

## **Sansan, Inc.**

Earnings Results Briefing for FY2023 Q3

April 12, 2024

## Event Summary

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<b>[Company Name]</b>	Sansan, Inc.
<b>[Company ID]</b>	4443-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Earnings Results Briefing for FY2023 Q3
<b>[Fiscal Period]</b>	FY2024 Q3
<b>[Date]</b>	April 12, 2024
<b>[Number of Pages]</b>	20
<b>[Time]</b>	10:00 – 10:37 (Total: 37 minutes, Presentation: 13 minutes, Q&A: 24 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	1 Muneyuki Hashimoto                      Director, Executive Officer, CFO

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# Presentation

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**Moderator:** Now that the time has come, we will begin the presentation of the financial results of Sansan, Inc. for Q3 of the fiscal year ending May 31, 2024. We will give a presentation using the financial results presentation materials. We will be sharing screens via Zoom, but if you are joining us by phone, please visit our IR website to view the materials.

Next, today's time schedule. Mr. Hashimoto, CFO and Director of the Company, will give a presentation of approximately 15 minutes on the financial results, then we will have a question-and-answer session until 11:00 AM.

I would like to begin with an explanation from Mr. Hashimoto.

1 Financial Results for FY2023 Q3

## Highlights of FY2023 Q3 YTD Results

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### Sansan Group continued strong growth in both sales and adjusted operating profit <sup>(1)</sup>

Net sales up 33.3% YoY, adjusted operating profit up 46.5% YoY, and ARR <sup>(2)</sup> up 33.4% YoY to ¥31,090 million. Both net sales and adjusted operating profit progressed steadily against the median of the disclosed ranges in the full-year earnings forecasts for FY2023.

### Sansan, the sales DX solution, continued solid growth

Sansan net sales up 15.2% YoY.  
Strengthened sales structure contributed to accelerated growth in new subscriptions.

### Bill One, the cloud-based invoice management solution, continued high growth trend

Bill One net sales up 176.6% YoY.  
With no major impact after the start of the Invoicing System, the business steadily won new contracts.

(1) Operating profit + share-based payment expenses + expenses arising from business combinations (amortization of goodwill and amortization of intangible assets)

(2) Annual recurring revenue

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**Hashimoto:** Thank you for attending our earnings presentation. I am CFO Hashimoto.

First, please see page four, highlights of Q3 and year-to-date results for the period ending May 31, 2024.

First, both net sales and adjusted operating profit were strong, making steady progress against the median range disclosed at the full year forecast.

Second, sales of the sales DX service, Sansan, have remained steady, mainly due to the strengthening of the sales structure and seeing a growth in the number of contracts which is accelerating.

Third, sales of invoice management services, Bill One, continued to grow at a high rate. There have been no major repercussions after the start of the invoicing system, and new contracts were acquired steadily.

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## Overview of Financial Results

Sansan Group continued its high growth trend with net sales up 33.9% YoY. The YoY decrease in adjusted operating profit and other line-item profits below it owed to the execution of growth strategies and the absence of extraordinary income recorded in the same period a year ago.

	(millions of yen, except for per share amounts)	FY2022	FY2023		(Reference) FY2023	
		Q3 Results	Q3 Results	YoY	Q3 YTD Results	YoY
Financial results	Net sales	6,353	8,507	+33.9%	24,234	+33.3%
	Gross profit	5,546	7,226	+30.3%	20,649	+31.1%
	Gross profit margin	87.3%	84.9%	-2.4 pts.	85.2%	-1.4 pts.
	Adjusted operating profit	694	590	-15.0%	1,113	+46.5%
	Adjusted operating profit margin	10.9%	6.9%	-4.0 pts.	4.6%	+0.4 pts.
	Ordinary profit	615	409	-33.4%	677	+35.2%
	Profit attributable to owners of parent	587	396	-32.5%	539	-26.9%
	EPS	4.69 yen <sup>(1)</sup>	3.15 yen	-32.8%	4.30 yen	-27.2%

(1) Revised quarterly EPS based on review of calculation method.

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We would like to explain the results for the first three months of Q3. See page five.

Net sales grew 33.9% YoY, of which organic growth was 30.8%, excluding new consolidations due to M&A. The decline in the gross profit margin was due to an increase in the ratio of Bill One, which still has a relatively low profit margin. However, the profit margin for Bill One itself bottomed out in October and November of last year, when the invoice system was introduced, and has continued to improve month-by-month since then. We expect it to continue to improve in the future.

Adjusted operating profit was lower due to the increased hiring of human resources, as well as the reversal of the relatively low use of advertising expenses in the same period of the previous fiscal year. However, the year-to-date results show a 46.5% increase in profit over the same period last year, which is well within the median of the full year forecast range.

The decrease in profit attributable to owners of the parent was mainly due to the fact that a gain on sale of shares in an affiliate was recorded in the same period of the previous year.

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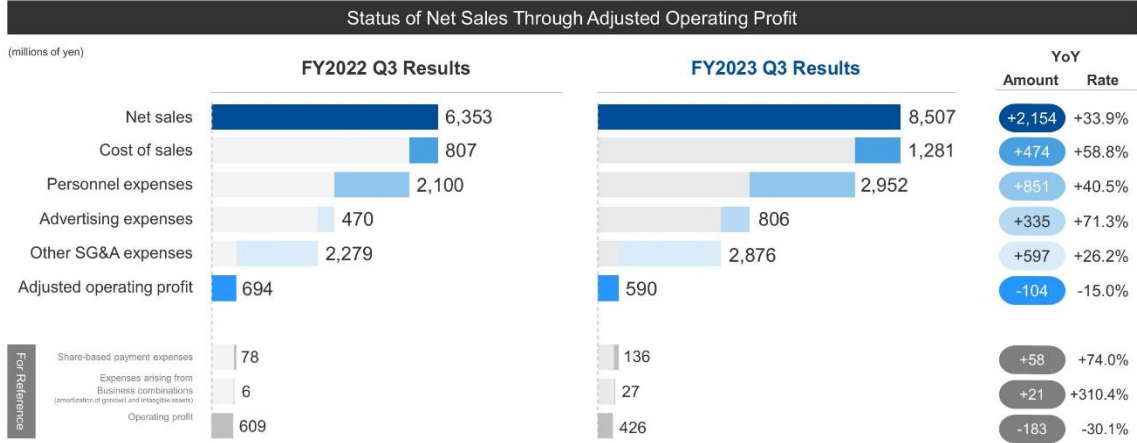
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## Contributors to Changes in Adjusted Operating Profit

Adjusted operating profit down ¥104 million YoY owing to increases in advertising expenses by ¥335 million and personnel expenses by ¥851 million resulting from execution of growth strategies. Nevertheless, the continued strong sales allowed adjusted operating profit to progress steadily against the median of the disclosed range in the consolidated earnings forecasts for FY2023.



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See page six. I will explain the factors behind the decrease in adjusted operating profit.

Adjusted operating profit decreased by JPY104 million, mainly due to a JPY335 million increase in advertising expenses and JPY851 million increase in personnel expenses, in line with the growth strategy.

## Results by Segment

Sansan/Bill One Business increased both net sales adjusted operating profit YoY, while Eight Business increased net sales and reduced deficit YoY. The negative YoY increase in adjustments for adjusted operating profit mainly reflects increased headcount associated with the execution of growth strategies.

	(millions of yen)	FY2022	FY2023		(Reference) FY2023	
		Q3 Results	Q3 Results	YoY	Q3 YTD Results	YoY
Net sales	Consolidated	6,353	8,507	+33.9%	24,234	+33.3%
	Sansan/Bill One Business	5,715	7,646	+33.8%	21,669	+33.5%
	Eight Business	613	771	+25.8%	2,280	+23.3%
	Others	44	121	+173.9%	379	+160.6%
	Adjustments	-19	-30	—	-95	—
Adjusted operating profit	Consolidated	694	590	-15.0%	1,113	+46.5%
	Sansan/Bill One Business	2,232	2,381	+6.7%	6,289	+21.0%
	Eight Business	-57	-12	—	-7	—
	Others	-17	-25	—	-61	—
	Adjustments	-1,463	-1,752	—	-5,105	—

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Please see page seven for an overview by segment. Both the Sansan/Bill One and Eight businesses reported increases in both net sales and profit.

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In the others segment, the results of the Institute of Language Understanding Inc., which became a group company in June 2023, have been consolidated from Q1 of the current fiscal year.

Regarding profit, the negative adjustment is widening. This is mainly due to increased expenses associated with increased headcount in the human resources, branding department, and corporate department as the Company pursues its growth strategy. The breakdown of adjustments is detailed on page 32 of this document.

1 Financial Results for FY2023 Q3

## Sansan/Bill One Business Overview

Sansan showed solid growth and Bill One continued a high growth trend with the segment sales up 33.8% YoY. Adjusted operating profit up 6.7% YoY despite lower profit margin due to recruitment of sales personnel and strengthening of marketing activities.

		FY2022	FY2023		(Reference) FY2023	
		Q3 Results	Q3 Results	YoY	Q3 YTD Results	YoY
	(millions of yen)					
Sansan/ Bill One Business	Net sales	5,715	7,646	+33.8%	21,669	+33.5%
	Sansan	5,015	5,746	+14.6%	16,758	+15.2%
	Sansan recurring sales	4,741	5,445	+14.8%	15,846	+15.0%
	Sansan other sales	273	300	+9.9%	911	+18.9%
	Bill One	645	1,680	+160.6%	4,269	+176.6%
	Others	54	218	+302.6%	641	+356.9%
	Adjusted operating profit	2,232	2,381	+6.7%	6,289	+21.0%
	Adjusted operating profit margin	39.1%	31.1%	-8.0 pts.	29.0%	-3.0 pts.

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Next, on page eight, we will discuss results by segment. First, I would like to discuss the performance of the Sansan/Bill One business.

Net sales increased 33.8% YoY due to strong growth at Sansan and continued high growth at Bill One. On the other hand, adjusted operating profit increased only 6.7% YoY, but this was due to the hiring of sales personnel and strengthening of marketing activities at both Sansan and Bill One.

By service, Sansan sales grew 14.6% YoY and Bill One sales grew 160.6% YoY.

The significant growth in other sales was mainly due to the contribution of CREATIVE SURVEY, which became a group company in March 2023. The number of contracts in Contract One, the contract database included in this category, increased by 92 to 210 from the end of the same period last year.

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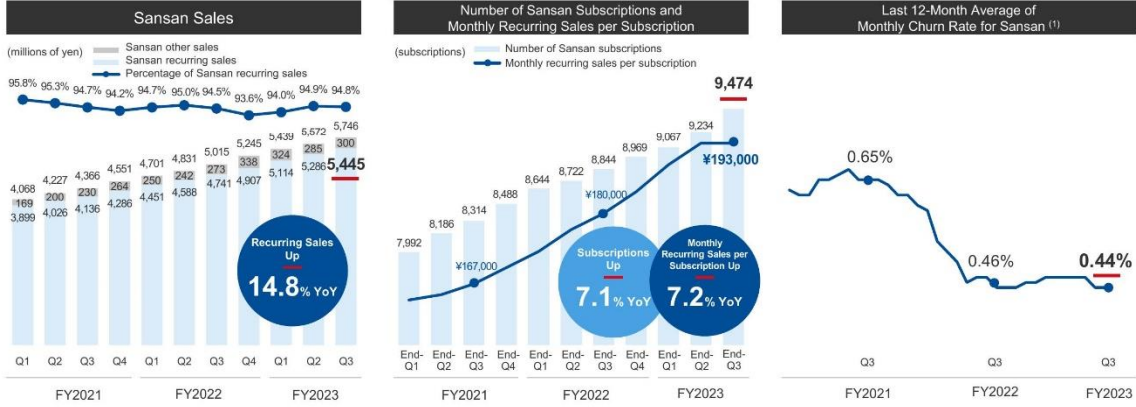
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## Sansan: Status of Key Indicators



Steady growth in subscriptions and monthly recurring sales per subscription owing to the strengthened sales structure.  
Churn rate down 0.02 points YoY to 0.44%, maintaining a rate as low as below 1%.



(1) Ratio of decreased MRR associated with contract cancellations to total MRR for existing Sansan contracts.

See page nine. Sansan's KPIs are explained.

The graph on the left shows Sansan's recurring sales, which showed a solid growth of 14.8% YoY. Meanwhile, Sansan's other sales grew 9.9% YoY, down from growth in Q2. Other includes initial sales from new installations, but the amount and timing of these sales vary depending on the size and form of the contracts, and their nature tends to fluctuate up and down.

The next graph in the center shows that the number of contracts increased 7.1% from the end of the same period last year, while monthly recurring sales per contract increased 7.2%. The net increase in the number of contracts in Q3 was 240, a faster acquisition than in the past, mainly due to the strengthening of the sales structure. Although the growth rate of sales per contract slowed somewhat due to the size of the contracts we acquired, both were evaluated as favorable results.

The graph on the right shows Sansan's average monthly churn rate over the last 12 months, which remained low at 0.44% at the end of Q3.

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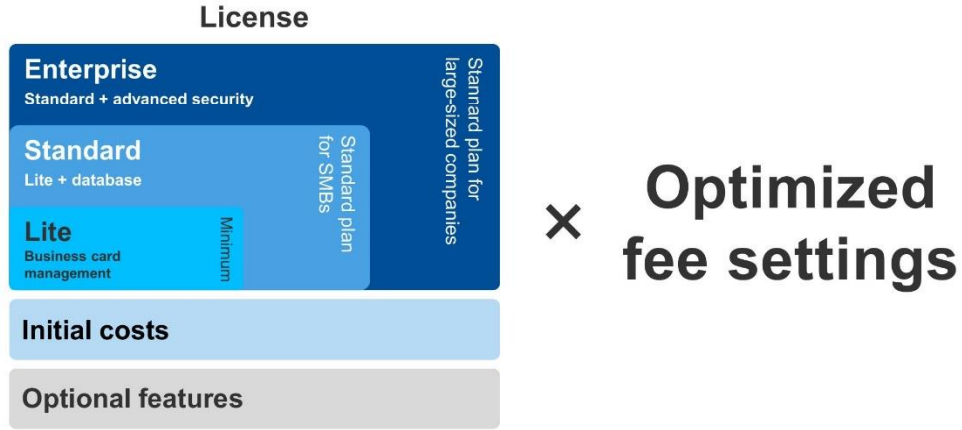
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## Sansan: Optimizing Pricing Structure



Optimized licensing structure and fee settings, reflecting the market environment and the status of service enhancements. Operations under the new structure started from February 2024 with an expectation to contribute primarily to our FY2024 earnings.



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Here is one key point about Sansan's future policies. See page 10.

Sansan's basic fees are based on the employee size of the company using the service. We offer three editions, lite, standard, and enterprise, with different functions, as well as various paid options. We have reviewed the functions and options available in each edition.

In addition, taking into account the recent market environment and service enhancements, we have raised our fixed rates by 30% and have begun new sales activities based on this pricing structure in February 2024. We expect these effects to be visible primarily in the next fiscal year, the fiscal year ending May 31, 2025.

To conclude my explanation of Sansan, I would like to share with you the current situation. We saw the highest single month of orders ever recorded in February. New orders for Q3 and three months saw a solid growth of approximately 24% from the same period last year and up approximately 8% from Q2.

The nature of these new orders varies, with some of them already recorded as sales in Q3, and others starting in Q4. Overall, we believe it is helpful to understand that we are in a growth trend.

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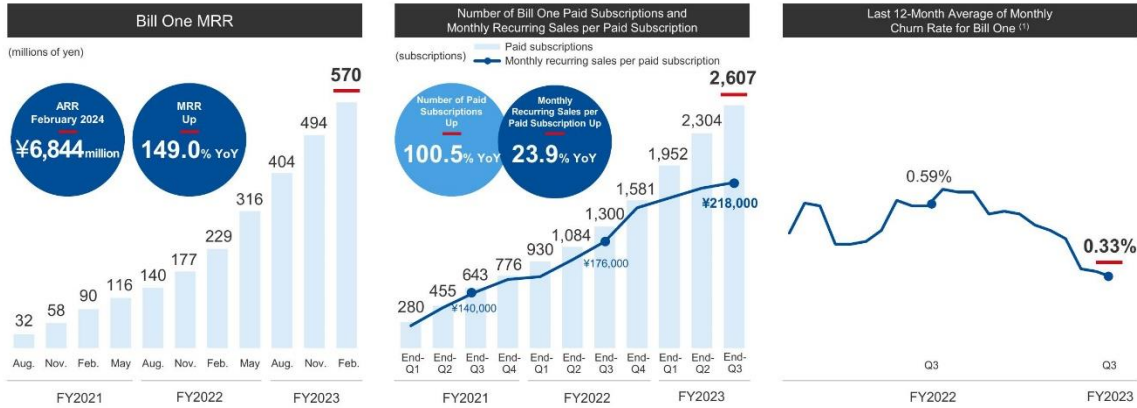




## Bill One: Status of Key Indicators



ARR exceeded ¥6.8 billion as of February 29, 2024, steadily progressing to achieve the fiscal year-end target of ¥7.5 billion. Steady growth in both paid subscriptions and monthly recurring sales per paid subscription, primarily owing to the strengthened sales structure.



(1) Ratio of decreased MRR associated with contract cancellations to total MRR for existing Bill One contracts.

See page 11. Next, we will explain Bill One's KPIs.

The graph on the left shows Bill One's MRR, which for February 2024 was 149% higher than the same period last year, with an ARR in excess of JPY6.8 billion. We have set an ARR target of at least JPY7.5 billion for May 2024, and we are making extremely good progress.

As for the center graph, the number of paid subscriptions increased 100.5% YoY and monthly recurring sales per paid subscription increased 23.9% as a result of the steady acquisition of new subscriptions.

The graph on the right shows Bill One's average monthly churn rate over the last 12 months, which was 0.33% at the end of Q3, the lowest level ever when compared to Sansan and others.

With the start of the invoicing system, although there has been some slowdown in growth due to the disappearance of rush demand, we view the impact as small.

For your information, as we reported earlier on Sansan, orders received during Q3 were also extremely solid. Considering our effort of increasing the number of sales personnel, which is part of our growth strategy, we expect orders to be even better from Q4 onward.

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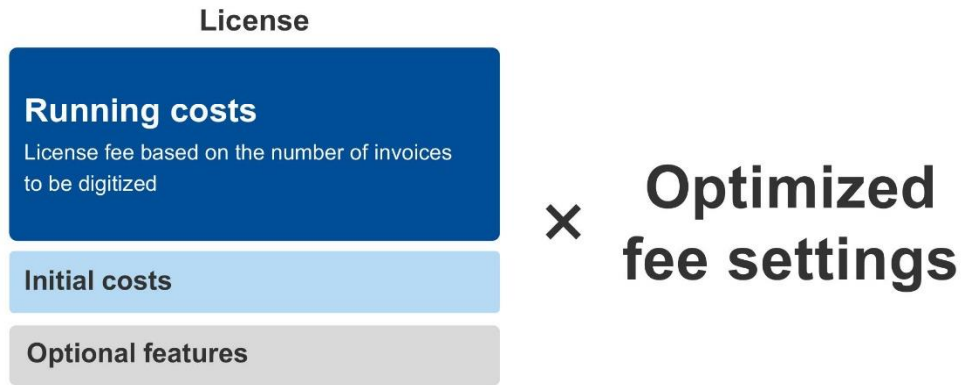
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## Bill One: Optimizing Pricing Structure



Enhanced licenses and optimized fee settings, reflecting the market environment and the status of service enhancements. Operations under the new structure started from December 2023 with an expectation to contribute primarily to our earnings for FY2023 Q4 and beyond.



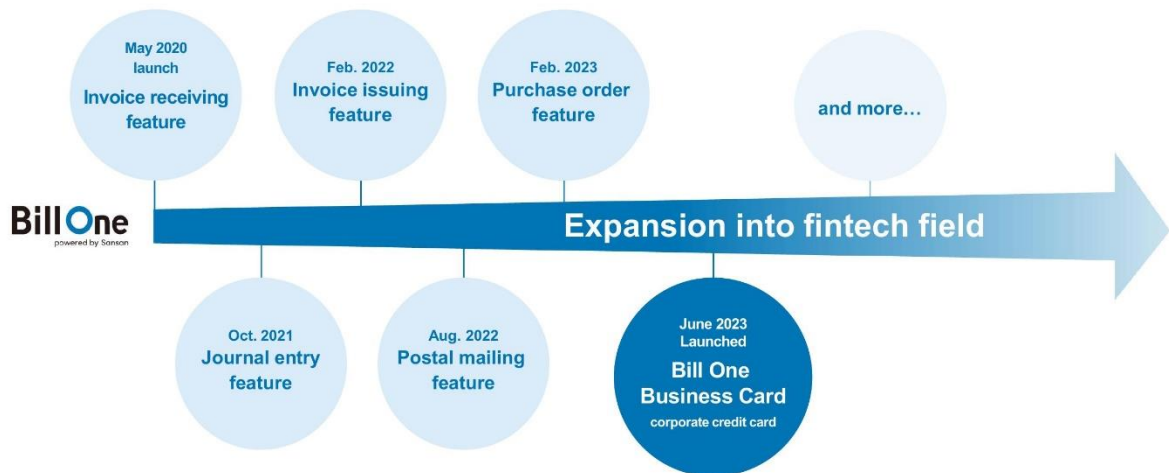
See page 12. This section describes measures that are expected to have the effect of further boosting growth.

Bill One's fees are based on a license fee, based on the number of invoices converted to data. The fees were adjusted to reflect market conditions and the service enhancements to date in December 2023. We are progressing with sales activities under this new system one after another, and we expect to gradually see the effects of these activities from Q4 onward.

## Bill One: Entry into New Business Field with Enhanced Features



In addition to invoice issuing feature, started providing Bill One Business Card from June 2023. Going forward, we will pursue further growth by adding new features and expanding into the fintech arena.



We are also working to expand area of deployment for Bill One. See page 13.

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Since the service was launched in May 2020, it has grown so far mainly through the invoice receipt functionality. We added the invoicing functionality there in February 2022. In June 2023, we also expanded our business into the fintech area by offering corporate credit cards, as an optional feature, as an issuer.

We cannot give you specifics yet, but we are making various preparations for other initiatives, which we hope to be able to share with you in the near future. We will continue to expand our business and pursue further growth by focusing on issues that exist around Bill One.

1 Financial Results for FY2023 Q3

## Eight Business Overview



Eight was up 25.8% YoY in net sales, owing to steady growth of B2B services and solid growth of B2C services. The negative amount of adjusted operating profit was reduced by the profitability-focused business operation as well as sales growth.

	(millions of yen)	FY2022	FY2023		(Reference) FY2023	
		Q3 Results	Q3 Results	YoY	Q3 YTD Results	YoY
Eight Business	Net sales	613	771	+25.8%	2,280	+23.3%
	B2C services	78	88	+12.4%	255	+13.2%
	B2B services	534	682	+27.8%	2,025	+24.8%
	Adjusted operating profit	-57	-12	—	-7	—
	Number of Eight users <sup>(1)</sup>	3.24 million people	3.52 million people	+0.27 million people		
	Number of Eight Team subscriptions	3,398 subscriptions	4,397 subscriptions	+29.4%		

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

Next, I will explain the Eight business. See page 14.

Both BtoB and BtoC services contributed to growth, resulting in a 25.8% YoY increase in net sales. Adjusted operating profit increased and the deficit narrowed by JPY44 million due to business operations focused on profitability.

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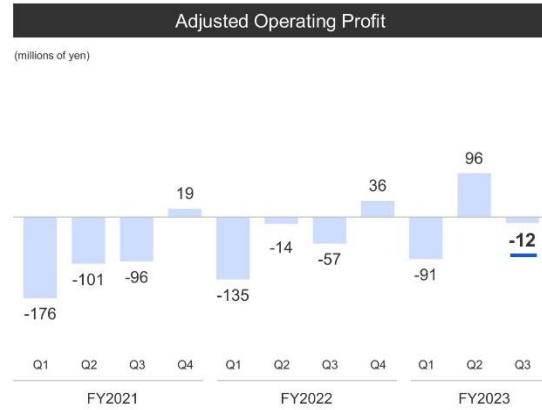
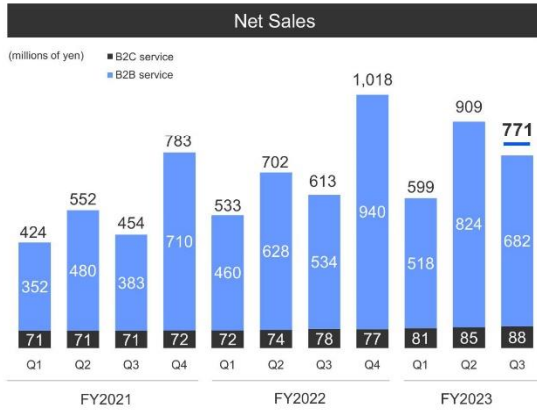
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## Eight Business: Net Sales and Adjusted Operating Profit



Sales tend to be higher in Q2 and Q4, when we hold large business events. Adjusted operating profit progressed steadily toward achieving profitability on a full-year basis.



Page 15 shows quarterly results. The decrease in sales in Q3 compared to Q2 because there were no major business events, took place during this quarter. Normally, we plan to hold major events in Q2 and Q4 of the year, and we intend to do so during the current fiscal year as well. Adjusted operating profit is expected to be in the black for the full year, and we are making good progress.

## 2 Full-Year Earnings Forecasts for FY2023

### Earnings Forecasts

No change to the consolidated earnings forecast as Q3 YTD results progressed steadily against the median of the ranges in the full-year forecasts.

	(millions of yen)	FY2022	FY2023 <sup>(1)</sup>	
		Full-Year Results	Full-Year Forecasts	YoY
<b>Earnings Forecasts</b>				
Net sales		25,510	32,653 to 33,674	+28.0% to +32.0%
Sansan/Bill One Business		22,516	29,046 to 29,835	+29.0% to +32.5%
Sansan		19,793	22,664 to 22,861	+14.5% to +15.5%
Bill One		2,414	5,673 to 6,156	+135.0% to +155.0%
Eight Business		2,867	3,153 to 3,354	+10.0% to +17.0%
Adjusted operating profit		942	1,240 to 1,852	+31.7% to +96.6%
Adjusted operating profit margin		3.7%	3.8% to 5.5%	+0.1 pts. to +1.8 pts.

(1) We do not disclose specific forecast figures for operating profit (loss) and other line-item profits below it as it is difficult to make a reasonable estimate of expenses related to stock-based compensation, which may vary significantly depending on the level of our stock price, and certain non-operating income (expenses) and other items.

Finally, I would like to discuss our full year earnings outlook. See page 17.

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To give you an idea of the progress of the cumulative Q3 results toward the full year forecast, net sales are near the upper end of the forecast range. In addition, adjusted operating profit is in line with the median. Therefore, the forecast figures announced at the beginning of the period remain unchanged.

That is all for the explanation. Thank you very much.

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## Question & Answer

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

If you wish to keep your company name and your name private, when asking questions, please request anonymity.

Please note that we would like to receive questions from everyone, and each person is limited to two questions per time. If you have more than three questions, we would appreciate if you raised your hand again.

Now does anyone have any questions? Well, then, Mr. Hiraoka, please.

**Hiraoka [Q]:** Thank you for your help. I am Hiraoka of Nomura Securities. Please help me with two questions.

First of all, I have a question regarding the status of orders for the Bill One Business as of the end of Q3. You mentioned that sales are firm, but how do they compare to the end of Q2? This is my first question. Thank you.

**Hashimoto [A]:** I understood that you meant order amount, not MRR. I think it is slightly less than Q2.

**Hiraoka [Q]:** Thank you. Then, for example, is there a possibility that the increased sale in Q4 of QoQ could be less than the increase of JPY250 million in Q3 on QoQ?

**Hashimoto [A]:** I mentioned earlier that the orders were a little lower than in Q3, and we are now working on Q4. I think there will be an increase compared to Q3.

**Hiraoka [Q]:** Thank you. In this way, you are also strengthening our sales force and et cetera, so if you work hard, you can aim for an increase of more than JPY250 million in sales for Q4 in QoQ, is that correct?

**Hashimoto [M]:** Sorry, what did you mean by 260 million?

**Hiraoka [Q]:** It is 250 million, JPY250 million, the amount of sales increase in Q3 QoQ for the Bill One.

**Hashimoto [M]:** Are you referring to sales?

**Hiraoka [Q]:** Yes, sales, QoQ for the Bill One business. The purpose of this question is to ask when the bottom will be reached after the demand from the invoicing system is gone. I think that the amount of sales increase has been slowing down over the past several quarters. For example, in Q1, you had an increased sales of about JPY290 million, which is QoQ base for the Bill One business. I understand that it was JPY270 million in Q2 and JPY250 million in Q3.

Therefore, the purpose of this question is to ask when this QoQ sales increase will start to recover and when the impact of the invoicing system will bottom out.

**Hashimoto [A]:** Thank you. I understand that you are referring only to the amount of sales recorded. I think the figures for Q3, December, January, and February, are fair estimates, or rather actual orders received or sales increase when the impact of the invoicing system has completely disappeared without rush demand. The figures for Q3 are rather bottom, and I believe we will be able to build up from there.

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**Hiraoka [Q]:** Okay, thank you. Now let's continue with the second point. What is the progress of the price optimization? How is this being applied for new and existing contracts? Could you comment on this area?

**Hashimoto [A]:** One thing that both businesses have in common is that it takes time to apply new prices to existing customers. I don't think the effect will be seen right away, though we actually applied new price earlier for the Bill One business, which was earlier than Sansan. Since we applied price optimization and the denominator is small, I think if the more we can apply the new price to new customers, the relatively larger the effect it will have on ARPU. However, I have a feeling that it would not be enough to add 10% or 20% to the ARPU.

As for Sansan, we are already working on sales activities for new price points and new pricing packages. In the month of March, for example, the unit price of new orders received was considerably higher than in past contracts, and we think we are receiving a certain level of benefit from this. We are expecting to see the effects of these negotiations in Q4 or next fiscal year.

**Hiraoka [Q]:** Thank you. Just to follow up, I think it has already been applied for the Bill One and is in effect since December 2023, about the new price. If so, can we assume that the price optimization will be also applied for the existing customers when they renew their contracts sequentially in December 2024, so that it will run its course? How about this point?

**Hashimoto [A]:** The basic idea is correct as you say, but the new prices were not applied all at once in December 2023. There are various factors, such as the contract situation at that time, the state of negotiations, or how to touch customers for contract renewals. I feel that it may take a little more time to see if it will come full circle in December 2024.

**Hiraoka [Q]:** Thank you. Similarly, I think the price increase for the Sansan business has been applied since February 2024. While it will have reached the existing customers by February 2025, as you mentioned, there are various factors for each customer, so will the cycle begin a little later than February 2025?

**Hashimoto [A]:** For Sansan, the new pricing was applied to new clients only after February, and we are just now starting to reach out to existing clients, starting in April.

**Hiraoka [Q]:** Thank you, I understand. If so, do you feel that it will be completed in April 2025 or so for existing customers?

**Hashimoto [A]:** Yes, that's right, yes. We will go through a cycle, but if the price cannot be raised easily after a year, I think we will go through another cycle and we will try again.

**Hiraoka [Q]:** Thank you. I'm afraid I'm adding a lot of follow-ups. This is the last one. How much of the price optimization going through Bill One and Sansan? Existing and new, what does it look like each?

**Hashimoto [A]:** We are using a new price range for new customers, so, of course, the discount rate for orders has gone up compared to the past price structure. However, I believe the unit price will be close to the target level of price optimization.

We still have a long way to go for existing customers, so how much we can appeal with the new price optimization to them will be seen in Q4 and next fiscal year and beyond.

**Hiraoka [M]:** I understand. That's all for now. Thank you very much.

**Moderator [M]:** Okay. Then Mr. Miyazaki, thank you.

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**Miyazaki [Q]:** Thank you for taking my questions. I am Miyazaki from Goldman Sachs. Thank you very much. I wanted to ask two questions.

The first point is the growth probability of the Bill One for the next fiscal year that you have been talking about. For example, I am aware that the ARR at the end of the fiscal year from last year to this year is roughly double the level. When that happens, given the price optimization and the expansion of the sales force, can you aim to double the pace in the next fiscal year? I would like to know if this expectation is too high, or if you have any feedback in this area, I would be very interested in hearing from you.

**Hashimoto [A]:** Thank you. We are still in the process of creating figures for the next fiscal year, so nothing is definite yet. However, the scale of the Bill One business is growing, and I have a feeling that it will be quite difficult to achieve double the ARR with the existing Bill One service alone. Based on the combination of various investments, hiring, and advertising investments, I honestly believe that we may not be able to reach more than 2x.

On the other hand, as I mentioned in my presentation, we are currently working on new functions and services around Bill One. If these are launched smoothly and contribute to sales, we may be able to see a path to reach double. However, that is not certain enough to be included in a fair look at this stage, so I have the feeling that it would be difficult to reach double based on such considerations.

**Miyazaki [Q]:** Okay, thank you. I would also like to ask you about your view of expenses for the next fiscal year, especially personnel expenses. In particular, what are your plans for the number of hires compared to this year, and is there likely to be any difference between this year and next year in terms of base increases? What is your sense of the overall direction of labor costs for the next fiscal year, and how should we view it?

**Hashimoto [A]:** Thank you. Since we are still in the process of preparing a plan, I can only give you my current impression. We have been making a concerted effort to recruit for the fiscal year ending May 31, 2024, and I believe we have secured a certain number of employees.

On the other hand, I think it will be difficult to hire the same number of employees in the next fiscal year. I think our main focus will be to support the people we hired this year, for them to be ready to work in the next fiscal year. It does not mean that we will make a sudden halt, but rather the number of employees and net increase may be less than this fiscal year.

In terms of compensation, salary design, or base increases, we have been raising the base since the past years. I feel that we should expect a similar pace. We are aware that wages are rising in these days, but we have been raising per capita salaries at a pace similar to or faster than that. I think we should continue that pace in the next fiscal year as we have in the past and steer the ship to fully achieve our plans.

**Miyazaki [M]:** Okay, thank you. That is all from me, so thank you very much.

**Moderator [M]:** Okay. Then Mr. Koyama, thank you.

**Koyama [Q]:** I am Koyama from Mizuho Securities. Thank you for your support. Thank you for taking my questions. I was wondering if I could ask you a question or two as well.

The first point is the optimization of Bill One fees, specifically how much will you change the list price? Also, I understand that your company applies volume discounts, et cetera, so I would like to ask about the quantitative image of the actual contribution to performance.

**Hashimoto [A]:** Thank you. I can't say about the price level. We are taking into account the cost of providing Bill one in setting the price.

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As I mentioned earlier, it is not necessarily the case that it will be directly linked to Bill One's ARPU. Considering things like the impact of the price increase on ARPU, I feel that 5% or 10% increase is about right based on past trends. I look forward to the effect of price optimization coming out.

**Koyama [Q]:** Thank you very much. If so, is it correct to say that the ARPU driver for the next fiscal year will continue to be the increase in ARPU from the continued growth in customer size and the increase in the number of billing transactions, rather than the optimization of prices?

**Hashimoto [A]:** You are right. I don't think that the trend would be significantly different from the past.

**Koyama [Q]:** Thank you very much. The second question is about Bill One's competitive environment. Based on feedback from existing customers about the price optimization and the status of new acquisitions e will not have much of an impact, as other companies' products are relatively smaller than yours. What is the situation in terms of whether it is affecting the acquisition of customers a little bit or not?

**Hashimoto [A]:** I don't think there is any particular impact at this point. We also monitor the win rate against the competition as one KPI, but I think we are making steady progress in acquisitions without any particular change.

**Koyama [M]:** I understand. That is all from me. Thank you for taking my questions.

**Moderator [M]:** Does anyone have any other questions? Then Mr. Hiraoka, please.

**Hiraoka [Q]:** Thank you for taking my questions. I would like to ask a few additional questions.

The first question is, what do you want to work on in the next fiscal year? I think the topic of this fiscal year was to invest aggressively to take advantage of the opportunity presented by the start of the invoicing system. Also, any update on the concept of the relationship between sales and profit?

**Hashimoto [A]:** The first point is that there is not much new, but we continue to invest considerably in recruitment, and we have made considerable progress in hiring this year. The next fiscal year will be the timing for the sales staff to become a more substantial part of workforce. I think it will be the right time to connect it to the numbers.

On the other hand, we have also optimized prices. I am not so sure if we are anticipating any major changes in the core of Sansan and Bill One, either in terms of marketing or products, rather the new initiative is how to expand new services and peripheral areas outside of bill receipt that are developed within Bill One. I feel that the big challenge is how to connect this to new contracts.

As we have said in the past, in terms of profit, we remain committed to achieving profit growth that exceeds the growth rate of net sales each fiscal year, and we feel we will be able to achieve this goal.

**Hiraoka [Q]:** Okay, thank you. One more point, please. You mentioned earlier in your presentation that Sansan has raised its prices by about 30%. Assuming that discounts are applied, how much effect do you expect the price increase to have on Sansan in the next fiscal year and beyond?

**Hashimoto [A]:** As for new customers and as an actual result, we have been able to apply the new prices at 20% or 30% above the average of existing contracts, or somewhere in between for the single month of March. We have been able to achieve higher ARPU by 20% or 30%, so I think you are right about the impact of those new customers.

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We are in the process of negotiating with existing customers, and I think we will be able to give you a feel for this in Q4 or next fiscal year. For them, it is difficult to imagine a 20% or 30% increase in the same way as for new customers.

**Hiraoka [Q]:** Thank you. Do you have a sense of feel of what percentage?

**Hashimoto [A]:** No, not particularly.

**Hiraoka [M]:** Okay, thank you. That's all from me.

**Moderator [M]:** Does anyone have any other questions? Well, then, Mr. Miyazaki, please.

**Miyazaki [Q]:** I'm sorry to keep coming back. I'm Miyazaki from Goldman Sachs. I would like to ask one additional question.

I just wanted to confirm how you see the KPIs for the Sansan business. In Q3 this time, the net increase in subscriptions was up, and I think ARPU was flat QoQ basis. I would like to ask the background of this.

You mentioned that you are strengthening your sales structure, but I was wondering if you are saying that you are getting more middle and small clients because the percentage of young people is increasing. Can you comment on if that is not necessarily the case, or not?

**Hashimoto [A]:** Thank you. The quarterly numbers have a slight variation, so the situation differs slightly from QtoQ, but the major trend is that we were able to accumulate a net increase of 240 cases, which is the first time in about two-and-a-half years. I am very happy about that number.

On the other hand, as you mentioned, in order to acquire new sales personnel and train them, we first make appointments through inside sales, and then go into sales, starting with small SMBs, and then moving on to M and then to enterprises. I believe that the increased number of salespeople is certainly contributing to the SMB area.

I think that over the next year or so, we will be able to allocate more personnel to the enterprise area, and those personnel will be able to work on expanding the use of existing customers. We are hoping it will contribute to the growth of ARPU.

**Miyazaki [M]:** Okay, thank you.

**Moderator [M]:** Now we will continue with Mr. Koyama. Thank you.

**Koyama [Q]:** I'm sorry to keep coming back. I'm Koyama from Mizuho Securities. Thank you.

I would like to ask you one question as well. Could you tell me about your approach to midterm financial targets? The next fiscal year will be the final year of the target, and you have set a management goal of maintaining a growth rate in the mid-20% range or higher and improving the adjusted operating profit margin. Based on the current progress, I have an impression that your rate of achievement is fairly high.

Based on that sense, are there some ideas, for example, to set the next target one year ahead of schedule, or you are thinking of revising the target and such? I would like to ask if you have any thoughts on updating financial targets, et cetera.

**Hashimoto [A]:** Thank you. We are aware that we have received many requests from investors and market participants about what the Company's P&L will look like three to five years in the medium term. We are

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considering what kind of disclosure we can make and what kind of figures we can set. We are just now beginning to discuss whether this is feasible in light of our business.

I can't promise anything at this point, but I can tell you that we are discussing it.

**Koyama [M]:** I understand. Thank you for taking my questions. That is all from me.

**Moderator [M]:** Does anyone have any other questions? There being no further questions, I will now conclude the financial results briefing. Thank you for joining us today.

[END]

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