# Sansan, Inc.

Earnings Results Announcement for FY2024 Q1

October 11, 2024

# 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 Announcement for FY2024 Q1 |
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| **[Time]** | 17:00 – 17:32<br>(Total: 32 minutes, Presentation: 15 minutes, Q&A: 17 minutes) |
| **[Venue]** | Webcast |
| **[Venue Size]** | |
| **[Participants]** | |
| **[Number of Speakers]** | 1<br>Muneyuki Hashimoto Director, Executive Officer, CFO |
| **[Analyst Names]*** | Naoki Hiraoka Nomura Securities<br>Kazuki Oyama Mizuho Securities<br>Norihiro Miyazaki Goldman Sachs<br>Hideo Noda CLSA Securities |

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

## Presentation

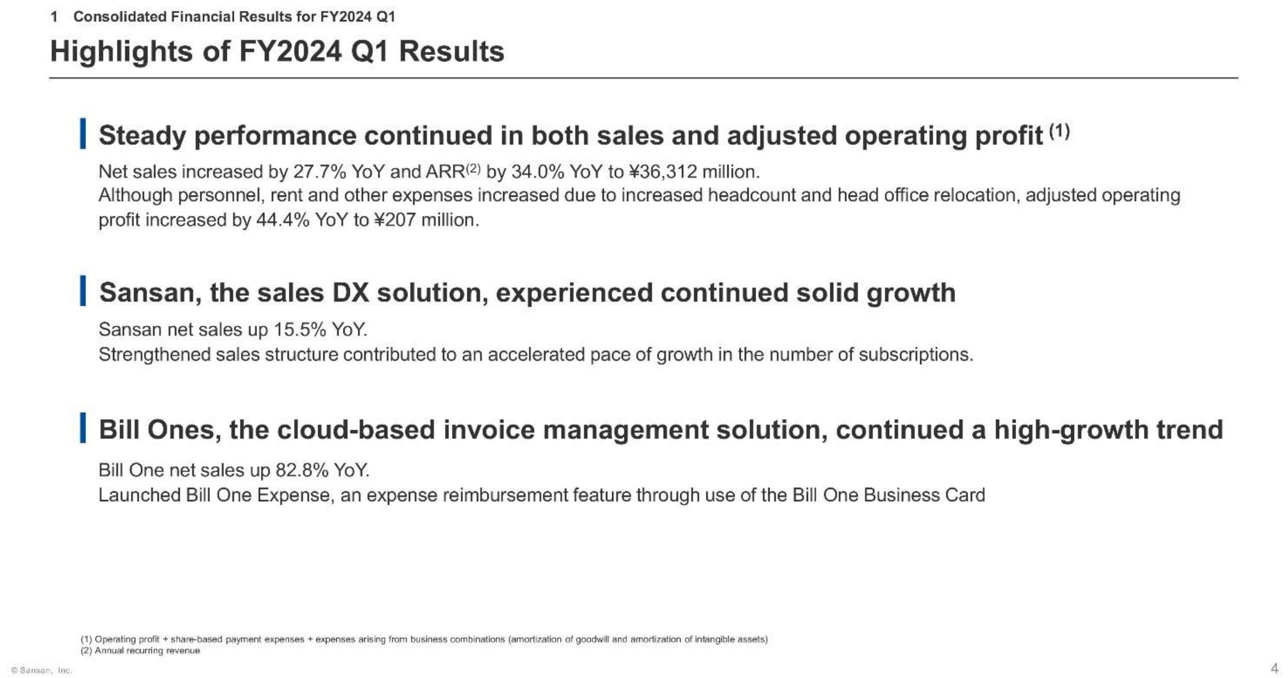
**Moderator:** It's time, so we will begin Sansan, Inc.'s earnings results announcement for Q1 FY2024.

For today's materials, we will be using the earnings presentation slides. While the presentation will be shared via Zoom, those joining by phone can view the materials on our IR website.

Next, regarding today's schedule, following a roughly 15-minute presentation on the earnings overview by Director, Executive Officer, and CFO Hashimoto, we will have a Q&A session until 6:00 PM at the latest.

Without further ado, I will hand it over to Hashimoto.

**Hashimoto:** Thank you for participating in our earnings presentation today. I am Hashimoto, the CFO. I will now provide an overview of the Q1 results for the fiscal year ending May 2025.




Please turn to page four.

Here are the Q1 highlights for the fiscal year ending May 2025.

First, net sales increased by 27.7% YoY, and adjusted operating profit increased by 44.4% YoY, showing steady progress in line with our earnings forecast.

Second, for our sales DX solution, Sansan, the pace of subscription growth accelerated, driven by personnel recruitment in the previous fiscal year and subsequent personnel development, resulting in a solid sales increase of 15.5% YoY.

Third, for our invoice management solution, Bill One, sales grew by 82.8% YoY, maintaining high growth. Additionally, we launched a new service, Bill One Expense.

1 Consolidated Financial Results for FY2024 Q1

## Overview of Financial Results

**Net sales up 27.7% YoY and adjusted operating profit up 44.4% YoY.**
**The line-item profits of ordinary profit and below were recorded in the red due to a significant increase of share-based payment expenses.**

| Financial Results (millions of yen) | FY2023 Q1 Results | FY2024 Q1 Results | FY2024 YoY |
|---|---|---|---|
| Net sales | 7,504 | 9,584 | +27.7% |
| Gross profit | 6,510 | 8,313 | +27.7% |
| Gross profit margin | 86.8% | 86.7% | -0.1 pts. |
| Adjusted operating profit | 143 | 207 | +44.4% |
| Adjusted operating profit margin | 1.9% | 2.2% | +0.3 pts. |
| Ordinary profit | 110 | -329 | – |
| Profit attributable to owners of parent (1) | 31 | -372 | – |
| EPS (1) | ¥0.25 | -¥2.96 | – |

(1) Effective from the fiscal year ending May 31, 2025, the method of calculating tax expenses for quarterly financial reporting has been changed. This change has been reflected retrospectively in the results for the fiscal year ended May 31, 2024

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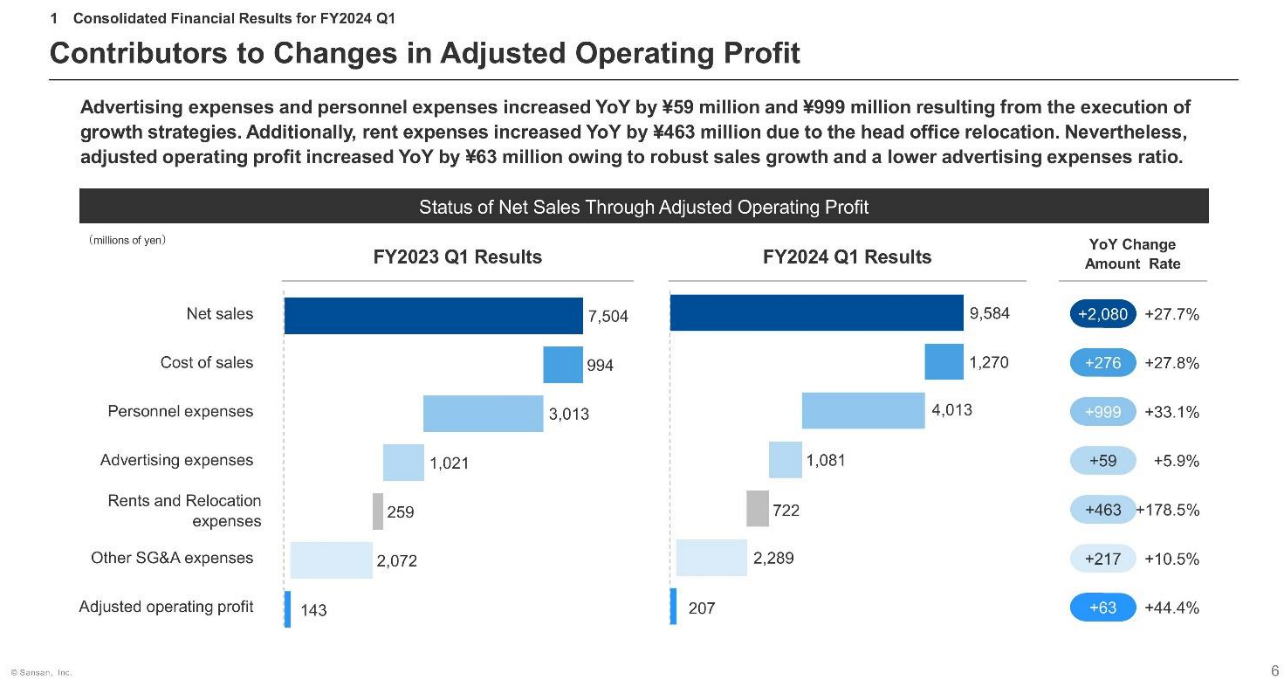
Now let’s move on to the company-wide performance on page five.

Net sales increased by 27.7% YoY. While the gross profit margin declined by 0.1 percentage points due to the increasing share of Bill One, which currently has a relatively lower profit margin, the margin for Bill One itself continues to improve.

Adjusted operating profit increased by 44.4% YoY, despite higher personnel costs due to strengthened recruitment and increased rent, and relocation costs from office moves, thanks to net sales growth.

Regarding ordinary profit and profit attributable to owners of parent, I will explain in detail on page eight, but due to increased expenses related to stock options with stock price conditions, profit declined.



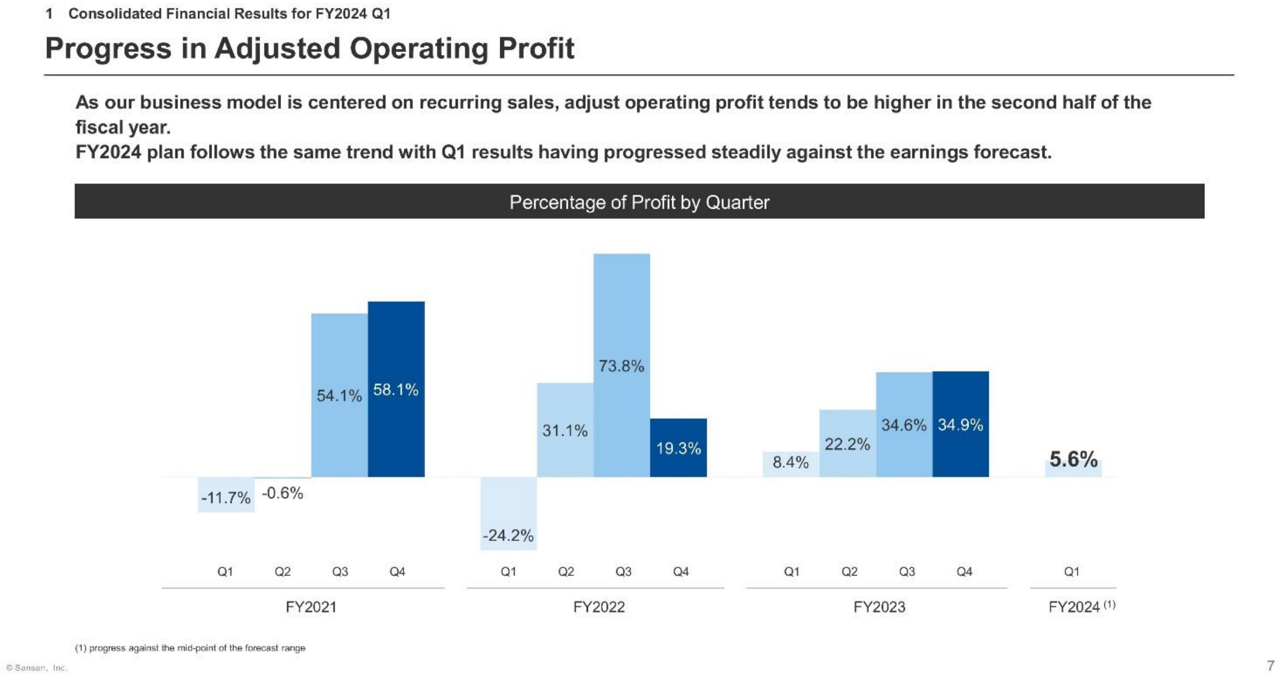

Please turn to page six.

Here, I will explain the factors contributing to changes in adjusted operating profit.

Personnel expenses increased by JPY999 million YoY, mainly due to active hiring in the previous fiscal year. Rent and relocation-related expenses increased by JPY463 million YoY due to temporary double rent costs and other onetime expenses from the office relocation.

Although advertising expenses increased by JPY59 million YoY, the ratio of advertising expenses to sales remained at 11.3%, leading to a decrease in the SG&A ratio. As a result, adjusted operating profit increased by JPY63 million YoY, with the profit margin improving by 0.3 percentage points.

Additionally, starting from the fiscal year ending May 2025, we have reclassified statutory welfare expenses, which were previously included in “other SG&A,” under personnel expenses. The fiscal year ending May 2024 has been retroactively adjusted to reflect this change.




Please turn to page seven.

I will now explain the trend in our adjusted operating profit.

Since our sales is primarily based on recurring sales, it gradually accumulates each quarter, leading to a growing scale. In recent years, we have tended to spend a significant portion of our advertising budget in H1, which causes adjusted operating profit to be weighted more towards H2.

For the fiscal year ending May 2025, we have planned similarly, and Q1 adjusted operating profit is progressing smoothly in line with our earnings forecast.

1 Consolidated Financial Results for FY2024 Q1

## Contributors to Changes in Share-based Payment Expenses

**To further share value with our shareholders, we have issued several stock options for our executives and employees. In line with an increase in stock price during the period under review, we fully expensed certain stock options with share price condition that satisfied the relevant exercise conditions, resulting in the increased share-based payment expenses.**

| (millions of yen) | FY2023 | FY2024 | |
|---|---|---|---|
| | Q1 Results | Q1 Results | YoY |
| Adjusted operating profit | 143 | 207 | +44.4% |
| Share-based payment expenses | -5 | 500 | – |
| Issued 2022 Stock options with share price condition (Series 7 and 9) | -32 | 427 | – |
| Others Stock options<br>・Issued 2023: Stock options with share price condition (Series10 and 12)<br>Performance target-linked stock options (Series 11)<br>・Issued 2024: Stock options with share price condition (Series13) | 27 | 72 | +165.8% |
| Expenses arising from business combinations | 27 | 32 | +18.7% |
| Operating profit | 120 | -325 | – |

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Please turn to page eight.

I will explain the reason behind the increase in expenses related to stock-based compensation.

To strengthen value-sharing with our shareholders, we issue several stock options to our officers and employees. Some of these are stock price-conditioned options, where the right to exercise depends on our stock price reaching a predetermined level. The accounting treatment for these options varies based on the stock price.

Specifically, if the stock price reaches the exercise conditions, the entire expense is recorded. If not, a portion is recognized based on the stock price level at the end of each quarter. Until now, we have been recording stock-based compensation expenses based on the stock price levels at the time.

This quarter, our stock price exceeded the exercise conditions for the seventh and ninth stock options issued in 2022, leading to the full recognition of the remaining expenses that had not been previously recorded. As a result, stock-based compensation expenses increased this quarter.

There will be no further expenses for the seventh and ninth stock options, but other stock price-conditioned options will continue to have expenses recognized based on stock price movements. Note that all of these stock-based compensation expenses are noncash and do not impact cash flow.

1 Consolidated Financial Results for FY2024 Q1

## Change in Method for Calculating Segment Profit

**Effective from FY2024, we have changed the method for calculating segment profit (with the same method retrospectively applied to the FY2023 results).**
**Based on a certain rule, adjustments (corporate expenses) will be allocated to each segment.**

| (millions of yen) | FY2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 Results | | Q2 Results | | Q3 Results | | Q4 Results | |
| Adjusted operating profit | New method | Difference from the previous method (allocated amount of corporate expenses) | New method | Difference from the previous method (allocated amount of corporate expenses) | New method | Difference from the previous method (allocated amount of corporate expenses) | New method | Difference from the previous method (allocated amount of corporate expenses) |
| Consolidated | 143 | – | 379 | – | 590 | – | 595 | – |
| Sansan/ Bill One Business | 459 | -1,440 | 486 | -1,521 | 812 | -1,569 | 492 | -1,893 |
| Eight Business | -289 | -198 | -97 | -193 | -196 | -183 | 120 | -201 |
| Others | -26 | – | -10 | – | -25 | – | -17 | – |
| Adjustments (corporate expenses) | – | +1,638 | – | +1,714 | – | +1,752 | – | +2,095 |


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Now I will explain the change in the method of calculating segment profit, that was implemented starting from Q1 of this fiscal year.

Please turn to page nine.

Up until the fiscal year ending May 2024, corporate expenses, such as headquarters costs, were not allocated to each segment and were recorded as adjustments. Starting from Q1 of the fiscal year ending May 2025, we have begun allocating these costs to each segment based on personnel expenses to improve cost management.

1 Consolidated Financial Results for FY2024 Q1

## Results by Segment

**While the Sansan/Bill One business increased net sales, it decreased adjusted operating profit due to increased personnel expenses resulting from the execution of growth strategies.**
**The Eight business reduced the amount of loss resulting from a significant increase in net sales.**

| | (millions of yen) | FY2023 | FY2024 | |
|---|---|---|---|---|
| | | Q1 Results | Q1 Results | YoY |
| Net Sales | Consolidated | 7,504 | 9,584 | +27.7% |
| | Sansan/Bill One Business | 6,816 | 8,653 | +26.9% |
| | Eight Business | 599 | 851 | +42.0% |
| | Others | 117 | 110 | -6.2% |
| | Adjustments | -29 | -30 | – |
| Adjusted Operating Profit | Consolidated | 143 | 207 | +44.4% |
| | Sansan/Bill One Business | 459 | 404 | -11.9% |
| | Eight Business | -289 | -159 | – |
| | Others | -26 | -37 | – |
| | Adjustments | – | – | – |

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Now please turn to page 10 for an overview of the performance by segment.

For the Sansan/Bill One businesses, although sales increased, higher personnel costs from aggressive hiring last fiscal year led to a decrease in profit YoY. The Eight business, on the other hand, saw both sales and profit increase YoY.

Comparing the new profit calculation method with the old standard, Sansan/Bill One businesses had a negative impact of JPY1.98 billion, while the Eight business saw a negative impact of JPY220 million.

1 Consolidated Financial Results for FY2024 Q1

## Sansan/Bill One Business Overview

**Sansan showed solid growth, and Bill One continued a high-growth trend, resulting in the segment sales up 27.7% YoY. Adjusted operating profit decreased by 11.9% YoY as expected at the beginning of the period due to an increase in personnel expenses along with the execution of growth strategies.**

| | (millions of yen) | FY2023 | FY2024 | |
|---|---|---|---|---|
| | | Q1 Results | Q1 Results | YoY |
| Sansan/ Bill One Business | Net sales | 6,816 | 8,653 | +26.9% |
| | Sansan | 5,439 | 6,280 | +15.5% |
| | Sansan recurring sales | 5,114 | 5,928 | +15.9% |
| | Sansan other sales | 324 | 352 | +8.4% |
| | Bill One | 1,160 | 2,122 | +82.8% |
| | Others | 216 | 251 | +16.0% |
| | Adjusted operating profit | 459 | 404 | -11.9% |
| | Adjusted operating profit margin | 6.7% | 4.7% | -2.0 pts. |



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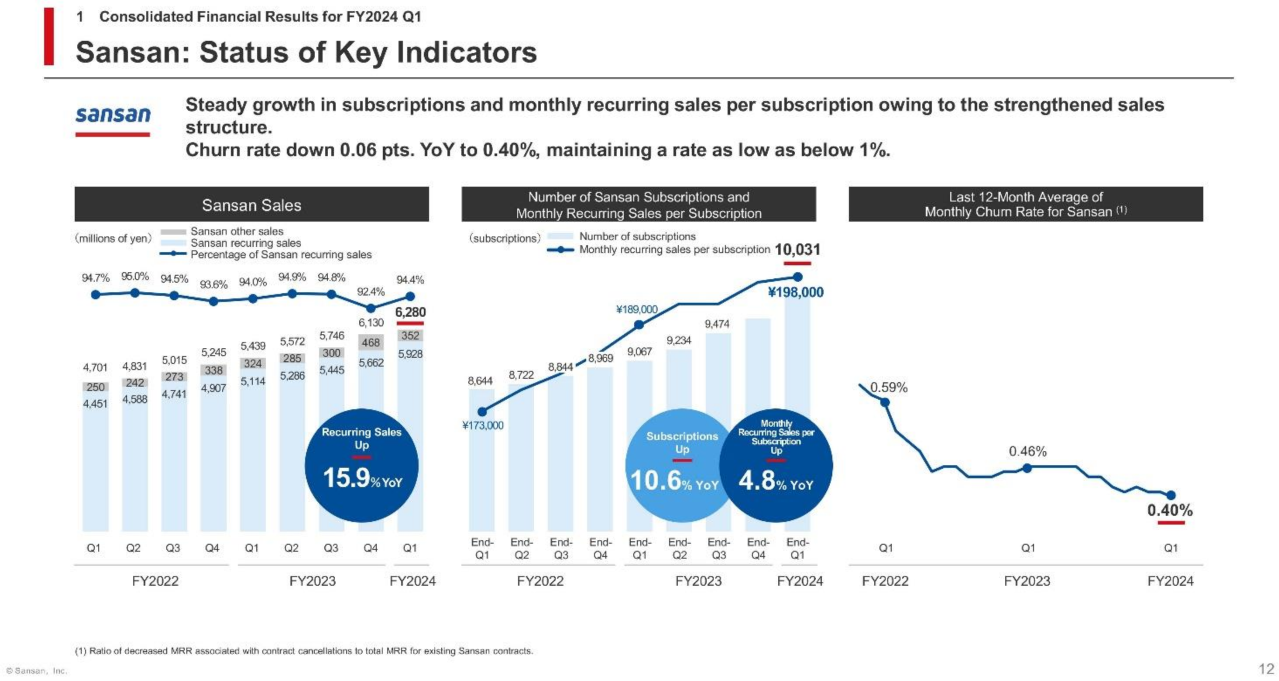
Next, please turn to page 11 for the segment performance results.

First, for the Sansan/Bill One businesses, sales increased by 26.9% YoY. Breaking it down by service, Sansan achieved a solid 15.5% YoY sales growth, and Bill One continued its high growth, increasing by 82.8% YoY.

Adjusted operating profit decreased by 11.9% YoY due to increased personnel costs from hiring more sales staff, as well as higher corporate expenses allocations. However, progress remains steady against the performance forecasts announced at the start of the fiscal year. In addition, the number of subscriptions for our contract database service, Contract One, increased by 71 from the end of the same period last year, bringing the total to 245, showing steady growth.




Let me explain the KPIs for Sansan.

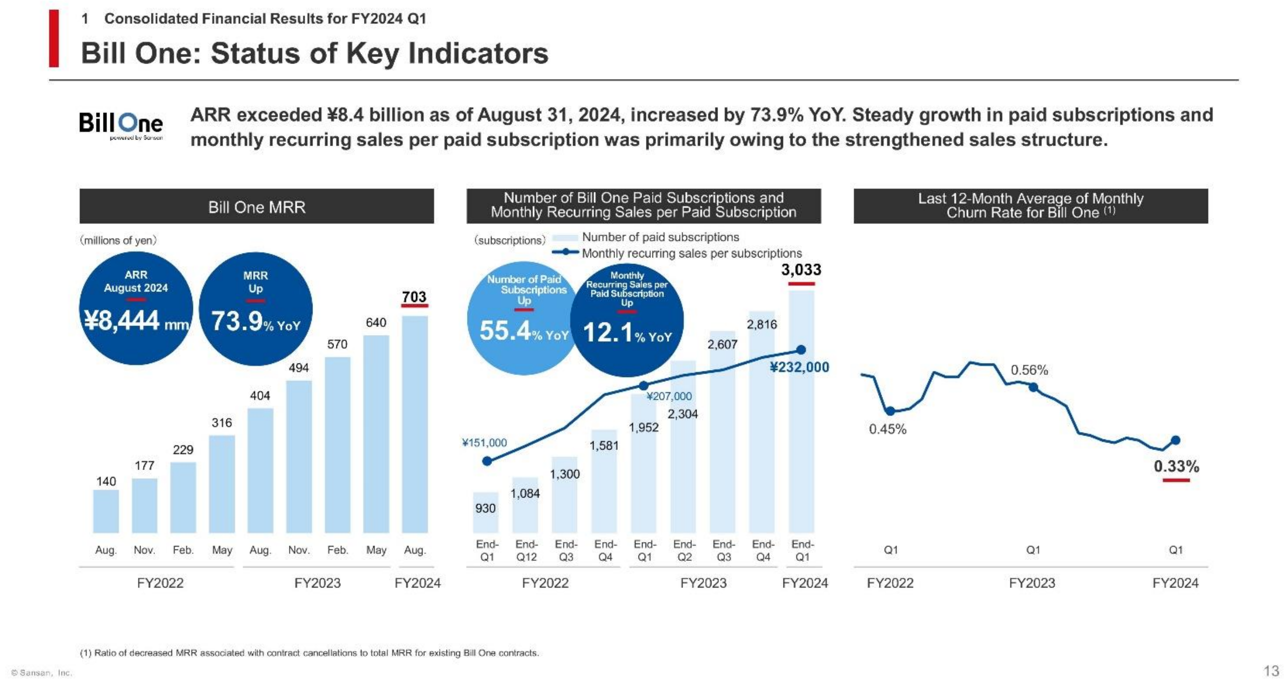
Please turn to page 12.

The graph on the left shows Sansan's recurring revenue, which increased by 15.9% YoY, reflecting solid performance. The middle graph shows the number of Sansan subscriptions and the monthly recurring revenue per subscription.

As a result of steady progress in acquiring smaller customers during the training of the additional sales staff hired in the previous year, the number of subscriptions increased by 10.6% YoY, surpassing 300 in this quarter alone, bringing the total to over 10,000 subscriptions. The monthly recurring revenue per subscription increased by 4.8% YoY, although the growth rate slowed compared to Q4 due to the higher number of small customers.

The right graph shows the 12-month average monthly churn rate for Sansan, which stood at 0.40% at the end of the quarter, maintaining a low level below 1%.

As a reference, I would like to talk about the status of new orders in Q1. The amount of new orders, which includes both those reflected in Q1 sales and those set to start from Q2 onwards, increased by 34.7% YoY, showing strong performance.




Next, I will explain the KPIs for Bill One.

Please turn to page 13.

The graph on the left shows the MRR for Bill One, which increased by 73.9% YoY as of August 2024, continuing its strong growth.

The middle graph shows that as a result of steady progress in acquiring new customers, the number of paid subscriptions increased by 55.4% YoY, and MRR per paid subscription increased by 12.1%.

The right graph shows the 12-month average monthly churn rate for Bill One, which remained at a very low level of 0.33%. Although still a small portion, these KPIs also include the results of Bill One Expense, which launched in June.

Looking at the current order situation, while the rush demand from the introduction of the invoice system has subsided, its impact remains minor. As the additional sales staff hired last fiscal year continue to develop, we expect new order amounts in Q2 to exceed Q1, which in turn will lead to greater MRR growth than we are currently seeing.

1 Consolidated Financial Results for FY2024 Q1

## Eight Business Overview

eight **Net sales of the Eight Business was up 42.0% YoY, owing to an M&A deal executed by a New Group company Kaede IR Advisory Inc. Along with net sales growth, adjusted operating profit reduced loss by ¥129 million YoY.**

| | (millions of yen) | FY2023 | FY2024 | |
|---|---|---|---|---|
| | | Q1 Results | Q1 Results | YoY |
| Eight Business | Net sales | 599 | 851 | +42.0% |
| | B2C services | 81 | 95 | +17.3% |
| | B2B services | 518 | 755 | +45.8% |
| | Adjusted operating profit | -289 | -159 | – |
| | Number of Eight users [(1)] | 3.37 million | 3.80 millions | +0.43 millions |
| | Number of Eight Team subscriptions | 4,023 subscriptions | 4,812 subscriptions | +19.6% |

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

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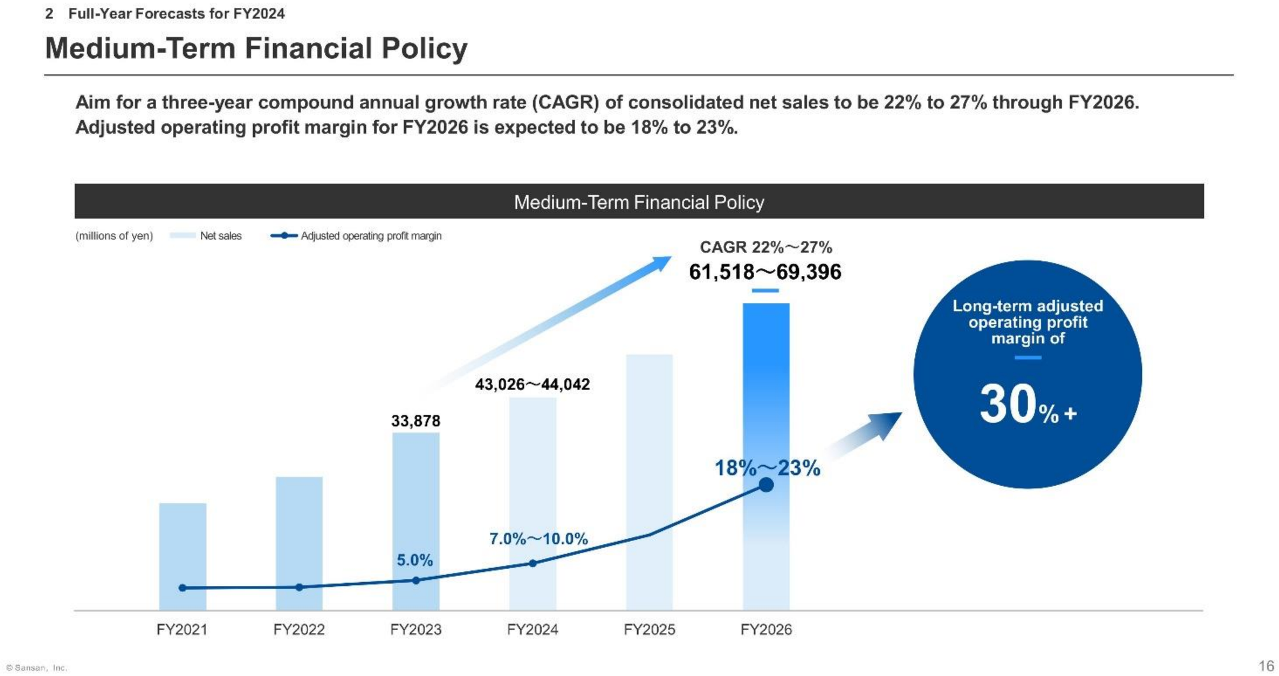
Next, let’s move on to the Eight business.

Please turn to page 14.

Both B2B and B2C services grew steadily, resulting in a 42% YoY increase in sales. In B2B services, the performance of Kaede IR Advisory, Inc., which became part of our group in June 2024, contributed to the results from the beginning of Q1.

Adjusted operating profit improved, with losses shrinking by JPY129 million YoY due to sales growth. Additionally, in September 2024, our group company, Logmi Co., Ltd., absorbed Kaede IR Advisory.




Lastly, I will discuss our full year outlook for the fiscal year ending May 2025.

First, regarding our medium-term financial policy, there have been no changes to the content announced this July, but I will reiterate the key points.

Please turn to page 16.

We are aiming for a CAGR of 22% to 27% in sales over the next three years. As for adjusted operating profit, we plan to accelerate its growth while making necessary investments to support sales growth, targeting an adjusted operating margin of 18% to 23% by the fiscal year ending May 2027. In the longer term, we believe we can achieve a margin of at least 30% once the business growth rate aligns with market averages.

2 Full-Year Forecasts for FY2024

## Full-Year Forecasts

**Aim for the sales growth rate of 27.0%–30.0%.**
**Adjusted operating profit margin is expected to improve 2.0–5.0 pts YoY, with accelerating the pace of profit improvement.**

| | (millions of yen) | FY2023 | | FY2024 (1) | |
|---|---|---|---|---|---|
| | | Full-Year Results | YoY | Full-Year Forecasts | YoY |
| Earnings Forecasts | Net Sales | 33,878 | +32.8% | 43,026 to 44,042 | +27.0% to +30.0% |
| | Sansan/Bill One Business | 29,948 | +33.0% | 37,734 to 38,483 | +26.0% to +28.5% |
| | Sansan | 22,889 | +15.6% | 26,552 to 26,781 | +16.0% to +17.0% |
| | Bill One | 6,168 | +155.5% | 9,870 to 10,486 | +60.0% to +70.0% |
| | Eight Business | 3,548 | +23.8% | 4,683 to 4,896 | +32.0% to +38.0% |
| | Adjusted Operating Profit | 1,709 | +81.5% | 3,012 to 4,404 | +76.2% to +157.6% |
| | Adjusted Operating Profit Margin | 5.0% | +1.3 pts. | 7.0% to 10.0% | +2.0 pts. to +5.0 pts. |

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

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For the full year outlook for the fiscal year ending May 2025, please turn to page 17.

We are forecasting a 27% to 30% YoY increase in sales. Adjusted operating profit is expected to increase from 76.2% to 157.6%, and a 2 to 5 percentage point increase in adjusted operating profit margin.

That concludes my presentation.

Thank you very much.

## Question & Answer

**Moderator [M]:** Now we will begin the Q&A session. Please note that a written transcript of the session will be made available. If you wish to remain anonymous when asking a question, please let us know by stating so, along with your company name and your name.

For those submitting questions via the web, kindly change your name to any four characters of your choosing.

We would appreciate questions from everyone, but please limit your turn to two questions per round. If you have more than two questions, we kindly ask you to raise your hand again for an additional round.

Now are there any questions?

Alright, let's start with Mr. Hiraoka. Please go ahead.

**Hiraoka [Q]:** Thank you for the opportunity. This is Hiraoka from Nomura Securities. I have two questions. The first is about the temporary costs. Could you confirm whether the increased costs from the headquarters relocation and stock-based compensation related to the rise in stock price were onetime expenses that shifted from Q4 to Q1?

Also, for Q2, are there any other onetime expenses expected besides the relocation costs and rent, which I understand are around JPY820 million?

**Hashimoto [A]:** Thank you for the question. Yes, you're correct. In Q1, we recorded significant onetime expenses related to stock-based compensation and the office relocation. While the stock-based compensation didn't affect adjusted operating profit, the office-related costs did, and this, along with company-wide stock-based compensation, resulted in an operating loss.

As for the stock-based compensation costs, after being fully accounted for in Q1, we expect these to return to below last year's levels from Q2 onward. As I mentioned earlier, these costs fluctuate depending on stock price, but the seventh and ninth stock options issued in 2022 were quite large. Other stock option plans are not as significant, so going forward, we expect the expense amounts to be far more moderate.

Regarding office-related costs, we will incur some additional expenses in Q2, but we estimate these onetime expenses will range from JPY200 million to JPY300 million. This covers costs, such as the previous office's rent and depreciation, as well as repair costs from the old headquarters, all of which we expect to be accounted for in Q2.

**Hiraoka [Q]:** Thank you. As a follow-up, could you share your outlook on advertising expenses for Q2? You mentioned you plan to spend more in H1, so I'd like to get a better sense of your expectations.

**Hashimoto [A]:** Thank you. We're planning a mass-marketing campaign, including TV commercials, in November. I expect our advertising spend in Q2 to be similar to or slightly higher than Q1.

In Q1, we didn't use the full advertising budget as anticipated, which left some unused. However, for the full year, as we mentioned at the beginning of the fiscal year, we are aiming to spend JPY4.5 billion to JPY4.6 billion on advertising. For Q2, we plan to increase spending slightly compared to Q1, aiming to meet our full year target of JPY4.6 billion.

**Hiraoka [Q]:** Thank you. Could you explain why you didn't fully utilize the advertising budget in Q1?

**Hashimoto [A]:** There wasn't a particular reason, but it seems we had more negotiation power than expected with external agencies and companies, which allowed us to save more than anticipated.

**Hiraoka [Q]:** Understood, thank you. My second main question is about the Eight business. Could you break down the impact of M&A activities and the price revision, specifically how much each contributed to Eight's sales?

**Hashimoto [A]:** Thank you. Regarding Eight, we've been able to maintain a high sales growth rate, and I believe it's progressing very smoothly, even exceeding our expectations in some areas.

The impact of M&A has been minimal, so its overall contribution is quite small. However, one of our services, specifically Eight Team, which provides business card management services for small and medium-sized companies, underwent a price revision last summer, and we are now fully seeing the effects of that price increase. This service has continued to show strong growth, and along with the positive impact of the price hike, new customer acquisition has been progressing at about the same pace as before, contributing significantly to our overall performance.

Last year, we focused on narrowing down and concentrating our services, which resulted in a relatively lower growth rate for the Eight business. This year, we're comparing it to a more streamlined business model, so it appears that the growth rate is much higher, reflecting this shift.

**Hiraoka [M]:** That makes a lot of sense. Thank you. That's all from me.

**Moderator [M]:** Thank you, Mr. Hiraoka. Next, Mr. Oyama, please go ahead.

**Oyama [Q]:** This is Oyama from Mizuho Securities.

I have two questions. The first is about the growth rate of Sansan's sales. In Q1, sales grew by 15.5% YoY, which is slightly below your full year guidance range of 16% to 17%. How do you evaluate this, and what factors will drive acceleration in sales growth in Q2 and beyond?

**Hashimoto [A]:** Thank you. While the full year guidance range may make Q1's growth seem a bit underwhelming, what's crucial in Q1 is the growth in recurring revenue. The stronger that is, the more it contributes to growth in Q2, Q3, and Q4, as it recurs throughout the year.

Recurring revenue grew by 15.9% YoY, which is the highest growth rate we've seen in about two years. We expect this to continue into Q2 and beyond. Additionally, our variable revenue is performing well, so with both of these factors combined, we believe we're on track to achieve our full year forecast.

**Oyama [Q]:** Thank you. At this point in Q1, would you say you're roughly tracking toward the midpoint of your full year guidance range?

**Hashimoto [A]:** Yes, that's correct. That's what we think.

**Oyama [Q]:** Got it, thank you. My second question is about the price optimization for both Sansan and Bill One last year. Could you share how well price optimization have been passed on to existing customers? Are things going as planned, or do you think you might need more time to complete this process?

**Hashimoto [A]:** Thank you. Both Sansan and Bill One are progressing as expected, with no major deviations from our plan.

We aren't applying a uniform price optimization to all customers. It depends on factors like usage, contract terms, and whether the customer's team size has grown or shrunk. However, for new customers, we've successfully signed contracts at the new pricing.

For existing customers, we're still in the process of applying these price adjustments, so it's a work in progress. It's a bit of a vague answer, but I think we'll continue to propose the new pricing packages over the next six months or so.

We've already seen some existing customers successfully upgrade to higher-tier plans, and that's helping to boost ARPU. However, based on the current trends, I don't think we'll see a sudden dramatic increase in ARPU anytime soon. It will likely continue to grow steadily.

**Oyama [Q]:** Thank you. Just a quick follow-up, when it comes to applying price optimization to existing customers, is there any difference between Sansan and Bill One?

**Hashimoto [A]:** No, there's not much of a difference. Both are progressing at about the same rate.

**Oyama [M]:** Understood, thank you. That's all from me.

**Moderator [M]:** Thank you, Mr. Oyama. Next, Mr. Miyazaki, please go ahead.

**Miyazaki [Q]:** This is Miyazaki from Goldman Sachs. I have two questions.

The first question is about the full year sales outlook, particularly regarding Bill One. Based on the current order situation, how would you assess your progress toward achieving the midpoint of your full year target range?

**Hashimoto [A]:** Thank you. As we mentioned earlier in the presentation, Bill One's growth rate is moderating compared to last year, especially since the initial rush from the invoice system implementation has settled. However, this was factored into our full year guidance, so we still expect to land within the guidance range.

Looking at the QoQ numbers, I believe Q1 marked the bottom for new orders. We expect Q2 order amounts to exceed Q1, and we're seeing signs of improvement in the order pipeline. Moving into H2, we plan to accelerate order growth through Q2, Q3, and Q4.

**Miyazaki [Q]:** Understood, thank you. My second question is about Sansan. Specifically, with regard to midsize and enterprise-level leads and deals, has there been any change in momentum or overall activity? From the recent KPI trends, it seems growth has been primarily driven by smaller clients due to your sales team's development. Could you confirm whether there have been any changes in the situation for midsize and enterprise customers?

**Hashimoto [A]:** Thank you. There hasn't been much change in that area. However, larger companies do tend to place orders toward the end of the fiscal year, around March or April, so we may see more traction in that period.

That said, we saw a net increase of around 300 contracts this quarter, which was somewhat unexpected. It's a higher number than we anticipated. As a company, our focus remains on maximizing the total value by increasing both the number of contracts and the average deal size, so while there hasn't been a significant shift in our customer mix, we're still aiming to optimize contract volume and pricing.

To directly answer your question, there hasn't been a major change in momentum for midsize or enterprise customers.

**Miyazaki [M]:** Got it, thank you.

**Moderator [M]:** Thank you, Mr. Miyazaki. Are there any other questions?

Alright, next, we have a question from CLSA Securities, though the name is not displayed. Please go ahead.

**Noda [Q]:** This is Noda from CLSA Securities. I have a couple of questions about Sansan. First, you mentioned that Q1 had strong order momentum, but how does it compare to Q4 of last year, when you achieved a record high? Has there been any shift in momentum?

Second, aside from the easing of COVID-19, are there any particular product features or improvements that have contributed to the strong momentum since last term? If there have been any notable changes, I'd appreciate if you could share them.

**Hashimoto [A]:** Thank you for your questions. I believe the momentum remains strong. As I mentioned during the presentation, our order volume grew by a bit over 30% compared to the previous year. While this doesn't mean total sales will grow by the same percentage, we view this increase in orders as very positive, and it indicates productivity is improving.

Since COVID-19 restrictions were lifted, we've implemented many changes, but rather than one major improvement, it's more about the accumulation of various small enhancements. For example, we've made more data, such as additional company information and location data, available to users. We've also added features that allow more detailed analysis through Sansan.

When we look at the composition of our orders, we see that some are coming from existing customers who are benefiting from these expanded features. This is the advantage of a cloud-based service, new features can be continuously layered onto the existing system. I believe this steady accumulation of improvements is driving the current success.

**Noda [M]:** Understood, thank you.

**Moderator [M]:** Are there any other questions?

If there are no further questions, we will conclude the earnings call.

Thank you for joining us today.

[END]

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***Document Notes***

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