

## **Sansan, Inc.**

Earnings Results Briefing for FY2021 Q1

October 8, 2021

## Event Summary

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[Company Name]	Sansan, Inc.	
[Company ID]	4443-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Earnings Results Briefing for FY2021 Q1	
[Fiscal Period]	FY2021 Q1	
[Date]	October 8, 2021	
[Number of Pages]	27	
[Time]	17:00 – 17:52 (Total: 52 minutes, Presentation: 15 minutes, Q&A: 37 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]	120	
[Number of Speakers]	1 Muneyuki Hashimoto                      Director, Executive Officer, CFO	
[Analyst Names]*	Takashi Miyazaki Leo Mochizuki Hiroshi Yamashina Ryotaro Sawada	Goldman Sachs Japan Co., Ltd. BofA Securities Japan Co., Ltd. Macquarie Capital Securities (Japan) Limited ACE Research Institute Co., Ltd.

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

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# Presentation

**Moderator:** Now it is time to begin the earnings results briefing for the first quarter of the fiscal year ending May 2022 of Sansan, Inc.

Today's presentation will use the financial results presentation materials. The same materials are also available on our IR website, so if you are attending by phone, please access the site.

Next, regarding today's time schedule, we will explain about the financial results overview for about 20 minutes. This will be followed by a question-and-answer session until 6:00 PM.

Now, today's speaker, Hashimoto, Director and CFO, will give an explanation.

## 1 Changes to Reporting Segments

### Changes to Reporting Segments

For purposes that include strengthening business promotion and our management system and promoting the understanding of the Group's business in the capital markets, from FY2021 (June 1, 2021), the accounting method of some services and the name of segments have been changed.

Before FY2020		From FY2021	
Segment Name	Main Components/Services	Segment Name	Main Components/Services
Sansan Business	<div>Sansan Data One Sansan Meishi Maker</div> <div>→ Overall earnings</div> <div>Bill One Sansan Seminar Manager Contract One</div> <div>→ Most of sales/Part of operating expenses</div>	Sansan/Bill One Business	<div>Sansan Data One Sansan Meishi Maker</div> <div>Bill One Sansan Seminar Manager Contract One</div> <div>→ Overall earnings</div>
Eight Business	<div>Eight logmi</div> <div>→ Overall earnings</div> <div>Bill One Sansan Seminar Manager Contract One</div> <div>→ Part of sales/operating expenses</div>	Eight Business	<div>Eight logmi</div> <div>→ Overall earnings</div>
Adjustments	<div>Elimination of Intra-company Transactions Corporate Expenses</div> <div>Bill One Sansan Seminar Manager Contract One</div> <div>→ Most of operating expenses</div>	Other	(Description omitted as accounts for only small proportion of consolidated earnings)
		Adjustments	<div>Elimination of Intra-company Transactions Corporate Expenses</div>

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**Hashimoto:** Thank you very much for participating in our financial results briefing today. I'm Hashimoto, CFO. Today, I will explain each of the 4 chapters in order.

First, I would like to talk about the change in reporting segments. Please see page 5.

Effective from the fiscal year ending May 31, 2022, the Company has changed its reportable segments. Previously, the 2 reportable segments were Sansan Business and Eight Business, but after changing the method of accounting for some services, they have been changed to Sansan/Bill One Business and Eight Business.

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The main changes are in the way sales and operating expenses are recorded for new services such as “Bill One,” an online invoice receiving solution; “Sansan Seminar Manager,” a B2B seminar management system; and “Contract One,” a cloud contract digitization service.

Previously, a portion of net sales and operating expenses for new services such as “Bill One,” “Sansan Seminar Manager,” and “Contract One” were allocated to each segment at a certain rate, and the majority of other operating expenses for these services were recorded as adjustments that were not allocated to each segment. After the change, all sales and operating expenses will be recorded in the Sansan/Bill One Business.

2 Consolidated Financial Results for FY2021 Q1

## Highlights of FY2021 Q1 Results

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### - Consolidated net sales increased by 25.4% year on year

Net Sales: Sansan/Bill One Business 23.9% growth, Eight Business 37.1% growth

ARR <sup>(1)</sup> : 23.9% growth to 17,095 million yen

### - Steady progress made against full-year earnings forecasts

No change to consolidated earnings forecasts announced at beginning of fiscal year

Decrease in operating profit due to personnel recruitment and strengthening of advertising activities, as planned

### - High growth of “Bill One” cloud-based billing service continued

MRR <sup>(2)</sup> has increased by 9,933.5% year on year to 34 million yen

Number of paid subscriptions has increased by 1,219.2% year on year

(1) Annual Recurring Revenue  
(2) Monthly Recurring Revenue  
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Next, I will explain the results for the first quarter. Please see page 7.

There are 3 highlights of the first quarter results.

First of all, consolidated net sales grew steadily by 25.4% YoY. In addition, ARR increased by 23.9% to JPY17.095 billion.

As for the second point, the first quarter results are progressing well against the full-year forecast. The decrease in operating profit is due to the hiring of human resources and promotion of advertising activities to achieve medium- to long-term growth and is in line with the investment plan.

The third point is about “Bill One,” an online invoice receiving solution. Bill One's MRR as of the end of August 2021 was JPY34 million, approximately 100 times higher than that of the same period last year, and the number of paid subscriptions continued to grow at a high rate of approximately 13 times.

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## Overview of Consolidated Financial Results

**Sales increased by 25.4% year on year, operating profit decreased due to execution of growth investments**  
**Profit at each stage under ordinary profit increased due to gain on sale of investment securities**

(millions of yen)	FY2020	FY2021	
Consolidated Results	Q1 Results	Q1 Results	YoY
Net Sales	3,667	4,597	+25.4%
Gross Profit	3,229	4,088	+26.6%
Gross Profit Margin	88.1%	88.9%	+0.8pt
Operating Profit	193	-102	—
Operating Profit Margin	5.3%	—	—
Ordinary Profit	101	754	+644.3%
Profit Attributable to Owners of Parent	85	652	+662.8%
EPS	2.75 yen	20.93 yen	+661.7%

Please see page 8. The consolidated financial results for the first quarter are as shown in the slide.

Despite the negative impact of the COVID-19 pandemic, sales were generally steady, increasing 25.4% YoY to JPY4,597 million.

In addition, as a result of executing various investments for medium- and long-term growth, operating profit decreased by JPY296 million from the same period of the previous fiscal year, and a loss of JPY102 million was recorded.

The large increase in ordinary profit and profit attributable to shareholders of parent was mainly due to the recording of JPY979 million in gain on sales of investment securities under non-operating income, as announced on July 19, 2021.

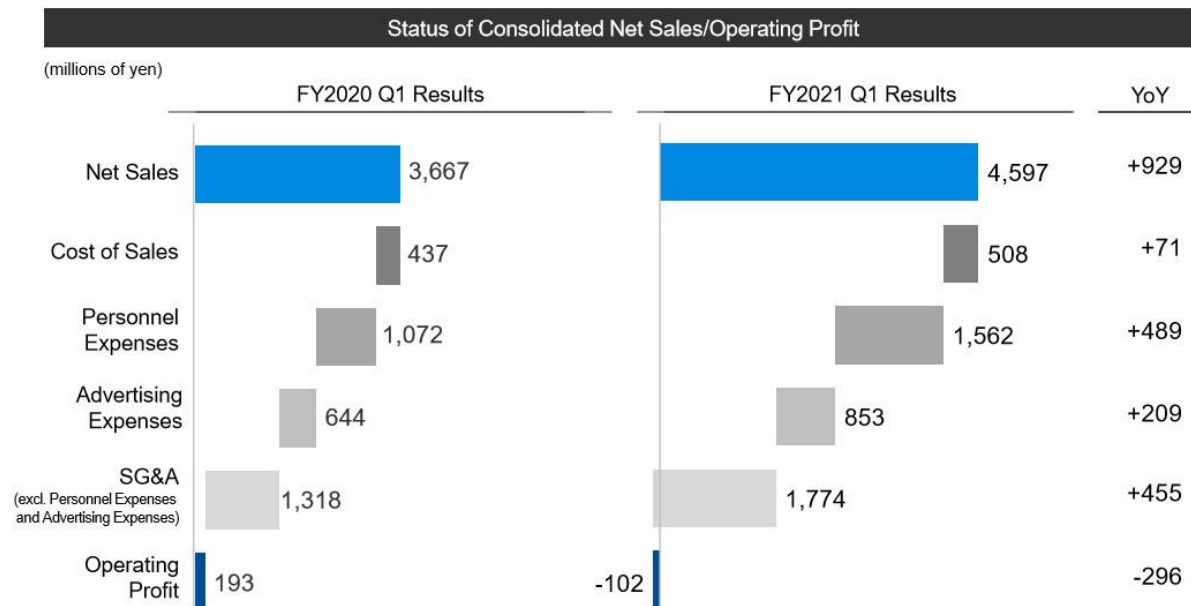
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## Factors Contributing to Changes in Consolidated Operating Profit

Personnel expenses increased by ¥489 million and advertising expenses increased by ¥209 million year on year, due to recruitment of human resources and strengthening of advertising activities, respectively



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Page 9 explains the factors behind the increase/decrease in consolidated operating profit.

In the first quarter, we made various investments in growth to accelerate the rate of sales growth in the medium to long term. Specifically, the number of consolidated employees increased by 268 from the same period of the previous fiscal year to 1,011, as a result of the continuous enhancement of company-wide recruitment since the previous fiscal year, and personnel expenses increased by JPY489 million from the same period of the previous fiscal year.

In addition, as a result of promoting marketing activities with “Sansan” and “Bill One,” advertising expenses increased by JPY209 million compared to the same period last year.

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## Results by Segment

**Sales increased in both Sansan/Bill One Business and Eight Business**

**Adjustment amount (operating loss) increased by ¥177 million year on year due to increase in the number of employees, etc.**

(millions of yen)	FY2020	FY2021	
Net Sales	Q1 Results	Q1 Results	YoY
Consolidated	3,667	4,597	+25.4%
Sansan/Bill One Business	3,357	4,160	+23.9%
Eight Business	309	424	+37.1%
Others	—	13	—
Adjustments	—	-1	—
Operating Profit			
Consolidated	193	-102	—
Sansan/Bill One Business	1,269	1,137	-10.4%
Eight Business	-193	-182	—
Others	—	2	—
Adjustments	-882	-1,059	—

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An overview of results by segment is shown on page 10.

Net sales increased in both the Sansan/Bill One Business and Eight Business. The main reason for the larger negative adjustment is the increase in various costs associated with the increase in personnel.

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## Sansan/Bill One Business Overview

**Sales increased by 23.9% year on year against the backdrop of steady growth of “Sansan” and “Bill One”**  
**Operating profit decreased 10.4% year on year due to recruitment of human resources and strengthening of “Bill One” advertising activities**

(millions of yen) Sansan/Bill One Business	FY2020	FY2021	
	Q1 Results	Q1 Results	YoY
Net Sales	3,357	4,160	+23.9%
“Sansan”	3,357	4,068	+21.2%
“Sansan” Recurring Sales <sup>(1)</sup>	3,199	3,899	+21.9%
“Sansan” Other Sales	157	169	+7.4%
“Bill One”	0	89	+15,825.4%
Others	0	2	+871.5%
Operating Profit	1,269	1,137	-10.4%
Operating Profit Margin	37.8%	27.3%	-10.5pt

(1) Fixed revenue with regard to “Sansan” (unaudited)

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I will explain the results by segment. Please see page 11.

First, let's talk about the achievements of the Sansan/Bill One Business.

Net sales increased 23.9% YoY to JPY4,160 million on the back of steady growth in “Sansan” and “Bill One.”

At Sansan, although the Company continued to be negatively impacted by the COVID-19 disaster, the impact has run its course from a YoY perspective, resulting in a slight recovery in the growth rate of recurring and other sales. In “Bill One,” sales continued to grow at a high rate, increasing 159 times compared to the same period last year.

Operating profit decreased 10.4% YoY to JPY1,137 million due to an increase in personnel expenses from the hiring of human resources and an increase in advertising expenses from the strengthening of marketing activities for “Sansan” and “Bill One.”

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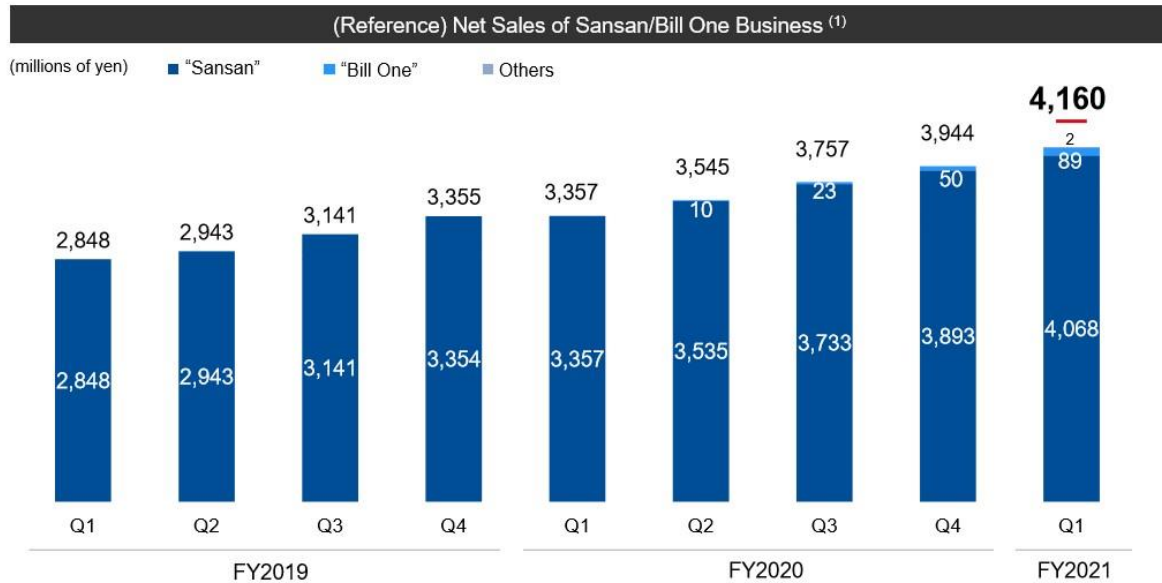
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## Sansan/Bill One Business: (Reference) Changes of Net Sales

In addition to steady growth of “Sansan”, “Bill One” performance has contributed in earnest from Q2 of FY2020



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Page 12, for your reference, is a graph showing the quarterly sales trends in the new Sansan/Bill One Business category.

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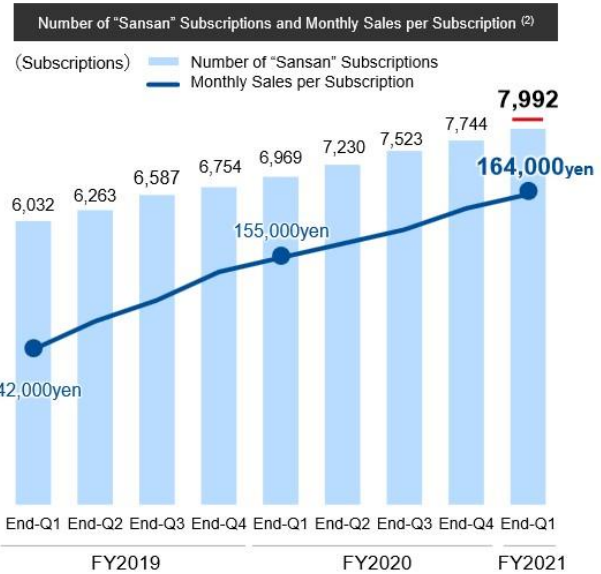
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## Sansan/Bill One Business: "Sansan" Recurring Sales / Number of "Sansan" Subscriptions and Monthly Sales per Subscriptions

Recurring sales steadily increased by 21.9% year on year

Number of subscriptions increased by 14.7% year on year and monthly recurring sales per subscription increased by 5.8% year on year



(1) Numerical values (reference values) simply rearranged in accordance with new reporting segments

(2) "Sansan" recurring monthly sales results for end of each quarter (Changes to values calculated from "Sansan" recurring sales only, unaudited)

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Then, please see page 13.

"Sansan" recurring sales increased by 21.9% YoY due to the steady accumulation of "Sansan" subscriptions and the low churn rate.

The number of "Sansan" subscriptions increased by 14.7% to 7,992 compared to the end of the same period last year, and the monthly recurring sales per subscription increased by 5.8% compared to the same period last year.

In the past, the monthly sales per contract were calculated using the sales of the entire Sansan Business for each quarter-end month, but from the documents for this period, the figures have been changed to be calculated using only the recurring sales of "Sansan" for each quarter-end month.

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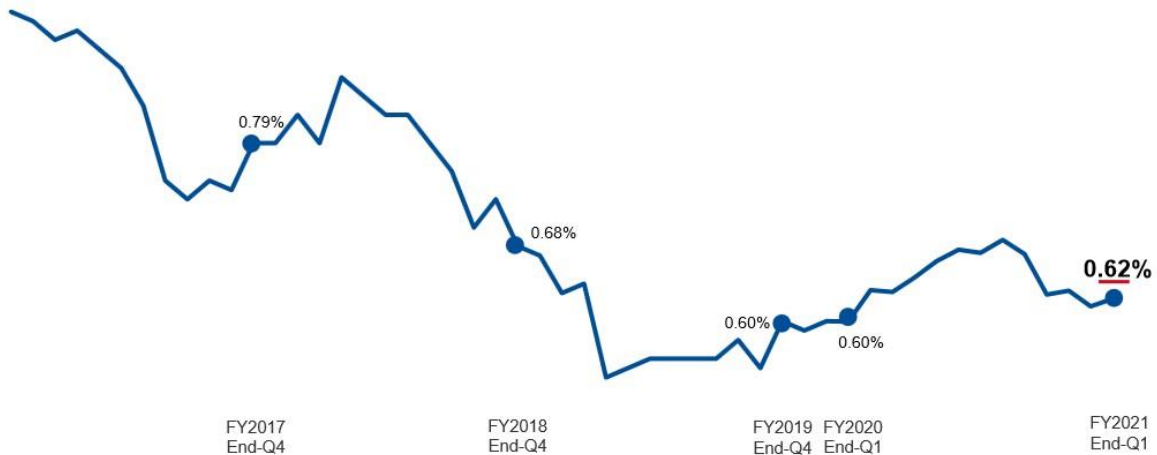
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## Sansan/Bill One Business: Last 12 Months Average of Monthly Churn Rate for "Sansan"

Last 12 months average of monthly churn rate has remained low at less than 1%

Last 12 Months Average of Monthly Churn Rate for "Sansan" (1)



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

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Sansan's average monthly churn rate for the last 12 months is shown on page 14.

By implementing various initiatives, we continue to maintain a low level of less than 1%.

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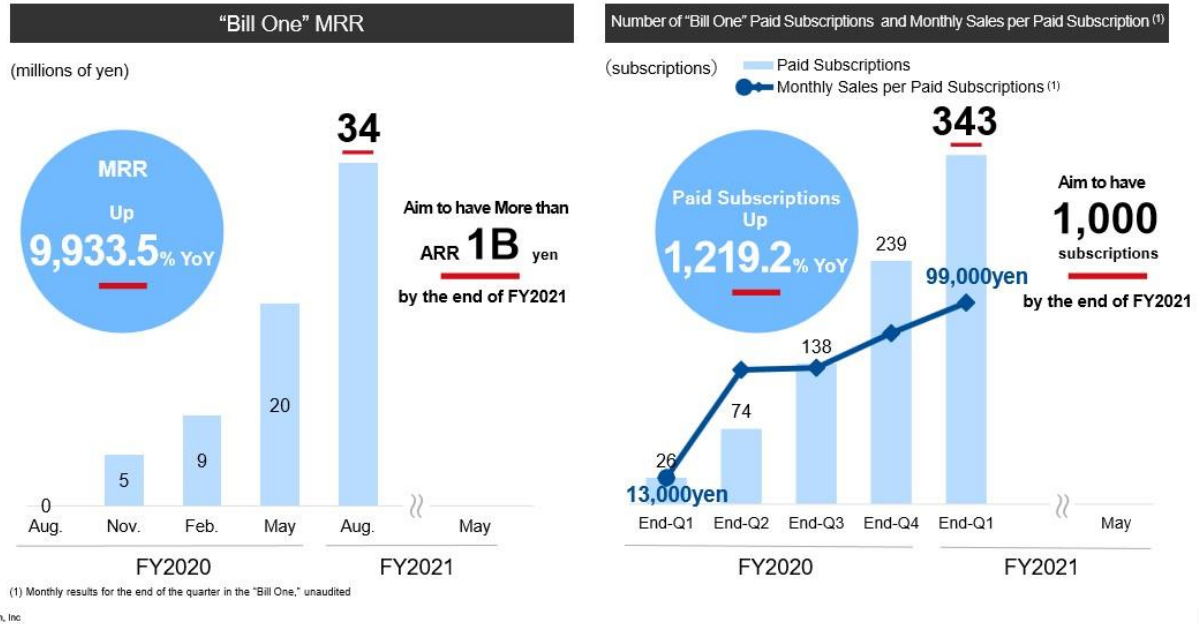
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## Sansan/Bill One Business: "Bill One" MRR / Number of "Bill One" Paid Subscriptions and Monthly Sales per Paid Subscription

MRR has increased by 9,933.5% to ¥34 million year on year, and we are aiming for ARR of ¥1 billion or more by end of May 2022

Number of paid subscriptions increased by 1,219.2%, and monthly sales per paid subscription increased by 661.5% year on year



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Page 15 shows Bill One's MRR and the number of paid subscriptions.

Bill One's MRR as of the end of August 2021 was JPY34 million, approximately 100 times higher than that of the same period last year, due to progress in acquiring new contracts from major companies.

The number of paid subscriptions to "Bill One" increased by about 13 times to 343 compared to the end of the same period last year, and monthly sales per paid subscription increased by about 7.6 times to JPY99,000 compared to the same period last year.

At present, we are aiming for an ARR of JPY1 billion or more and 1,000 paid subscriptions by the end of May 2022.

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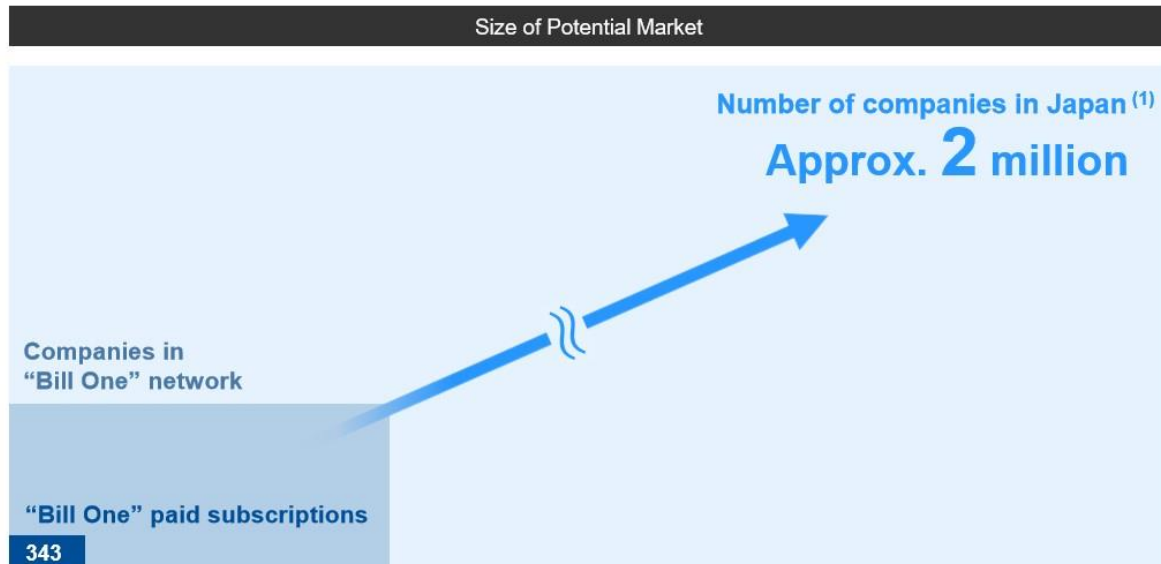
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## Sansan/Bill One Business: Size of Potential Market for “Bill One”

### Vast potential market in Japan



(1) the number based on Economic Census for Business Activity in 2010 issued by the Statistics Bureau.

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Page 16 shows the results and potential market size of “Bill One.”

Regarding the concept of TAM, the dark blue in the graph represents the number of “Bill One” paid subscriptions at the end of the quarter, the adjacent light blue represents the number of companies participating in the network, including companies that send invoices, and the large light blue square represents the number of companies in Japan that we are targeting.

As you can see, there is a vast amount of room for development in Japan, and the number of companies participating in the “Bill One” network is a model that will expand even more than the number of “Bill One” users, since there are multiple senders for each user. As a result, the number of contacts with companies is expected to increase at an accelerated rate.

In Japan, the public and private sectors are working together to revise the Act on Special Provisions concerning Preservation Methods for Books and Documents Related to National Tax Prepared by Means of Computers and introduce an invoice system, and we believe that this environment will act as a tailwind for the spread and expansion of “Bill One.”

The Group has been actively exchanging opinions with member companies and organizations of the E-Invoice Promotion Association in preparation for the introduction of the electronic invoice system, which is expected to be implemented in October 2023, and in September 2021, the Group was appointed as the secretariat of the Association.

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## Eight Business Overview

**Sales increased by 37.1% year on year due to the expansion of B2B services**

**Operating loss shrank due to the increase in net sales**

(millions of yen)	FY2020	FY2021	
	Q1 Results	Q1 Results	YoY
<b>Eight Business</b>			
Net Sales	309	424	+37.1%
B2C Services	74	71	-4.3%
B2B Services	234	352	+50.2%
Operating Profit	-193	-182	—
Operating Profit Margin	—	—	—
Number of “Eight” Users <sup>(1)</sup>	2.76 million people	2.96 million people	+0.20 million people
Number of “Eight Company Premium” Subscriptions	1,757 subscriptions	2,342 subscriptions	+33.3%

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

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Next, please refer to page 17 for the results of the Eight Business.

Net sales increased 37.1% YoY to JPY424 million, driven by growth in B2B services.

Operating profit was negative JPY182 million due to the increase in net sales, narrowing the deficit.

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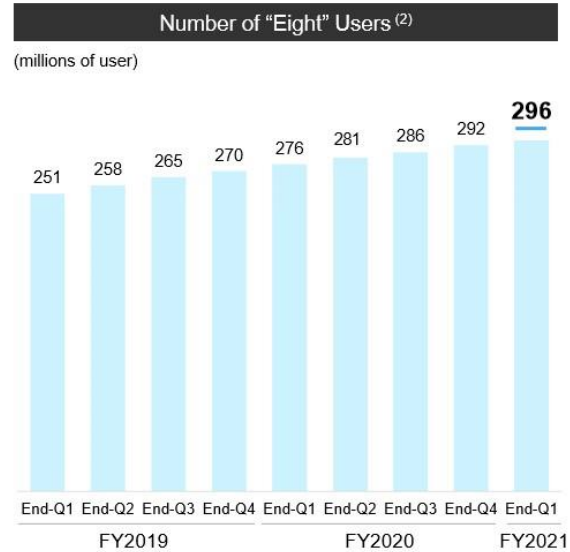
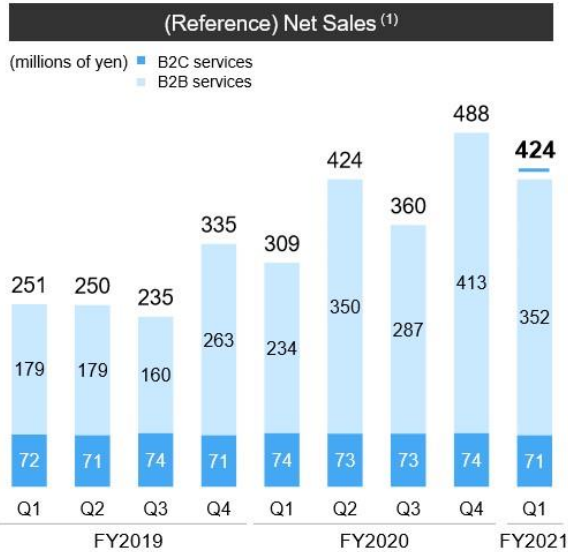
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## Eight Business: (Reference) Net Sales/“Eight” Users

**B2B services sales increased 50.2% year on year**  
**Continued growth of number of “Eight” users**



(1) Numerical values (reference values) simply rearranged in accordance with new reporting segments

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

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Page 18 shows the sales figures and the number of “Eight” users.

B2B service sales increased by 50.2% YoY due to continued strong growth in business card management services, advertising services, and recruiting services for businesses, as well as the contribution of logmi, Inc. which became a consolidated subsidiary in August 2020.

The decrease in sales compared to the fourth quarter of the previous fiscal year is due to the fact that the business event “Climbers,” which was held in the fourth quarter of the previous fiscal year, was not held in the current quarter. The next “Climbers,” the third one, is scheduled to be held in November.

The number of users of “Eight” steadily expanded to 2.96 million, an increase of 0.2 million from the end of the same period last year.

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## Topics

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### - **Stock Split**

Method: Split at 1:4 ratio of shares to common shares

Record date: November 30, 2021 (Tuesday)

Effective date: December 1, 2021 (Wednesday)

### - **Selection of “Prime Market” New Market Category**

Confirmed compliance with listing maintenance criteria for the “Prime Market” in new market segment

Resolution with regard to Prime Market selection passed at Board of Directors’ meeting held on October 8, 2021

### - **Efforts to Strengthen Governance**

Ms. Toko Shiotsuki newly appointed as outside director (independent officer) in August 2021

With regard to directors of the Company, the ratio of outside directors is 44.4%, of independent officers 33.3%, of directors who are women 22.2%

Next is an explanation of management topics. See page 20.

We have 3 management topics.

The first point is about stock splits. For the purpose of improving the liquidity of the Company's shares and expanding the investor base by lowering the amount per investment unit, the Company has decided to conduct a 4-for-1 common stock split effective December 1, 2021.

The second point is the selection of a new market segment, the prime market. As of July 9, 2021, we have received the results from the Tokyo Stock Exchange stating that we are meeting the criteria for maintaining the listing on the Prime Market, and we will proceed with the prescribed procedures based on the established schedule.

Thirdly, I would like to introduce one of our initiatives to strengthen corporate governance, which you have already heard about. In August 2021, we welcomed Ms. Shiotsuki as Independent Outside Director, who has a wide range of insights on accounting, auditing, legal affairs, etc. As a result, the ratio of Outside Directors, Independent Directors, and female directors on our Board of Directors is 44.4%, 33.3%, and 22.2%, respectively.

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## Consolidated Financial Forecasts

**No change to consolidated earnings forecast announced at beginning of fiscal year**  
**Aiming to maximize medium- to long-term sales growth rate by making agile and flexible investments**

(millions of yen)	FY2020	FY2021	
	Full-year Results	Full-year Forecasts	YoY
Consolidated Forecasts			
Net Sales	16,184	20,230 ~20,716	+25.0% ~+28.0%
Operating Profit	736	450 ~800	-38.9% ~+8.6%

(1) We also expect to record a surplus in ordinary profit and profit attributable to owners of parent, but currently we are in a phase of actively investing to maximize shareholder value and corporate value over the medium to long term. Additionally, since it is difficult to reasonably estimate some non-operating income and loss, we have not disclosed specific forecast figures.  
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Finally, I would like to explain our full-year business forecast. Please see page 22.

Although the declaration of the state of emergency was lifted in October, it is uncertain whether the COVID-19 pandemic will be brought under control in the second quarter and beyond. As the business environment remains uncertain, it is expected that companies will become more cautious in their investment behavior and mindset, and mainly the negative impact on acquiring new contracts for “Sansan” will continue.

Therefore, at this time, we do not foresee any major changes in the trend of our current business performance, and there is no change in the full-year business forecast announced at the beginning of the fiscal year.

As a result of the change in reporting segments, the full-year forecast for net sales by segment has been changed from approximately 24% to 28% for the Sansan/Bill One Business and from approximately 23% to 27% for the Eight business compared to the same period last year.

This concludes the presentation. Thank you very much.

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## Question & Answer

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**Moderator:** We will now begin the question-and-answer session.

The content of today's Q&A session will be published in written form. If you wish to keep your company name and your name private, please ask to keep them anonymous. If you would like to ask a question via the web, please change your registered name to any 4 alphabet letters.

We would like to take questions from as many participants as possible, so we will limit the number of questions to 2 per person at a time. If you have more than 3 questions, please raise your hand again.

Now, does anyone have any questions?

Mr. Miyazaki, please go ahead.

**Miyazaki:** Thank you very much. My name is Miyazaki from Goldman Sachs. Thank you for your explanation. I would like to ask 2 questions.

The first is about the cost. On page 9 of the document, is the overall cost in line with the plan, and what should we expect the cost to be like after the second quarter compared to the first quarter? The growth in cost of sales seems to be low compared to the growth in net sales, so has there been any change in the way the cost of sales is calculated in the business? This cost-related question is the first one to ask.

The other one is about "Bill One," of which you have further added disclosure in detail, and I would like to ask you about its results compared to the original plan. In particular, you said that you are aiming for 1,000 subscriptions at the end of this fiscal year, with an ARPU of JPY100,000 and an ARR of JPY1 billion. So, how likely do you think that you can increase to 1,000 from 343? Can we expect ARPU, which is already JPY99,000, to go beyond JPY100,000? I would like to ask you these 2 things about "Bill One."

**Hashimoto:** Thank you very much.

Regarding the first point, please refer to page 9 of the material, and I would like to explain the cost of sales, personnel expenses, and advertising expenses separately.

First of all, in the area of cost of sales, the cost ratio has improved slightly, but there are no major factors in the Sansan/Bill One Business, so I don't think there are any major factors. However, in the Eight Business, for example, if we hold a large event, there will be a certain amount of depreciation costs associated with it, so I think that will make the cost increase slightly.

So, I guess it depends on which period you are comparing, and for example, compared to the most recent 4Q of the last fiscal year, we had a big event in 4Q, so I think the cost of sales increased a little bit in 4Q because we had a big event. Other than that, there are no major changes in cost.

Regarding advertising expenses, we had originally planned to spend a little more on advertising in the first quarter. However, unfortunately, due to the prolonged state of emergency caused by COVID-19, we had to reduce the volume of TV commercials and advertising activities. We weren't able to invest as much as we thought. We didn't want it to be like watering the desert, so we went a little conservative.

So, we originally thought that the deficit would be a bit larger, but it was not as large as we thought, which resulted in an increase in operating profit.

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We expect advertising expenses to fall in between JPY3 billion and JPY4 billion for the full year, but there is no change in the budget for the full year, and we would like to make solid investments in 2Q, 3Q, and 4Q.

Another major cost is personnel expenses, which are also almost in line with the plan. The number of employees has increased by more than 30%, and we would like to increase the salary per employee, so from the perspective of this plan, we are almost on track to meet our targets.

This is the answer to the first question.

For the second question, “Bill One,” we are targeting an ARR of JPY1 billion and 1,000 paid subscriptions as of the end of this fiscal year. The most recent number is 343, so it will be difficult to reach 1,000 without increasing the number. I believe that we will be able to reach this level if we work hard, as we have been experiencing a tailwind recently. I would like to achieve the JPY1 billion and 1,000 subscriptions.

As for the ARPU, “Bill One” is still a small business, and it varies greatly depending on whether we can get one large contract or not, so it is difficult to say what the sales per subscription will be. But we are steadily getting to the point where we can enter the enterprise market from S, M, and so on. I think that ARPU will also increase. In that sense, the latest figure is JPY99,000, but I have a feeling that we can increase the figure further.

**Miyazaki:** Thank you very much.

**Moderator:** Does anyone have any other questions?

Well, thank you again, Mr. Miyazaki.

**Miyazaki:** I'm sorry for a series of questions.

I would like to confirm what you said at the end. I remember that you said that by changing the way you divided the segments, Sansan's net sales forecast changed from 24% to 28% increase and Bill One's from 23% to 27% increase.

One of the things I would like to ask is whether this figure is correct or not, and I think I might have misheard you when you said that there would be an increase in both, so I would like to ask you once again to explain the difference in assumptions about how your company's growth will be affected by the change in segments in the full-year plan.

One more thing about Sansan is that the declaration of the state of emergency was lifted in October, and I think that economic activities and the flow of people will return to a certain degree. Do you expect that this will have a positive impact on Sansan's sales activities and pay-as-you-go income? I was wondering if you could tell me if there is any kind of difference between what you originally saw in the plan.

I would like to ask for your explanation for these 2 things.

**Hashimoto:** Thank you very much.

As for the first point, I'm afraid that it is a little complicated, but the biggest change in the sales of the segment is that the “Bill One”, which used to be recorded separately in Sansan and Eight Business, will now be recorded together in the Sansan/Bill One Business.

When we originally announced our financial results at the beginning of the fiscal year in July, we forecasted a 24% to 27% increase in sales for the Sansan Business before the segment change, but with the segment change,

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all sales of “Bill One” are recorded in the Sansan/Bill One Business, so we have revised our forecast from a 24% increase to a 28% increase.

Therefore, when rounded off, the lower limit of 24 remains the same, but the upper limit has increased from 27 to 28 due to the transfer of “Bill One” to the Sansan/Bill One Business.

As for the forecast for the Eight Business, we have not given specific figures, but I explained the figures this time because I was able to estimate the difference.

This is the answer to the question about the plan and forecast.

As for your second question, I think the environment has changed quite drastically since October 1. In August and September, which were still under the state of emergency, the number of business cards captured during that period was roughly 10% higher than the same period in the previous FY2020. One year ago, in June, July, and August of 2020, the declaration of the state of emergency had been lifted, but we still had the impact of the COVID-19 pandemic to some extent.

Compared to 2 years ago, in 2019, the level continued to be a negative 10% to 20%, so in light of the increase in the number of customers and users, I think the level of June, July, August, and September is still low and stagnant in terms of business card exchange volume and the number of cards captured.

I think it is quite early to make a judgment but looking at the number of images captured during the past week, the number of business cards captured has increased at a level that is clearly different from the level in September, so I think this is a positive sign. As the number of business cards exchanged increases dramatically, I believe that the needs for the “Sansan” service will increase as well. Therefore, I am not so pessimistic about it, and I think it is a bright sign.

**Miyazaki:** Thank you very much. Is that increase included in the range that you just told us about? Or is there likely to be momentum to move above what you are seeing, since the situation has changed? If you have any idea, can you give us a rough image of it?

**Hashimoto:** When we originally announced our forecast and guidance at the beginning of the fiscal year, we assumed that vaccination would become more widely available, and that economic recovery would become apparent at an early stage. So, we had a bit more of an optimistic outlook.

However, since the announcement of our financial results in July, it became generally accepted that vaccination would not solve everything, and the lift of the emergency declaration was postponed, so we do not necessarily feel that we have exceeded our forecast or our original plan.

However, our latest assessment is that the number of business cards exchanged will be within the expected range, or rather, within the range of the number of business cards we had planned to exchange.

**Miyazaki:** Thank you very much. I understand very well.

**Moderator:** Does anyone have any other questions?

Mr. Kaneko, please go ahead.

**Kaneko:** Thank you. I'm Kaneko from Sumitomo Mitsui DS Asset.

My question is like a continuation of Mr. Miyazaki's one earlier, but with regard to the volume of business cards exchanged in the Sansan business, you sometimes said that exchanging business cards online is difficult to make a habit of and that you recognize it as a challenge.

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Since a lot of time has passed, I would appreciate it if you could share your idea with us about whether there are any changes in the volume of online exchanges or changes in the way they are used.

**Hashimoto:** Thank you very much.

To be frank, unfortunately, due partly to lack of our effort, "Virtual Cards" exchange has not yet become a major way to exchange business cards, and in fact, as the number tells us, of the small volume of business cards exchanged, the percentage that is exchanged online is not that large.

However, we feel that the number is increasing little by little, so we will continue to appeal the convenience to our existing customers, and from the product development point of view, we will continue to build up things such as integration with "Teams" and "Google Calendar" to increase the number of "Virtual Cards" exchanged as much as possible. We will have to work on these initiatives for a long period of time.

**Kaneko:** I understand. Does it still take a lot of time on this area?

**Hashimoto:** That's right. I think so.

**Kaneko:** Also, I think it's very good news to hear that the number of business cards exchanged in person started to increase in October. In terms of sales activities, since October, the number of Sansan sales staff has been increasing, and as a result, has the number of contacts been increasing as well? It's only the beginning of October, though.

**Hashimoto:** I haven't felt that big of a change yet.

However, while this is the case with "Sansan" "Bill One" has a scheduled legal revision coming up, so I think now is the time to focus on it. In order to do so, we are extremely active in sales activities.

**Kaneko:** I understand. Thank you. That's all from me.

**Moderator:** Now then, Mr. Mochizuki, please go ahead.

**Mochizuki:** This is Mochizuki from BofA Securities. Thank you for your explanation. I would like to ask 2 points.

Regarding the number of subscriptions in 1Q, what were the factors that pushed up ARPU, or sales per subscription? For example, did the options have a positive effect, or did it grow because you were able to acquire a large-scale customer? Can you give us a breakdown of that growth? Thank you.

**Hashimoto:** I don't have any concrete figures at hand, but I don't feel that any 1 factor was very effective. 1 factor is that ARPU has been increasing due to the increase in the number of large enterprise customers since the past, another factor is that ARPU has been increasing due to the fact that more and more people within the same company are using the service, and another factor is that the options are gradually being expanded and used. I feel that the combination of these 3 factors has finally resulted in an increase in ARPU of a little over 5%.

Among the upsell options, I think that the fact that the antisocial forces check option, which has been available for some time, is now being offered for a fee is relatively significant, but it does not account for a huge part of the increase in ARPU. It is a combination of various factors.

**Mochizuki:** Thank you very much.

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Secondly, you explained that you did not spend as much as expected on advertising in the first quarter. In particular, in the example you mentioned earlier, you did not spend much on TV commercials. Are there any other specific areas where you did not spend much on advertising?

**Hashimoto:** I think it's mainly TV commercials. In that sense, we sponsored a golf tournament at the end of August, but it's not that we were able to do all of the projects we had planned, so as a result, we were able to reduce our costs a little. I feel that the costs were compressed due to the golf tournament project and the TV commercials.

**Mochizuki:** Just to confirm, you are planning to use a little more of this in 2Q, 3Q, and 4Q, aren't you?

**Hashimoto:** That's right. There are a variety of measures in different forms that can be taken for advertising expenses. I would like to invest in them as advertising expenses and as an investment in growth.

**Mochizuki:** Thank you very much. That's all.

**Moderator:** Does anyone have any other questions?

Mr. Sawada, please go ahead.

**Sawada:** My name is Sawada from Ace Research Institute. Thank you. Since this is my first time, I would like to ask you 2 basic questions.

First of all, I would like to know details about how you engage in sales activities. Is your company's sales method tech touch or high touch? Also, I would like to know how to acquire leads, and the process from there on. So, I would like to ask you about the actual sales process. This is my first question.

Secondly, what do you recognize as the bottleneck of your company's growth? Earlier, you explained that you reduced marketing activities a little. Are they things like creating products that can be marketed, raising awareness, or increasing conversions? What are the current bottlenecks in increasing the probability of growth?

I would like to know these 2 points. Thank you.

**Hashimoto:** Thank you very much.

The first point is that I think the sales process varies considerably depending on the customer base. For large enterprises, it is difficult to use tech touch, so sales staff stick to customers and visit them over and over, contacting their IT, information system, and general affairs departments, and so on. This is the image. So, naturally, it takes time and man-hours, but the sales per unit is high.

On the other hand, for small-scale customers, such as those with a monthly ARPU of JPY50,000, it is not economically feasible to assign a single salesperson to them, so our approach will be more like tech touch.

However, it doesn't mean like the products left on the shelves will automatically sell before you know, so if you get a solid lead, you will naturally have to explain the product to the customer or visit the customer to conduct sales activities. What we actually do is different for each customer, but in the end, we are still selling solutions, so rather than selling automatically, we are selling with a lot of work.

I think this is a rather common process before the sales process, and I think we do mass marketing, hold seminars, sponsor golf tournaments, etc. to increase our name recognition and increase the number of leads, extract high quality leads from those leads, and then convert those leads into business negotiations. We're

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trying to develop a SaaS business model by gathering know-how on how to send out messages, when to make inside sales calls, and how to make those conversions higher.

Regarding the second point, the bottleneck for growth, frankly speaking, I think the biggest bottleneck right now is the external environment. Although the “Bill One” is growing, our main business is the “Sansan”. Now, in this environment, things have changed somewhat since the beginning of October. Under the state of emergency, even if we encourage customers to use our business card exchange service, they often say that they do not exchange business cards under the circumstances and that there is no need.

This becomes a bottleneck. Although the product is convenient, of course, we have often failed to get orders because it is not necessary right now. This is the major bottleneck coming from the external environment.

On the other hand, if there is a bottleneck as an internal factor, I must point out that we have recently increased our workforce considerably, so we need to figure out how to onboard our staff, or how to train them and make them more capable. In particular, during the declaration of an emergency situation, we had to work remotely to some extent, and there were many things that we could not communicate or teach without face-to-face contact, so I think there were some areas of education that did not go smoothly.

The workplace and working environment will change from October onwards, so I would like to create a system that will allow the newly hired staff to deliver solid results. I'm hoping to eliminate that bottleneck.

**Sawada:** I have a very good understanding of this. Thank you very much.

**Moderator:** Now, Mr. Yamashina, please go ahead.

**Yamashina:** This is Yamashina from Macquarie. Thank you.

I'm afraid that this is a very detailed thing, but I would like to ask whether there have been any changes in the public sector. In the release, there were stories about Kamaishi City and other cities, but I would like to know if there is any movement in the situation of local governments and if you have any observation that there will be any changes in the new Kishida administration, including around the Digital Agency. Thank you.

**Hashimoto:** I think the answer is that there is no particular change. We have continued to focus on the public sector and create a dedicated team to conduct sales activities, but there has not been any major progress, and we are conducting sales activities smoothly.

I don't think there will be any significant changes due to the change of government or around the Digital Agency. Naturally, there is no change in the government's efforts to promote digitalization and DX, with a focus on small and medium-sized companies, so I think we need to keep up with these efforts, including Bill One and Sansan, so that we are not left behind. However, I don't think there are any specific subsidies, regulatory changes, or governmental pushes that are expected to have a concrete impact on our business performance at this time.

**Yamashina:** I understand. Thank you.

**Moderator:** Does anyone have any other questions?

Mr. Kaneko, please go ahead.

**Kaneko:** Excuse me, again.

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You explained that the number of “Bill One” subscriptions at the end of the fiscal year is 1,000, which is not an impossible goal. In terms of the acquisition pace, I think from the first quarter, it should go up quite fast from the second quarter onward.

The drivers of the increase in the number of subscriptions, for example, the increase in the number of salespeople, the growth in the number of subscriptions per person, or the number of agents. If you have any suggestions or a rough image on how to break down that growth at this point in time in aiming for 1,000 subscriptions, I would appreciate it.

**Hashimoto:** Thank you very much.

This may be similar to what I said earlier about bottlenecks, but of course we do everything we can to increase the number of subscriptions, but I think the most effective way is to utilize the resources of our current sales staff.

As of July 1, we have changed to a system where one, integrated sales and marketing team can sell both “Sansan” and “Bill One.” Until that time, “Sansan” and “Bill One” had had their own sales teams.

So, the people who used to be in charge of “Sansan” sales can now be in charge of “Bill One” sales, and we will train them as early as possible, and make them skilled so that they are familiar to the “Bill One” product and become able to explain it to attract customers' attention. That's where I think it will work best, and that's what I'm rushing to do now.

“Bill One” is a product that is more tied to specific business operations than “Sansan.” So, I think we need to explain to our customers how to use it, and I think it's a more specialized field. It's not that easy, but by educating them well, they will be able to make full use of the resources they have, increase the utilization rate, and improve the quality. I have a feeling that this will be a driver to increase the number of subscriptions.

In addition, we have a number of other measures such as partner sales, but I don't think they are that special because we are doing them to increase the number of subscriptions in all areas.

**Kaneko:** Are there any “Sansan” sales members who have already achieved sales results with “Bill One”?

**Hashimoto:** Yes. Even if they don't reach a deal, for example, the “Sansan” salesperson may work up to this phase, and then someone who knows more about “Bill One” may continue. There is also a pattern of doing “Sansan” sales until the end. There are many combinations, but even those who have only worked with “Sansan” are certainly able to contribute to “Bill One” orders.

**Kaneko:** If a customer already has an account with “Sansan,” is it easier to sell “Bill One”? Or that's not really the point?

**Hashimoto:** I think it will be effective in the sense that we already have contact with them because they are our customers, so it will be easier for us to sell to them. However, when you compare the actual users, the customers who use both “Sansan” and “Bill One” are not the majority of “Bill One” users, so I don't think those users are overlapping.

**Kaneko:** Will it be a little different depending on sales contact type? Like HR and accounting.

**Hashimoto:** You are right.

**Kaneko:** I understand. I got it now. Thank you very much.

**Moderator:** Now, Mr. Miyazaki, please go ahead.

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**Miyazaki:** I'm Miyazaki from Goldman Sachs. This is the third time. Thank you.

I would like to ask you about “Bill One.” First of all, I think your company has been offering low-cost or free services to small-scale customers. Excluding those services, you have been aiming for 1,000 customers, and I think you have more than 300 customers now. To what extent are they using the services that you have offered to broaden your customer base?

In that context, you mentioned that there is a potential of several million in the ultimate TAM-like picture, but I think that this also includes a segment of the population that will not become paying users in the end, so I would like to sort out and confirm your thinking on this once again.

With the tailwind blowing, as you mentioned, I have heard that there are a number of enterprises and medium-sized companies that are using systems that they have developed in-house to digitize their documentation.

Do you think that you can consolidate those systems into “Bill One” more and more, or there will be competitors as the base expands, or there will be an increase in the number of people who use these self-developed services for simplicity and convenience, and eventually there will be areas that “Bill One” will not be able to capture? What are your thoughts on such risks? Thank you.

**Hashimoto:** Thank you very much.

There is a slide showing that there are 2 million companies in the “Bill One” market in Japan, but I'm not sure if all of those 2 million companies use the “Bill One” service. Of course, companies who don't receive so many invoices may not have such a need.

Since we announced the free plan this year, we haven't been marketing the free plan aggressively. However, there have been many cases where people have actually used the system in the wake of the free plan and found it useful and decided to use it company-wide. In that sense, I think the plan has made a great contribution.

In the first place, I think it would be difficult to develop such a service in-house, given its design and nature. As far as the invoicing service and sending function is concerned, I think it can probably be developed sufficiently in-house. However, in order to develop the receiving function in-house, you naturally need to request the sender that it should be sent in a specific way.

For example, I think it is possible for large companies like Toyota, Hitachi, Sony, etc. to ask their business partners to do so, and I think it is also possible for public institutions like the Tokyo Stock Exchange, Ministry of Economy, Trade and Industry, etc. to ask senders to send invoices in a specific format.

Generally speaking, it's not easy for a company to ask to send an invoice in a specific format, so companies sending an invoice will wonder why they have to do this for this company, and why they have to do it only for this company. So, I think it would be easier for them to decide to use Bill One instead.

If there is 1 more point, I think it is important to provide “Bill One” services and create a strong network. We are currently providing services on the receiving side, but there are many companies on the sending side, so if we can make good use of the value of this network and create new value-added services, I feel that we can still provide new and innovative services. So, I would like to strategically work on this as an issue for future business development.

**Miyazaki:** I understand very well. Thank you.

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**Moderator:** Does anyone have any other questions?

As there appear to be no further questions, I would like to conclude the financial results briefing.

Thank you very much for joining us today.

[END]

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