IR Day 2025 Transcription of Question & Answer of CEO and CFO

Question & Answer of Europe/North America Session

Participant [Q]: In the previous videos, we have been able to understand what the concrete trategies and initiatives are for each of these products. The question I have to the CEO, Terada-san, is; where do you spend most of your time, and what do you have the highest expectations for?

Terada [A]: I spent most of my time as CPO (Chief Product Officer) to expand the boundary of each product's business field. Even within Sansan, there are many initiatives. For example, Sansan has just launched MCP Server so that their internal AI, our clients' internal AI, can now integrate with Sansan through MCP Server. That's still POC, but we have got several clients using that POC MCP server. We are trying to build it to be a product of Sansan. Also, we are now building up the Sansan AI agent, which can integrate Sansan data with Bill One data and also Contract One data, sometimes the other data that the clients want to use all in one place so that you can ask Sansan AI agent anything you want, like I want to meet with this guy tomorrow. What should I need to know? So an AI-related initiative.

All in all, I'm just trying to expand the boundary of Sansan. That I've been doing for the last 18 years. Sansan is basically a business card management solution, but at the same time, we've been developing Sansan for 18 years. What that means is that we've been continuously expanding the boundary of Sansan so that it continued to grow steadily for the last 18 years.

Like in Sansan, I do the same thing in Bill One. We started providing Bill One Expense and also Bill One Accounts Receivable. The original element of Bill One is Bill One Invoice Receive. Now, in the small market, we are trying to combine Bill One Invoice Receive with Bill One Expense and Bill One Accounts Receivable all in one suite so that we can raise monthly recurring sales per paid subscription for Bill One even in a small market. I'm trying to come up with a functional layer so that it can integrate all three services in one suite.

Also, the AI initiative in Bill One is very simple. We need to utilize AI to automate the business process. For example, AI purchase order-matching, AI ledger entry automation, these initiatives now help us gain more orders. Because we have accurate data of invoice digitized in Bill One, the following process can be automated through AI and, with that, accurate data. That's the interest with AI.

Talking about Contract One, it's a bit different. Because it's still in the early phase, we are trying to find a way so that we can accelerate the growth. It's not only about product development, but also about go-to-market strategy. For example, now we are trying to approach larger enterprises than before in Contract One, especially into divisions of large enterprise companies, so that we can secure a point where we can expand the usage of Contract One within a company. That's the thing I'm working on with Contract One.

We also have the Eight Business. I try to expand the boundary of each businesses. Also at the same time, like in Sansan AI agent, I'm trying to build the top layer, additional layer, on top of Sansan Bill One and Contract One so maybe at the end of the day, in a year or two, we may be able to provide a Sansan suite, I mean not Bill One suite. Sansan suite means Sansan, Bill One and Contract One

together. That's just an idea right now, but I'm trying to find a way we can provide all products in one place. That's the thing I'm trying to spend time on more.

Participant [Q]: My question is on, I guess, profitability versus topline growth. I think you guys can obviously boost profitability a lot if you really wanted to, right? But how are you thinking about that? And I guess for the different products as well, how should we kind of think about that moving forward? And if there came a point where, let's say, natural growth, slowed a little bit for the core Sansan product, would you then boost advertising spending, or would you just say, okay, slowing, let's start harvesting for profit? I'm just curious how you guys think about that internally.

Hashimoto [A]: Yes. Let me answer the questions. I think we have to take a balance between the revenue growth and profitability. And now this year, this fiscal year, we are committed to achieve 13% to 16% adjusted OP margin. But most importantly, I think long-term profit amount, not the profitability or profit rate margin, profit amount is more important than profitability or profit margin. In order to maximize the amount of the profit on a long-term basis, I think it's more important to focus on the topline growth rate for this year and next year. Even with that, I think our margin naturally grows as we have a very good operating leverage in our P&L.
In terms of marketing spend on Sansan, we understand Sansan's topline is slowing down a little bit, although it's been reaccelerated for the past maybe six quarters or seven quarters, eight quarters. But we are not planning to spend a lot of money for the marketing going forward for Sansan services. Instead, we have a very good opportunity for peripheral new features, new options on Sansan or maybe Bill One or Contract One. So in total, the marketing expense expands a little bit, but we have to be making the clever judgment in terms of how we allocate the limited capital resources. Is that answering your question?

Participant [Q]: Yes. No, that's helpful. What's the biggest risk that you see with your business? It doesn't necessarily have to be something that you think is going to happen tomorrow, but when you're doing your own planning in your head, I'm sure you guys all think about this, right? What's the biggest worry, and what are you guys doing to mitigate that?

Terada [A]: Well, really all software companies can now say that AI could be a threat and also an opportunity. For us, we are trying to use it as an opportunity because we have data. Without data, AI is just a normal, general tool for every company, but with the proprietary data of each company, it can be really, really useful. That's how we say it and how we try to position ourselves.
But at the same time, nobody knows what's going to happen with AI in the near future, so people might say that the AI [eats Sansan] so that our interface is not useful anymore, but I don't think so. I don't think that way. But because of AI advancement, everything can happen. I should admit that's a threat at the same time as an opportunity. So rather than that, well, there is a competition, but it's not a risk. That's what we need to manage. So that's, of course, a risk, but it's a risk that always we need to take into account. So AI, I would say is the one.

Participant [Q]: Okay. That's helpful. And maybe just one follow-up, on the competition side, do you think, incrementally, this market is becoming more competitive over time? Because it seems like every company started with a specific product, and that product did really well, and then they all add on additional products.

That means now there are multiple companies competing in every single segment really. Obviously, right now, some people are at an advantage. Some people are new. But in theory, in five, six years' time, you could end up with three or four companies with very similar products on every single business line. Is that something that you're seeing, or how are you seeing the overall competitive dynamics in this market? Because there's been an explosion in these kind of services to SMEs and even to slightly bigger corporations in Japan.

Terada [A]: Okay. So each service has a different competitive landscape. Sansan is the dominant service, but there is still competition. Nowadays, a little bit fierce competition occurs, like some companies try to spend much money on marketing. But that's no difference we've been seeing in the last 18 years.
Talking about Bill One and Bill One Invoice Receive, our core service, original service, is again the dominant service. So I'd say it's like around 50% market share. The expanding Bill One from ~~AP~~ Invoice Receive, to AI function and expense management, especially, for example, expense management, there are many incumbents. So we are challenged in that field. But still though, we have our own edge.
What we are trying is not to sell this as a separate service. We just try to sell it to our existing client bases so that we can still utilize the strengths of original service of Bill One Invoice Receive. Combined with our edge in expense management, again, we can gain market share. Our assumption is that there is still a white space even for the expense management service. So that's how we see the competition.
Contract One, again, which is a new service, is trying to establish a new market. So the question for Contract One is not to compete with the other competitors, but about how we can create a new demand or new market for clients to manage their contracts in one place. That's the question here. In the early days of each service, the biggest question is that how we can create a new market, new demand, new segment. Then, of course, it's been established, we see more competition coming in. Then we need to compete with them. So that's how we work.

Participant [M]: Thank you. This is very helpful.

Moderator [M]: Are there any other questions? It seems there are no further questions. This concludes our IR Day 2025. Thank you very much for attending our event today.

Question & Answer of Asia Session

Gibson [Q]: Again, David Gibson from MST.
In the past year or so, you've raised the prices for Sansan and Bill One for your new subscribers, but it appears you've been unable to do a price increase for the existing clients as they renew. Can you talk about, for both businesses, why do you think that you do not have pricing power for the existing customers? What are you doing about that event to improve that position going forward?

Hashimoto [A]: To the extent we sell the service, our understanding is like we sell the service to the mid-sized company or enterprise company. When we increase the price, we always have to have a negotiation with the customer. In that case, the negotiation takes some time, and we have to consume our resources to negotiate the price increase.

For us, having the growing business, it's much better to allocate more resources to get new customers rather than a price increase.

Gibson [Q]: To follow up, when do you think you're at that stage where you're putting more resources into the price increase, one; but two, also, you've enhanced the value that each customer gets, and hence convincing them that the price increase is something that there's value in that price increase.

Hashimoto [A]: What we usually do is like the best timing for the price increase is when we add a new option, new functions, and we refresh the pricing package. It's not necessarily the business status, but also, it's more in line with how we develop the service by ourselves.

Miyazaki [Q]: This is Miyazaki from Goldman Sachs.
Just would like to ask one question about the competitive note when leveraging the AI applications in your service. I think it seems that there are a lot of potential functional upgrades, particularly in the Sansan segment. To me, it seems like those applications leverage those data sets that are already stored in Sansan for a very long time. It seems like that data set is being a competitive moat for your company.
But just thinking about the moat going forward, do you think those data sets continue to be the moat for you? Or do you think, potentially, competitors can replicate a similar service by accessing your data sets or the other data sets that are stored in the other applications? I just want to hear your thoughts around the differentiation going forward.

Terada [A]: Okay. Thank you for the question. I'm going to answer that question.
Well, our strength is about digitization, meaning that accuracy, and make it a structured data. In talking about AI, data is critical. Data is everything. We provide accurate structured data in each service—Sansan, Bill One, Contract One. I would say that because of AI, we have different angles to sell or appeal Sansan's value.
Before that, Sansan is just a stand-alone contact management application, which, of course, can provide data to Salesforce or other systems in a particular set of use cases, but now, Sansan is starting to provide an MCP server, for example. That MCP server can be integrated with their clients' LLM so that they can now extract data from Sansan combined with Bill one, Contract One, or also with other systems. That this structured data accuracy, it really matters now.
To your point, yes, it is our moat, and it is something that we can add more value to it. We're going to provide a Sansan AI agent, which acts like an agent to extract the data from Sansan, from one contractor, and another system. This used to be just a concept to combine this data one together, but now, with AI and an MCP server and other sets of technology available out there, we can do that.
We are right now doing POC with many clients, several clients. It's going to be in the mainstream very soon, I believe. Yes, it's going to be our moat, and the accuracy and the structured data is going to matter more than before.

Yang [Q]: This is Luyuan Yang again from Morgan Stanley.
Completely understand that you are still in your current midterm financial policy, but just want to get if you have any thoughts, or what are your thoughts beyond this midterm plan, like top-line growth and profitability, if there's anything that you can share at this point?

Hashimoto [A]: Thank you very much for your question. Let me answer your question.

Yes, we are in the second year of our financial policy, and the financial policy explained how we perform in the P&L for the three years ending May 2027. We are on track with achieving that target for that Three-Year Plan. Further ahead, going after May 2027, we expect to continue to grow. That is first priority.
In order to do that, we keep some investment in human resources and marketing. After that, we aim to maintain a solid top-line growth rate as our near-term goal.
That is the target for now. For now, I think nothing is included in terms of inorganic growth.
Now, we are working on the product development, including GenAI, and we are looking for M&A opportunities, and we are trying to set up a new business. A lot of projects are going on. We cannot really foresee the exact number for the top-line growth rate ahead of May 2027, but we are pretty much committed to keep growing at a higher pace.
In terms of the profitability, based on our business model, we understand we have a very good operating leverage, as you can see for the past two years or maybe the next two years. That trend will continue. Even with the growth investment in marketing and human resources, we will be able to expand the profit margin for the next maybe three years' or five years' time frame. That is our view.

Julian [Q]: This is Julian from Sylebra Capital. I just have a quick follow-up to the previous Q&A session on Sansan AI.
You mentioned that you would be linking different services, like SAP, SaaS, and have a chatbot that can pull data from these different services linked with Sansan AI Agent as a center point. I was wondering if you can share any progress on negotiations with other service providers, other SaaS companies, in terms of putting the data from their databases because I would imagine they wouldn't really want other firms to have access to that. Can you share progress on that, the outlook there? Any challenges you're facing?

Terada [A]: Okay. I'm going to answer that question.
The MCP server thing is in the phase of POC with several clients right now. What we do is to integrate or extract data from our services first, then integrate that data with usually Salesforce or other systems that they have.
Accessing those systems, it's just the clients' acceptance required only. I mean, we don't need to negotiate with other vendors because they usually have API, and they can extract the data from their system because they are the owner of those systems. That's it.
I mean, every vendor, most of the vendors are now trying to catch up with the MCP interface. If they are all in place, I don't think we need to negotiate with them one by one, rather just use their MCP interface to integrate with ours.
Then, the way we integrate is going to be varied. I don't know yet the right form of integration, but now, with several clients, big enterprise clients, we provide our services as an MCP server so that they can extract data from their LLM, sometimes Copilot or sometimes ChatGPT.
Then, they can extract the data in a useful use case, like they can ask, “I'm going to meet with this client tomorrow, what should I know?” to Sansan’s MCP server. Then, Sansan’s MCP server can extract contacting information in the past, billing information in the past, contacting in the past, and maybe the deal information in Salesforce altogether in one node. That's how it is now.

Julian [Q]: I see. That's very clear.

In terms of monetization, when that's going to be more visible in the P&L, would we expect a significant impact during this midterm plan? Or should we maybe look at maybe a longer-term upside here?

Terada [A]: Right. Well, to be fair, I would say I don't know yet. Right now, the MCP server is provided in the POC, sometimes for free, sometimes for several charges. We are now in a discussion whether we should put this as an option, or we should just include this feature of MCP into the enterprise license or standard license. That's a discussion.
At least right now, I feel that it's going to be a very normal function required in the era of AI, but because of our data accuracy and structured data, this will help us sell Sansan more, or at least with a new scenario, because before that, we couldn't use AI scenario to sell Sansan.
But now, you invest in AI, you need to invest in data. You need to use Sansan to leverage on AI. We are starting to see that. In that sense, it's going to be reflected on our growth in the mid- to long-term range.

Julian [Q]: I see. Last question from me.
You just mentioned the importance of data and AI going forward. In terms of your future M&A strategy, should we expect maybe the acquisition of smaller competitors in different fields? Should we expect maybe M&A to reinforce your sales organization? Could you maybe share any ideas that you currently have for that?

Terada [A]: Well, M&A can only be made opportunistically. I mean, it's based on the opportunities. Right now, we seek a lot of opportunities both in data aspect and also in the SaaS aspect. I mean, process and data, both options are really possible.
Talking about data, there is no such player like Sansan. Actually, we provide SaaS products together with the data creation capability. That's really unique. That's one of our competitive advantages. In that sense, there is no such play on the market.
Probably, we're going to acquire SaaS-oriented small companies or, say, data itself. I mean, we purchase a lot of data from data vendors. They just create data. That's it, and they sell it for marketing purposes or credit purposes. We acquire those data from those vendors. Sometimes, it may be to acquire that company by itself. It could be both.

Yang [Q]: I just have a simple question. I think I understand that OCR technology is one of your competitive advantages for both Sansan and Bill One services, but I think with the development of AI, probably your competitors will catch up more easily on this technology. I want to get your thoughts on if this is going to create some threat to your competitive advantage? How do you think about removing such risk?

Terada [A]: Thank you for your question.
I would say the opposite. I mean, we can leverage AI technology, generative AI technology in the process of digitization. Thanks to that, one of our services successfully automated the digitization process in total. I mean, we couldn't imagine that before the era of AI.
Again, internally as well, for us to leverage on AI, we need data. Because we've been doing this digitization for 18 years, lots of data accumulated in our database so that we can use AI properly. Without that data in place, nobody can leverage on AI. That's how we see the technology.