a Data Strategy Office that formulates our data utilization strategy and conducts new business planning.

Recently, we have newly established an EBPM Support office. EBPM is an abbreviation for Evidence-Based Policy Making and it literally means that policies are made based on evidence. This is an initiative that is strongly promoted by Japanese government agencies. EBPM Support offers evidence of evaluations and verifications based on the research results accumulated at DSOC aimed at supporting administrative activities.

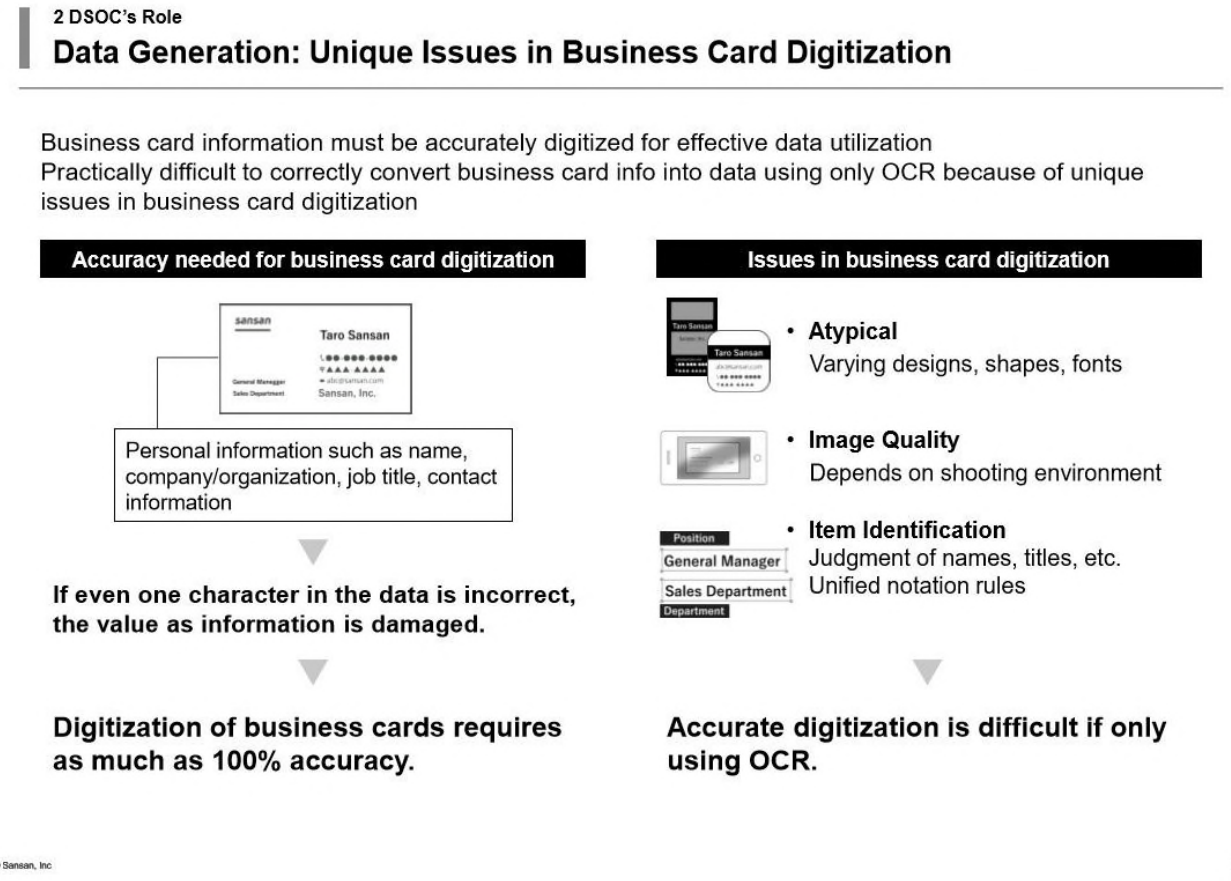


Please see page eight. I would also like to introduce DSOC's personnel.

At DSOC, we believe that innovation is born from completely new combinations, and we conduct our hiring activities with an emphasis on the diversity of members. As a result, we have personnel with various backgrounds and expertise playing active roles regardless of new grads or mid-career hires.

For example, ever since the launch of DSOC, we have had data scientists who are active members of kaggle join the organization. kaggle is a competition where data scientists from around the world compete to create an optimal model for a problem, and about 10 Japanese people possess the highest-ranking title of kaggle Grandmaster. In addition, we have researchers who possess PhDs.

As for their areas of expertise, we have appointed not only engineers specializing in data science, such as image processing related to digitization technology or machine learning, but also researchers in the humanities, social sciences, and economics.



Next, I would like to explain the role played by DSOC. Please see page 10.

I will explain the three roles of DSOC in order. First, I will explain about the role of data generation.

As a premise of data generation, I will explain the unique issues in business card data conversion.

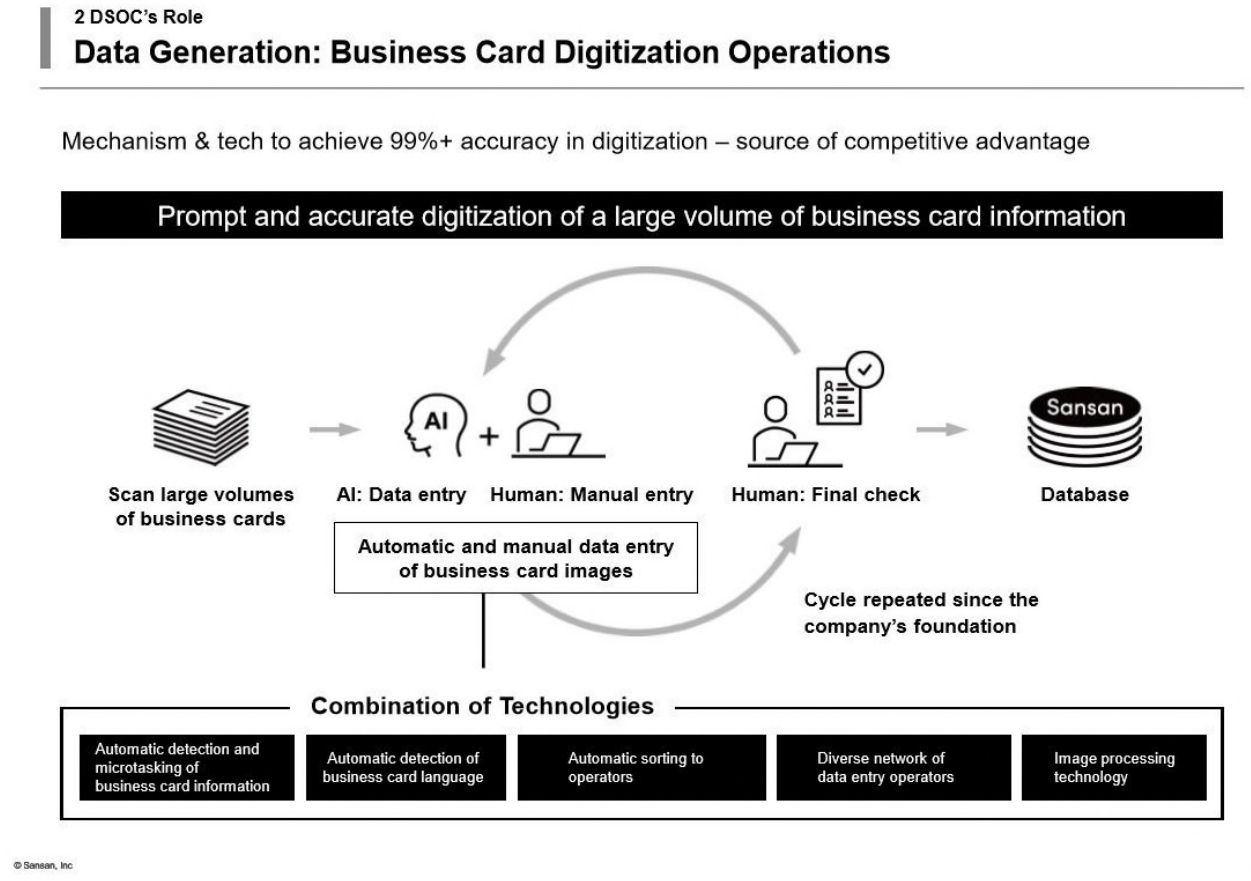
This is quite obvious, but if you make a mistake in the phone number or email address by just one number or letter, you can't make the call or send the email correctly. In other words, inputting invalid information leads to damaging the value of the information. To utilize data, it is essential to convert the business card information into data with an accuracy that is as close to 100% as possible.

On the other hand, there are various unique issues in converting business card information into data.

For example, the design, shape, and font size are different and unique. Also, depending on the environment in which the user takes the photo, there might be problems in image quality, such as an unstable photo, a photo with a shadow appears in the business card image, or characters that are difficult to recognize due to lighting.

Another issue is to identify items such as the name and title of the person. For example, it is necessary to distinguish whether the line that says Analyst is your title or a qualification. Even though a human person might be able to judge such things instantaneously, there is a very high hurdle to be cleared for machines to be able to identify such information.

Due to these issues, it is currently difficult to correctly automate and digitize business cards using only general OCR.

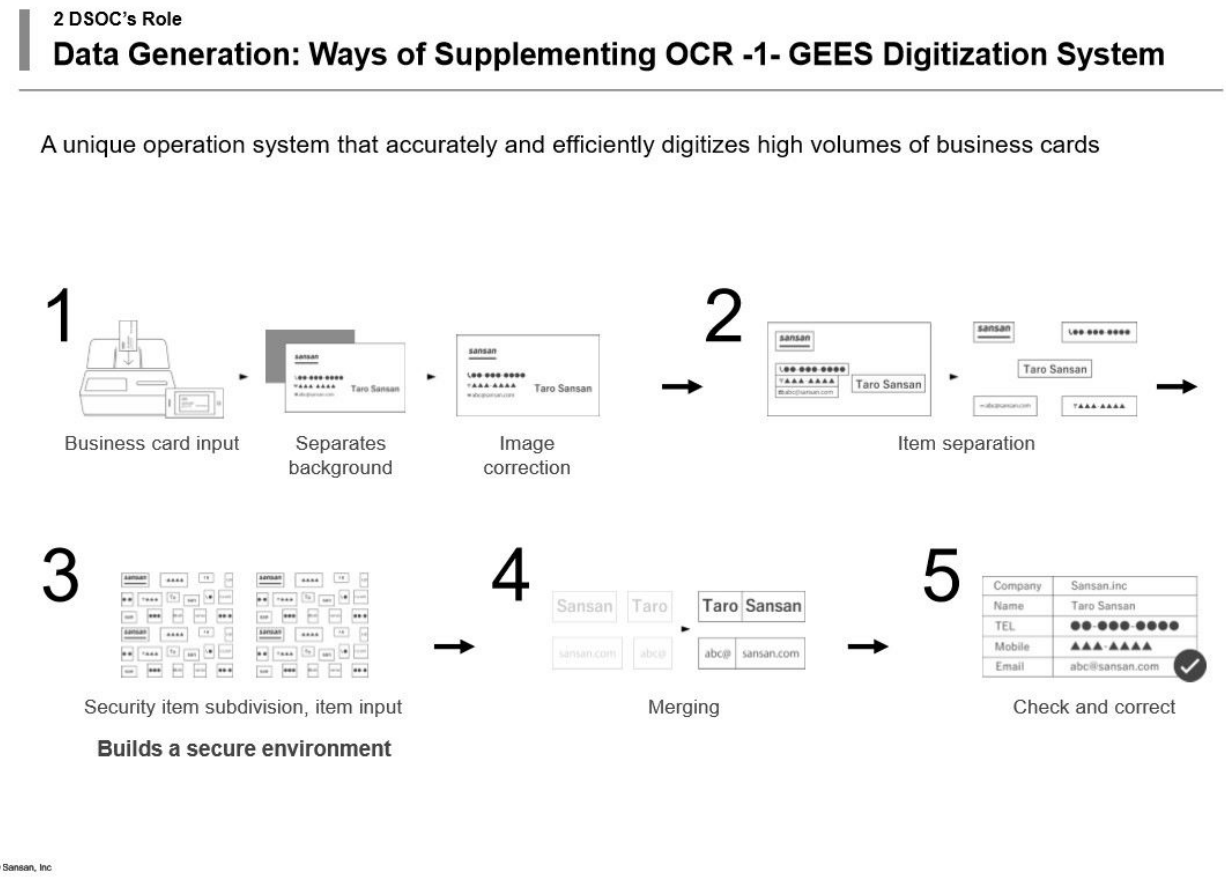


Please see page 11.

As a solution to the problem stated on the previous page, we are complementing the machine data conversion with AI OCR and human power. Our strengthen is that we can utilize not only technology but also human power.

By combining this human-powered operation and technology, "Sansan" has achieved a business card data conversion accuracy of 99.9%, and we have acquired an overwhelming market share of 83% in the cloud business card management service market.

From the next page, I would like to introduce specific examples of complementing AI OCR.



Please look at page 12.

At "Sansan", we have built our own business card data conversion operation system, which we call GEES. GEES is an operation system originally developed by DSOC that converts a large number of business cards into data accurately and efficiently. It divides the business card image captured by the machine and makes the unit of work smaller. By doing so, it creates a scheme where input work can be performed anytime and anywhere while ensuring accuracy and security.

The business card data conversion using GEES is conducted based on the following process. The user first scans or takes a photo of the business card. Then, the imported image of the business card is sent to us. Then, the characters are processed so that they are easy to read.

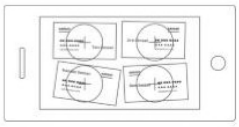
Next, the group of characters on the business card is divided by a machine. After that, the information is classified by item, such as company name, first name, and last name. Then, in consideration of security, it is segmented into small pieces of information until it is no longer legible.

After that, the data is inputted by machines and humans. In the human input process, we prevent input mistakes by having two or more operators input the same image, and the input process is performed until the results match. As a result, the accuracy of data conversion is improved.

2 DSOC's Role

Data Generation: Ways of Supplementing OCR -2- AI/Image Recognition Tech

High-speed and high-precision digitization of business cards using unique image recognition technology with AI



Smart Capture

Technology that enables users to receive results

Item Segmentation

Distinguishes items from the business card design without reading letters

Language determination

Judges language without reading letters

Mistake Detector

Learns errors trends and predicts potential mistakes

Please turn to page 13.

DSOC has independently developed various image recognition technologies and AI to realize high-speed and high-precision business card data conversion.

We are developing technologies that contribute to automatic data conversion, such as smart capture that recognizes business cards and delivers the result of data conversion to the user in a few seconds, and item segmentation that estimates the item areas such as the first name, last name, and company name from the business card image. In addition, there is a certain degree of regularity to errors made by humans when inputting data. So, we use AI to analyze those errors to complement the data conversion accuracy.

2 DSOC's Role

Data Generation: Ways of Supplementing OCR -3- DSOC OCR

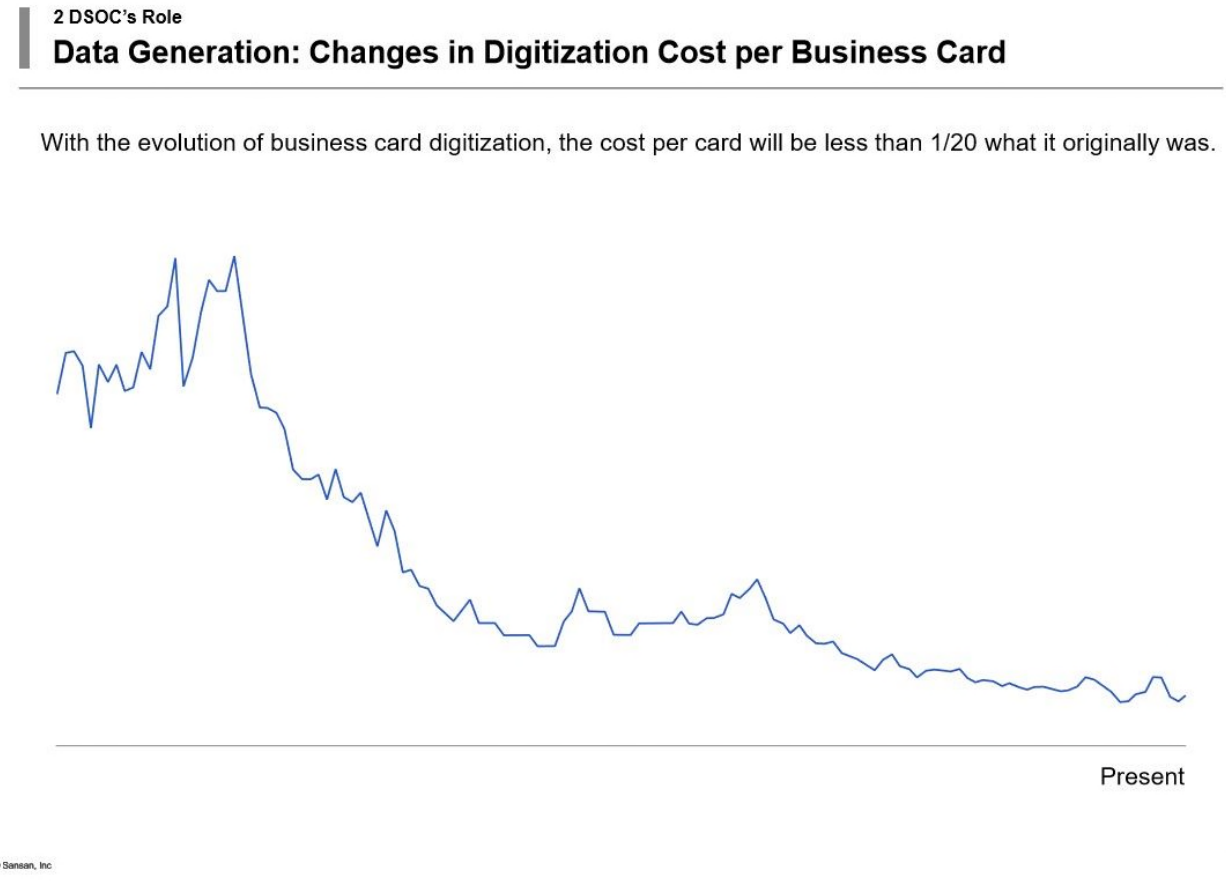
We independently developed an OCR engine specializing in business cards, and that can read email addresses with 99.7%+ accuracy. We will continue researching and developing digitization for all business card items.

Please see page 14.

The DSOC R&D department is working on developing an original OCR engine specializing in importing business cards and offers this service as DSOC OCR.

I mentioned earlier that achieving high accuracy with the current general OCR is difficult in terms of converting business card data. However, we have taken on the challenge of developing our own OCR engine. The DSOC OCR makes it possible to automatically convert e-mail addresses into data with an accuracy of 99.7% or higher.

DSOC OCR can be used not only for email addresses but also names, and we are proceeding with development so that it can also be applied to all items for business cards in the future.



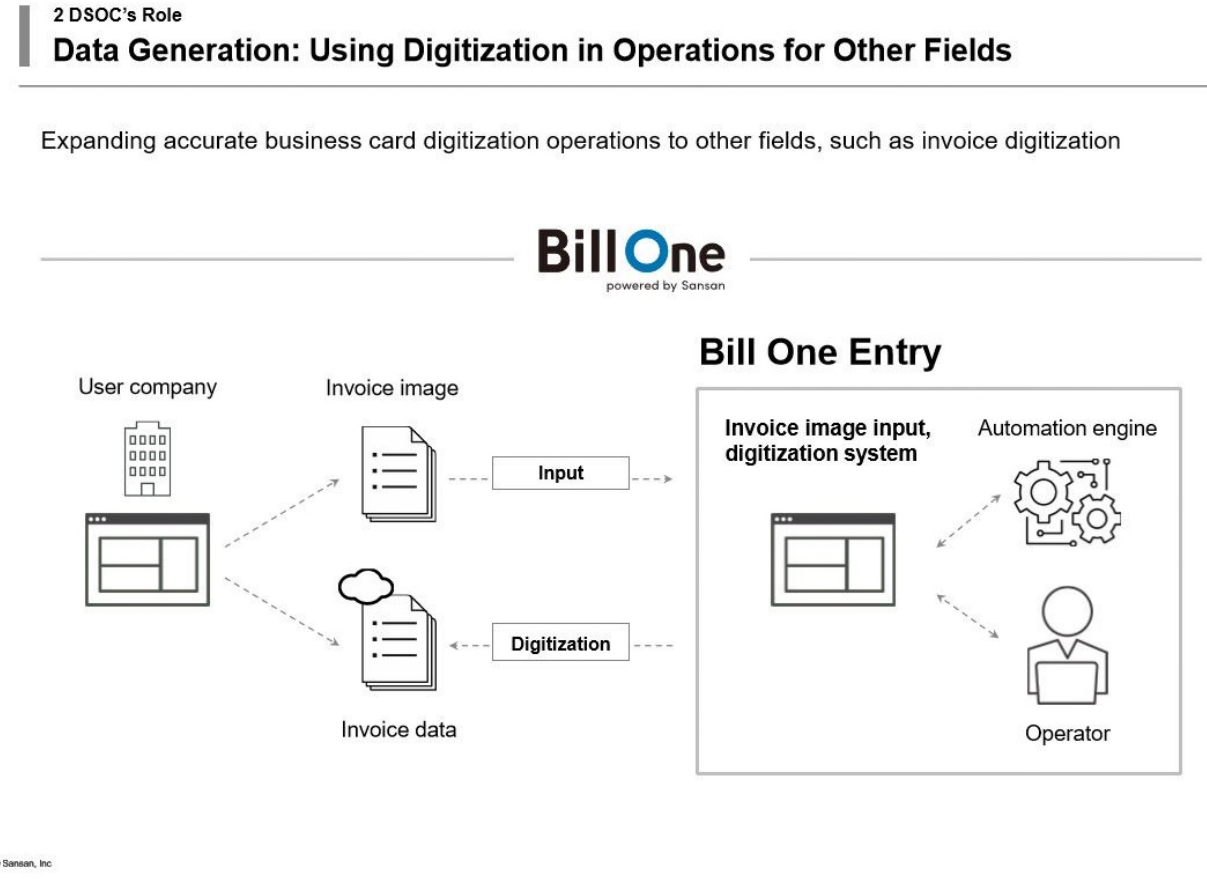
Please see page 15. This is a graph showing the trend for data conversion cost per business card until now.

Looking back, it is unthinkable how we conducted our operations when the Company was first established. We used to do everything by hand, and during the busy season, it was quite common for us to come to the office and input business card data. We conducted data input only by manual labor, but it was clear that there was a limit to continuing these labor-intensive operations, as the demand for data conversion increased as our services grew.

That was how we developed GEES, an operation system combining machines and humans, which I explained earlier. GEES divides operators into three levels to maximize the efficiency of human resources.

First, it consists of about 300 directly hired operators who are responsible for highly confidential and complex data conversions. Second, it consists of over 70 outsourced operators. Lastly, it consists of hundreds of thousands of managed crowd workers. With such a system, we have built a system that can flexibly respond to the waves of busy and off-season demand by changing the human resource costs related to data conversion into variable costs.

As a result of such efforts, we have lowered the data conversion costs per business card to less than one-tenth of what it used to cost at the time of our founding. At the same time, we have significantly improved the speed of data conversion. At the time of our founding, it took us up to three months until delivery, but we are now able to handle the conversion within several hours. We have created a structure where the number of sheets that can be converted to data in a month has increased by several tens of thousands of times compared to when we were first founded.



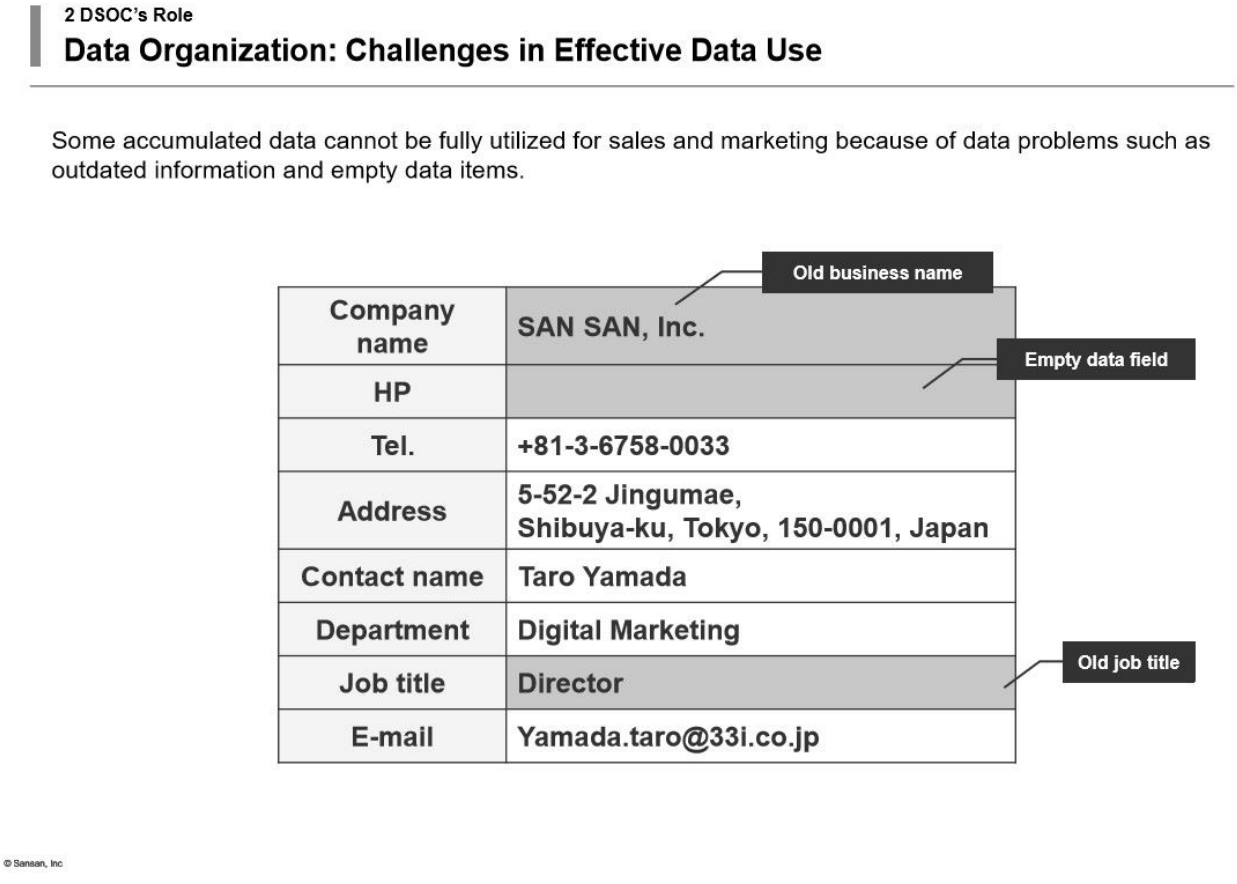
Please see page 16.

Since our founding, we have grappled with the data conversion of business cards. We have also started activities to utilize our business card data conversion operations in fields other than business cards such as invoices and contracts.

For example, for “Bill One”, a cloud-based invoice receiving service, we receive invoices in various methods or formats, such as paper invoices delivered by mail or PDF invoices attached to emails, and we accurately convert them to data.

Invoices have different industry rules from business cards such as itemized lists of amounts or rows that indicate tax charges. But we horizontally apply the business card data conversion operation and image recognition technology that we have accumulated, up to now, to make it possible to conduct accurate data conversion within several hours of receiving the invoice.

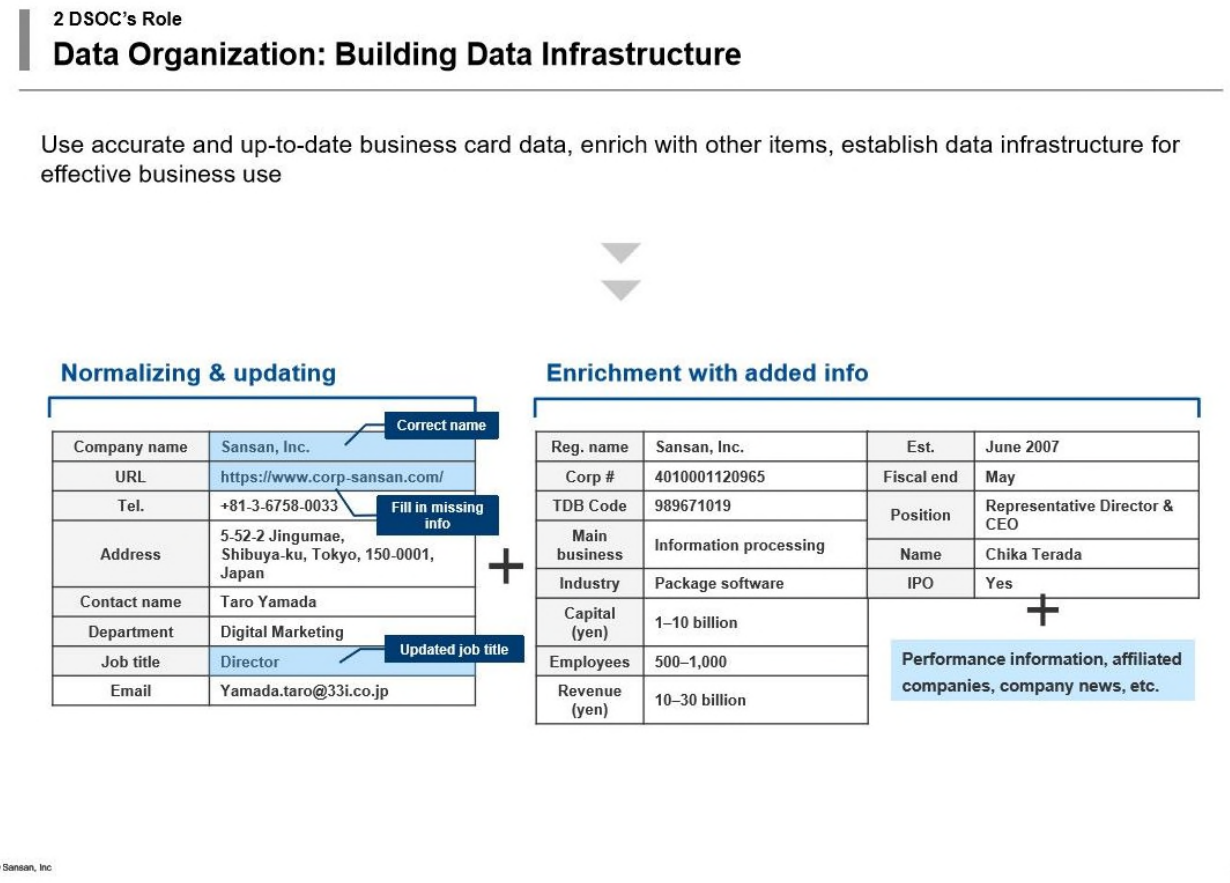
In addition, we are conducting similar activities in terms of Contract One by offering a data conversion solution for contracts.



Next, I will explain the second role: data organization. Please see page 17.

It goes without saying that the importance of utilizing all kinds of data in business is growing. There are some issues in data stored by companies in the past that prevent it from being effectively utilized due to imperfect data such as the company name being old, missing information, or the address being incorrect.

Companies have adopted various types of SaaS tools, spurred in part by the recent trend of digital transformation. However, because customer information is distributed separately across each service, even the same customer information is difficult to manage or operate as a whole company. Therefore, it is crucial for the data to be organized, and DSOC is conducting various R&D related to organizing data aimed at effectively utilizing data.

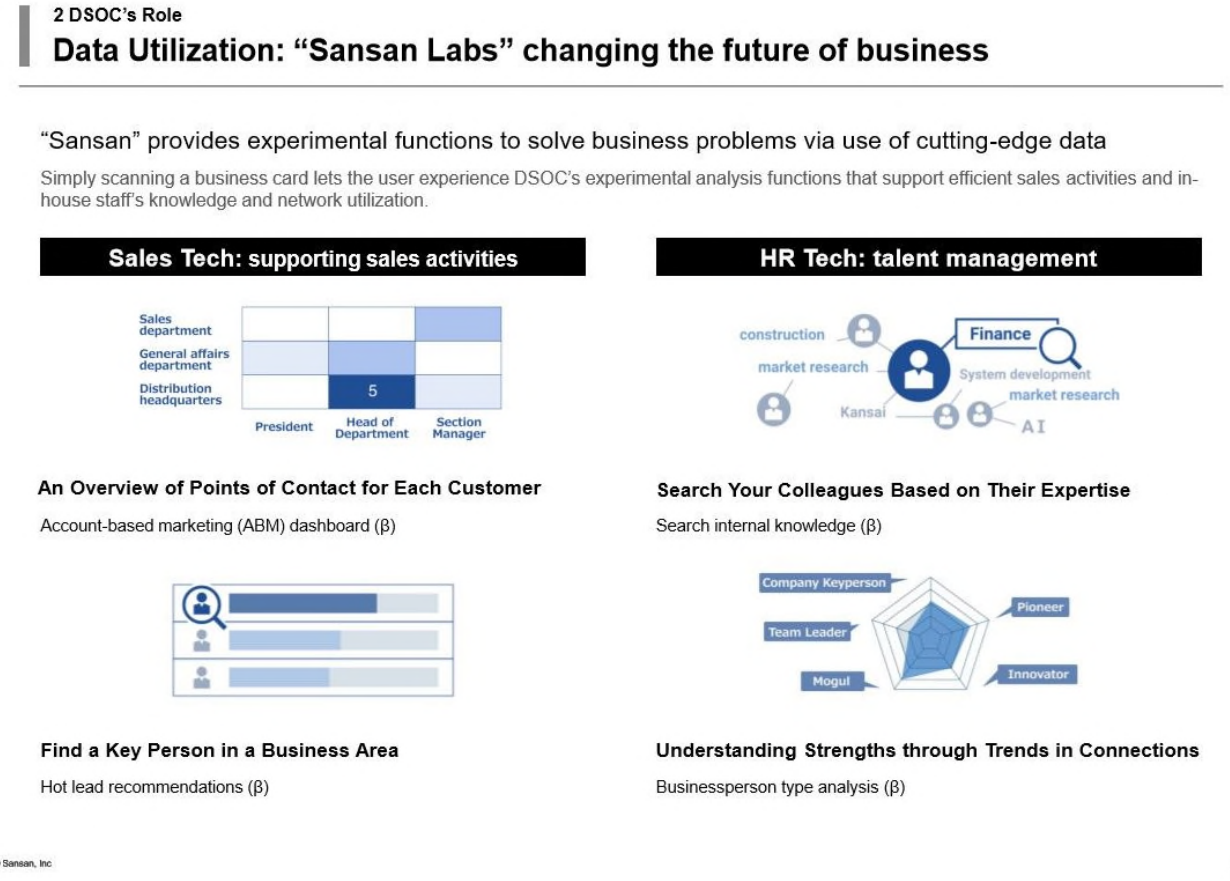


Please see page 18. As an example of organizing data, I will explain the process after converting business card data with "Sansan".

"Sansan" makes it possible to update old company names with new ones after data conversion of business cards in the case the company name changes and also standardize URL domains. Furthermore, we create a database that is based on the business card information but also supplemented with corporate data from Teikoku Databank and earnings information, so that we can deliver relevant news.

In this way, we can standardize and optimize the business card information converted to data. And we add all kinds of other business information to it to turn it into rich data. We organize the data so that it can serve as a data platform that can be effectively utilized in business.

Moreover, although this is a paid option, it is also possible to utilize data organized on "Sansan"'s database to cleanse the customer information in other companies' tools and integrate the data.



Finally, I would like to explain the third role: data utilization. Please see page 19.

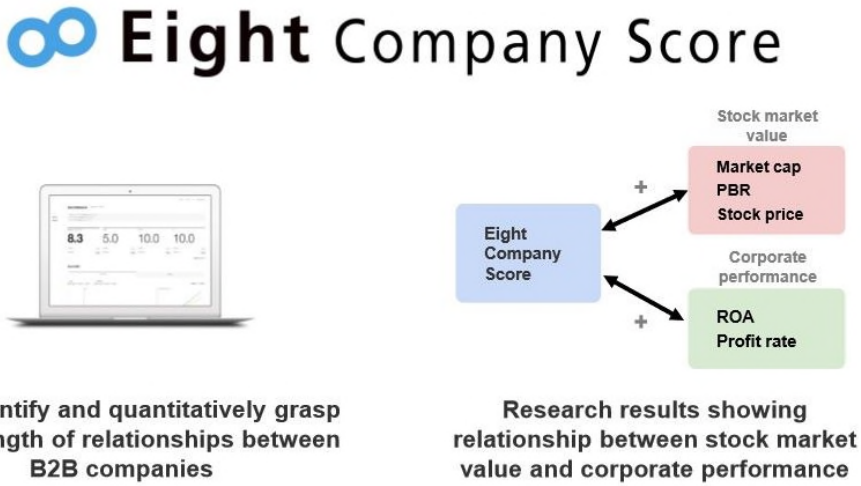
We offer "Sansan Labs," a function to support the streamlining of sales activities and utilization of the knowledge and connections of in-house personnel just by scanning the business card. This group of functions on "Sansan" allows users to experience the results of research in various business realms conducted by social science researchers.

For example, the colleague knowledge search function allows users to search the knowledge of colleagues about specific industries or fields by entering a keyword. Similarly, by searching the name of a colleague, it is possible to know what kind of knowledge your colleague possesses. It is possible to use this function for the selection of project members of the collection of internal information.

2 DSOC's Role

Data Utilization: Work by the EBPM Support -1- "Eight Company Score"

This unique index quantifies corporate assessments using the business network of the business card management app "Eight." The score is closely related to the social aspect of Environment, Social, Governance (ESG), and we have started research on developing an investment trust index.



Please see page 20.

We established an EBPM support office to bolster administrative policy-making based on evidence. In this support office, we have developed proprietary indicators for quantitatively and qualitatively evaluating the reputation of companies among external stakeholders. We call this survey "Eight Company Score."

Until now, there has never been data that directly measure corporate evaluation by stakeholders who have direct contact points in business with the Company. By using "Eight Company Score," it is possible to quantify the survey results targeting the users of our business card app Eight. In this way, we have been able to develop a unique indicator.

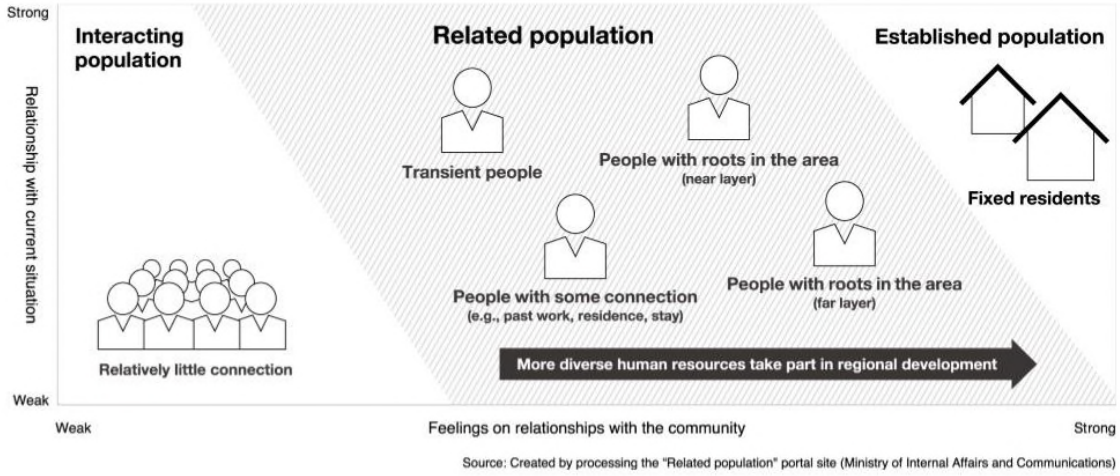
Currently, we are conducting survey on roughly 1,400 companies. When verifying the correlation of this indicator with stock market valuation and corporate earnings to study the effectiveness of the indicator, we found that there was a correlation with P/B, market capitalization, and profit margins, demonstrating that there is a strong connection between a company's social reputation and profit generation.

We believe Eight Company Score will be a beneficial indicator not only for investors but also people within companies as a way of measuring a company's future potential and sustainable growth.

2 DSOC's Role

Data Utilization: Work by the EBPM Support -2- "Business-related population"

This unique index shows the degree of the relationship between the region and business. It supports administrative efforts, looking at use in regional revitalization and disaster-recovery policies.



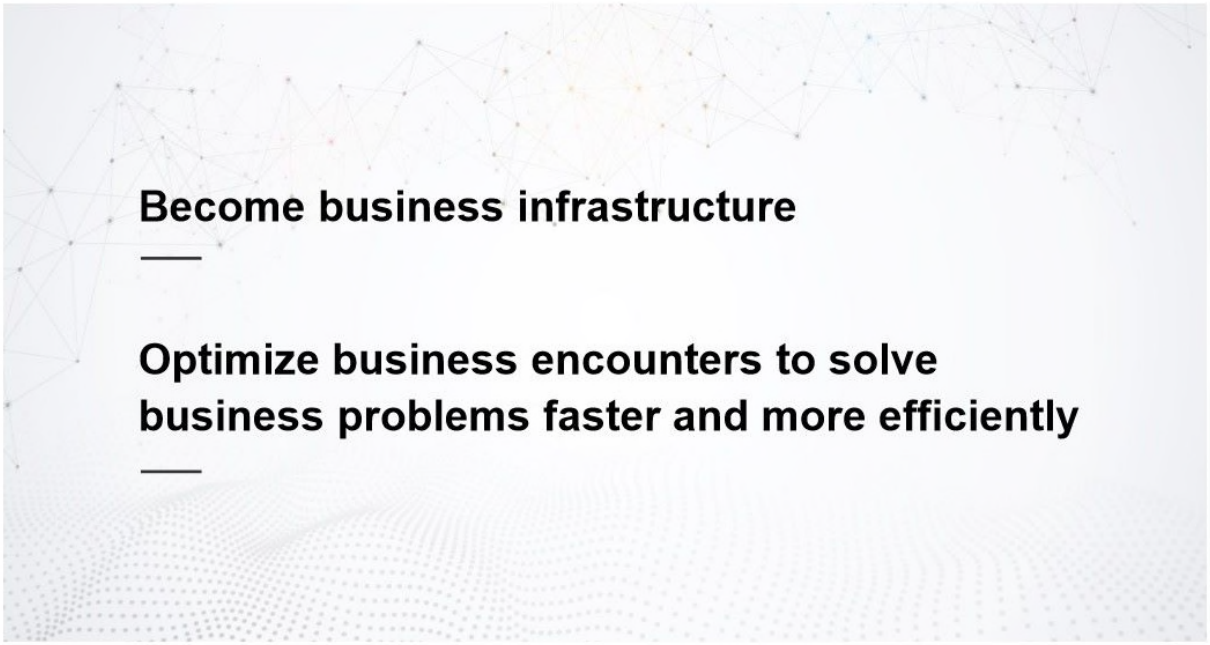
Source: Created by processing the "Related population" portal site (Ministry of Internal Affairs and Communications)

21

Please see page 21. I would like to introduce another example of the activities carried out by the EBPM support office. This is the "Business-related population."

"Business-related population" is an original indicator showing the degree of relationship between a businessperson in one region and a businessperson in another region. This data is calculated based on the number of users imported from business cards of people who are based in the city, ward, town, or village of the indicator by using Eight's business network. We expect this indicator to be used for regional revitalization and disaster recovery policies. We intend it to support administrative decision-making.

DSOC's Aims as We Move Forward



Lastly, this is our vision of DSOC in the future. Please see page 23.

I would like to give two broad explanations of what DSOC aims for in the future.

The first one is to become a business infrastructure.

Starting from this year, the Company has set forth the vision to become a business infrastructure. We hope to become a company that feels like common sense to be implemented by offering services that blend into customer businesses. That is the type of world we hope to create.

Based on this vision, DSOC aims to be an infrastructure for business data as a Data Integration Division. We hope to create a world where the most accurate and quickest way of looking up a company or businessperson is search about them using our product.

The second vision is to optimize business encounters to solve business problems faster and more efficiently.

By encounters we do not mean just the encounters between people. We also mean the encounters between companies and individuals and companies and other companies. Oftentimes, when talking about the keyword encounters, people tend to focus on who they are encountering. But our pursuit doesn't end there. We also aim to provide services that make encounters even more important than just who we meet.

For example, when you want to sell a product, I think you would select the target customers based on criteria like industry or number of employees. But that's insufficient. There are other factors that need to be considered, such as the timing or phase during which these customers would want the product. We aim to be able to know those changes and timings based on data.

By coming face-to-face with these various factors and business data associated with such encounters and continuing to conduct research, we aim to create schemes and technologies for solving business issues.

Ultimately, we would like to link that to the Company's mission of turning encounters into innovation.

This concludes my presentation. Thank you.

Question & Answer

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

Please note that the content of the Q&A session in today's briefing is scheduled to be published in text and video. Therefore, if you would like to remain anonymous, please notify us of your intent of anonymity regarding your company name and name.

Is there anyone with questions?

Mr. Yoshida, please go ahead.

Yoshida: Thank you. This is Yoshida from Nomura Securities. I have two questions. The first one is about the new business. The second one is about DSOC.

First, in terms of the new business, I believe "Bill One" has been growing the number of subscriptions at a very good pace. Please tell me about your qualitative assessment of the progress toward the target of having 1,000 subscriptions by the end of the next fiscal year.

Also, regarding the effect of airing the TV commercial, you mentioned earlier about the increase in the number of leads. What kind of outlook do you have in terms of translating those leads into actual subscriptions, and how long do you think it will take? Also, how many subscriptions do you expect?

In the last part about new businesses, you didn't seem to mention anything about the Event Tech Business this time. If there has been any progress on that front, could you please update me on that? That is my first question regarding new businesses.

Would you like me to ask the questions one at a time?

Hashimoto: Sure, that's fine.

Yoshida: Please go ahead.

Hashimoto: I'll answer the first question.

As for the progress on "Bill One", I recall that Mr. Yoshida, you asked us during the previous briefing meeting about running a TV commercial anytime soon. We aired the TV commercial at the end of February, and as I just stated, the number of leads doubled. We are finally in the stage where those leads will start converting into subscriptions. In that sense, I think the progress has been extremely solid.

We had already set quite a high hurdle from the outset, aiming for 1,000 subscriptions by May 2022. Even though this won't be an easy target to achieve, we now think it's within reach as long as we continue to make efforts. Hence, the progress is going very smoothly.

As for Event Tech, we didn't touch on it during this earnings announcement, but we have been steadily acquiring orders. We have acquired orders for a product called "Sansan Seminar Manager." We're starting to get a clearer outlook around the Event Tech Business as a whole. We'd like to share more about the details to everyone at a later date at the right timing.

Yoshida: Thank you.

My next question is about DSOC. This seems like just one thing, but it actually has a number of components to it. First of all, as a readily understandable example, you mentioned how the business card data conversion cost declined, resulting in a faster speed of business and earnings contributions. I understand that you have also been taking various measures thereafter. If there are any other examples that would have a noticeable impact on earnings, could you please introduce them?

Also, I'd like to hear more about what kind of themes or areas you intend to focus on in the future. You touched on the overall image at the end of the presentation. But I'd like you to share a little more specific detail, if any.

Also, I'd like to hear a little more about your personnel strategy. I would imagine that the fields of data science and machine learning are in high demand and many companies are vying for that talent. What do you think are the reasons that DSOC has been able to attract such talent? I would like to hear your qualitative views on this.

Joraku: First, I'll answer the question about our future plans. I think one of the major points was indeed the cost, and we have been able to reduce costs significantly compared to the time of founding the Company. However, we think there are still areas where we can cut costs even further. By reducing the unit price even more, we would ultimately like to link that to business contributions.

In terms of horizontally deploying this technology, we think the domains that are a fusion of analog and digital, such as invoices and contracts, are markets where we can continue to establish an advantage. In these ways, we hope to link our activities at DSOC to business contributions.

As for our hiring activities, we have continued to make solid progress in hiring. There has been an even larger number of people who find value in our mission and the data we possess. We have been hiring such people have found "Sansan" to be attractive in these regards.

Yoshida: Thank you.

Just as a follow-up, could you also explain DSOC's involvement in product development related to invoices and contracts? In particular, I believe "Bill One" has already been turned into a Business Division, and I assume you already have a representative for the Contract Business. How closely is DSOC involved in these development activities? I wasn't able to get a clear idea about this matter up to now, so it would be great if you could tell me more about this, if it is fine with you.

Joraku: Yes, indeed, DSOC is closely involved in the data conversion process of turning analog information into digital data. In that sense, DOSC occupies an important position in our business and strategy.

Yoshida: So, DSOC is already conducting the product development together in terms of data conversion. Is that image correct?

Joraku: Yes.

Yoshida: Okay. Thank you. That's all.

Moderator: Next, Mr. Miyazaki, please go ahead.

Miyazaki: This is Miyazaki of Goldman Sachs. I would also like to ask my questions one at a time. I think both of them will be about "Bill One".

First, based on the overview provided today in your explanation, I believe your customers would be the companies receiving invoices. Based on that understanding, I believe industry peers like Infomart, which offers invoicing services for both senders and receivers, would become a competitor to some extent. On the other hand, companies like Rakus that provide services to the senders of invoices wouldn't directly compete with your service. Is that image correct?

On the contrary, is there any reason to think that service providers targeting the senders of invoices would in some way compete with your service? Could you please share with us your thoughts on the competitive situation?

Hashimoto: I will answer this question.

Compared to the Sansan Business, which deals with business card management, I believe this is a field where there will be a relatively larger number of newly entering competitors. In terms of business card management, we have already acquired an overwhelming market share and have also established a solid reputation. In that sense, we don't think there are any competitors to be mindful of as things stand now.

On the other hand, "Bill One" is a service that only recently got off the ground. And the market itself hasn't really been defined yet.

There are multiple companies, including those that serve the receivers of invoices, the senders of invoices, or both. But we are still in the stage of seeing how all of these players compete with each other and form a new market. Still, we think this is a market that exists in a different context than business card management, and there is an extremely large need for it. Precisely because of that, our on-the-ground impression is that the market is sizable enough for us not to worry too much about competitors when conducting sales activities.

This is a service that has really only just gotten started recently. And we haven't experienced too many situations where our sales activities are bid up against competitors. There's no feeling whatsoever that we are somehow competing after a slice of the pie. Rather, there's a much stronger feeling that we're creating a new market together.

Miyazaki: Thank you.

My second question is about the costs related to "Bill One". In the latter half of the explanation of DSOC, you mentioned that the reading cost of business cards was significantly reduced compared to early days. Where on the cost curve do you think you are in terms of "Bill One" in relation to the business card management cost explained earlier? How much progress have you made so far in reducing the cost of reading invoices?

Is the situation one where the cost per sheet is high, but the overall impact on Company-wide cost is insignificant because the volume hasn't expanded much yet? If the number of sheets handled were to increase in the future, I think that it will naturally lead to higher sales as well.

Which stage do you think you are at in terms of the technology to reduce the cost ratio in relation to overall costs and the cost per sheet? Furthermore, what kind of expectations do you have for it in the future?

Joraku: I will explain the cost per sheet.

We have only started the Invoice Business recently compared to the Business Card Business. So, in terms of where we stand, we are probably a little ahead of where we were at when founding the business. I think there's still significant room for cost reductions going forward.

Hashimoto: Just as a follow-up, the cost in relation to Company-wide cost was minuscule in the current fiscal year. To begin with, we're operating the business with approx. 3% of the total personnel, and there also isn't much volume produced either, so the cost was kept at a bare minimum.

We don't think the situation will change that much in the next fiscal year. Excluding the TV commercial, we think there is nothing that would particularly increase costs by a significant amount.

Miyazaki: Thank you.

Moderator: Are there any other questions?

Mr. Ito, please go ahead.

Ito: This is Ito from Ichiyoshi Research Institute. I would like to ask about the number of subscriptions.

You've made a considerable amount of progress in hiring sales personnel. Over the past few years, the Company has increased the number of employees by around 20% to 30%, implying that its sales capacity has expanded considerably.

Against this backdrop, the number of subscriptions has recently been increasing by around 1,000 per year. In the latest quarter, the number of subscriptions increased by nearly 300, showing that the quarterly number is improving. Do you think that subscriptions of around four times that number, or 1,200 over the full year, is achievable next year, given that the COVID-19 pandemic is currently calming down? On the other hand, I also think that the Company would probably want to strive a little harder during the next fiscal year in light of the increase in the sales capacity.

I understand it's hard for you to give any specific numbers, but what are your general thoughts on the number of subscriptions, given the improvement in the business environment and increase in sales capacity? I imagine next year will be one in which you could possibly see a leap forward from a state where you were hovering in the vicinity of 1,000 subscriptions of late. What are your thoughts on this point and on the prospects for the next fiscal year?

Hashimoto: It's quite difficult to make an estimation, and it also depends on the situation around COVID-19.

For example, in the previous fiscal year ended May 2020, we saw virtually no impact from COVID-19 until Q3, because Q3 ends in February. In Q3 last year, we were able to acquire over 300, or around 320, orders. Compared to that, I think this quarter has shown a meaningful improvement.

However, the reality is that when going out to sell our business card management services, it has become harder to win orders because of COIVD-19. Given those circumstances, I think the current results are solid numbers.

If the situation were to improve even more and the impact of COVID-19 fades out, then I think we would be able to achieve a number similar to Q3 of last year. And I have the impression that the number would continue to increase in reflection of the increased number of personnel.

Ito: Okay. Thank you.

My second question is about information disclosure. I felt that the latest filing has become somewhat harder to understand than before, partly because "Bill One" has started up and a slightly larger number of internal cancellations. From the outside, it's somewhat unclear what kind of changes took place in each business.

Do you have any plans to address this issue of making the disclosures easier to understand for external parties, such as changing how you disclose the results for “Bill One” from next year, given that you plan for subscription to reach 1,000? Can I please have your comments on this point?

Hashimoto: Yes, we are considering that. I understand that many people are focused on “Bill One” and paying attention to it, but as things stand now, it’s a service that only got off to a start. In terms of contributions to sales, the number isn’t that large for the current fiscal year. This is a topic we will consider for the next fiscal year or later, including how we disclose segment results.

Ito: Okay. Thank you very much.

Moderator: Are there any other questions?

Then, Mr. Saito, please go ahead.

Saito: I have one question about DSOC’s data utilization.

I believe the Company possesses the data of a vast number of business cards of businesspersons obtained through Eight. If you are able to use that data freely, then I think you have more accurate data than any other company in terms of sales lead generation. However, I understand that you are unable to use that data freely due to regulations such as the Personal Information Protection Act.

On page 19 of the presentation, it mentions data usage in Sales Tech and HR Tech. Could you comment on whatever you can about how this product will evolve in the future and what kind of potential it has?

Joraku: Of course, we do not own that data, but rather, we are storing it on behalf of users, so we are in no position to freely use their data.

The Personal Information Protection Act is part of the reason, but we’re also highly conscious of our reputation in regard to how we handle the data of our users. Therefore, we are making our decisions cautious in terms of how we should handle the data.

In that context, “Sansan Labs,” which we talked about in today’s presentation only are functions that analyze thedata of the company in “Sansan” and provide it for only to that company. We have already had several projects where customers have contacted us to use “Sansan Labs,” and some of whom asked us to incorporate it into the “Sansan” product.

We intend to continue to provide experimental services through “Sansan Labs." If the response is positive, then we hope to develop services for full-scale integration into the product.

Saito: By the way, I’m fully aware that the business card data stored in the Sansan Business belongs to the Company’s clients, but what about the data stored in the Eight Business?

Joraku: It’s the same for Eight. The data we store for Eight users belongs to the users. We do not own this data, but in a similar manner, we are storing it on behalf of users.

Saito: If that is so, then does it mean that the data you have scanned through Eight will be difficult to use for products such as sales leads or HR Tech in the future?

Joraku: Yes. It will probably be difficult to use the overall database. Ultimately, I think the data will be used within the scope of ownership by Eight users.

Saito: Okay. Thank you.

Moderator: Next, Mr. Miyazaki, please go ahead.

Miyazaki: This is Miyazaki from Goldman Sachs. This is my second question. I just have one question.

I think this was touched on in an explanation at the outset, but you haven't changed the full-year earnings outlook this time. Furthermore, it says that you aim for over 30% sales growth in the next fiscal year.

If you subtract those numbers, then it suggests that your outlook for sales growth in Q4 is not very strong. Is this subtracted number reflective of your outlook, or does it just mean that you haven't revised the outlook? If there is something that we should take note of in terms of sales and profits in Q4 of the current fiscal year, could you please share them with me, please?

Hashimoto: Thank you.

We haven't revised the full-year earnings guidance, but we are constantly updating our outlook, and we are basing out decisions on that outlook.

As for net sales, we think it will fall within the forecast range of the disclosed guidance, and our impression is that there won't be any major surprises on that front. We think we will fall within the expected range and there will be no particular revisions.

On the profit front, this is an item that can be controlled to some degree. So, I think it really depends on how much we decide to allocate investments aimed at the next fiscal year during Q4.

We think it will be quite a high hurdle to clear in aiming for sales growth of 30% in the next fiscal year, and it will likely be a challenge to achieve the target. But to achieve or exceed that target, we are determined to inject the necessary investments while we can during the current fiscal year, and that's the reason why we haven't changed the earnings forecast.

Miyazaki: Thank you. I mistakenly asked about sales. But your answer to my question made clear sense.

Moderator: Are there any other questions?

Mr. Ito, please go ahead.

Ito: This is Ito from Ichiyoshi. I'd also like to ask an additional question. This one is regarding DSOC.

Regarding the efficiency you have obtained in data conversion through your experience with business cards, I think this core competitive advantage is something you will also display in the invoicing service of "Bill One". Going forward, I imagine that this core advantage can be applied to not only invoices but also all kinds of scenes requiring the digitization of paper to data.

Supposing that you apply these efficiency gains you've gained with business cards to invoices, would it mean that the efficiency would drop in the initial instance, but it would improve once operations are scaled to some degree? This time, you have only applied the technology arising from business cards to invoices. But if you were to next apply the technology from invoices to all kinds of new things, then wouldn't the efficiency fall during this diversion? Will it be easy to divert the service to other fields? When the subject that is being scanned changes, does it have an impact on the efficiency of DSOC?

Joraku: Thank you.

In fact, the technology we have accumulated through business cards can partly be deployed horizontally to other services. My impression is that about half of the technology we possess can be horizontally deployed without any changes.

However, the other half requires changes such as in format or data conversion based on an understanding of industry-specific factors. Therefore, we will need to learn more about the remaining half while polishing the common core elements.

Ito: In that case, do you get the impression that it would be easier to deploy this technology to areas where items are not too complex, and scanning would be fairly simple without requiring much business expertise?

Joraku: I think it would be easier to apply the technology to areas where there aren't any industry customs or experiences. However, we instead think our strength is probably in the areas where the industry rules are too complex. Even in such areas, we are able completing the input of data through manual labor. I think it is in such situations that will instead allow us to display our strengths.

Ito: Okay. Thank you very much.

Moderator: Next, Sato-san, please go ahead.

Sato: This is Sato from Jefferies Securities. I'm sorry if I missed the information.

Regarding your massive data, is all of that data stored in Japan? I wanted to confirm this point because of the various problems that occurred. Let me just confirm the security aspects given that there was a recent incident at LINE. Thank you. That's all.

Joraku: All the data is stored in Japan.

Sato: Thank you.

I believe "Sansan" has never had incidents such as hacking in the location where that data is stored. Is that understanding, correct?

Joraku: Yes. We have never had any major incidents or accidents of leaking personal information.

Sato: Have you been recently seeing questions asking about where that data is stored?

Joraku: Yes. There are, in fact, cases of major personal information incidents around the world, and people are starting to embrace varying feelings about personal information. As such, some of our "Sansan" users have contacted us about this topic.

Sato: Okay. That's all. Thank you very much.

Moderator: Next, we received a question from Gibson in the chat. So, I will read the question out loud.

What is the current average unit price of "Bill One"? Also, after you achieve 1,000 subscriptions, how do you expect that unit price to change?

Hashimoto: I will answer this question.

We cannot share the specific numbers regarding the unit price of "Bill One". However, the unit price of "Sansan" is slightly above 160,000, and the results for "Bill One" are showing that the unit price is lower than that.

It is difficult to say what the unit price would be after we achieve the 1,000 subscriptions, and how many subscriptions would be acquired by the end of the fiscal year, because we're still in the stage of making improvements and running trials and errors about the sales approach. We will either maintain the current unit price, or the unit price might slightly decline as we acquire more subscriptions. I think that is where the unit price will settle.

Moderator: Are there any other questions? There seem to be no other questions, so we would now like to close the briefing meeting. Thank you for joining us today despite your busy schedules.

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