

## **Sansan, Inc.**

Earnings Results Briefing for FY2021 Q2

January 14, 2022

## 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 Q2	
[Fiscal Period]	FY2021 Q2	
[Date]	January 14, 2022	
[Number of Pages]	30	
[Time]	10:00 – 10:48 (Total: 48 minutes, Presentation: 23 minutes, Q&A: 25 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]	130	
[Number of Speakers]	2	
	Chikahiro Terada	Representative Director and CEO
	Muneyuki Hashimoto	Director, Executive Officer and CFO
[Analyst Names]*		
	Kenichi Ito	Ichiyoshi Research Institute Inc.
	Ryotaro Sawada	ACE Research Institute
	Takashi Miyazaki	Goldman Sachs Japan Co., Ltd.

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

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# Presentation

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**Moderator:** Now it is time for us to begin the earnings results briefing for FY2021 Q2 of Sansan, Inc.

I would like to introduce today's speakers. Mr. Terada, Representative Director; and CEO. Mr. Hashimoto, Director and CFO.

First of all, regarding the materials for today, the presentation will be made using the earnings results presentation materials. We will share them on the screen via Zoom, and for those who participate by phone, please check the materials on our IR website.

Concerning the schedule for today, Mr. Terada will give an overview of the earnings results for H1 of the year, and then Mr. Hashimoto will give an overview of the 3-month results. There will be a 20-minute presentation by 2 speakers, followed by a Q&A session until 11:00 AM.

We will start with a presentation from Mr. Terada.

**Terada:** Thank you very much for participating in our earnings results briefing today. I am Terada, CEO. Today, I would like to explain the 3 chapters, including H1 results.

First, I will begin by explaining the results for FY2021 Q2 YTD.

1 Consolidated Financial Results for FY2021 Q2 (six months)

## Highlights of FY2021 Q2YTD Results

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### **Consolidated net sales increased by 25.4% YoY**

Net Sales: Sansan/Bill One Business 23.8% growth, Eight Business 33.0% growth  
ARR <sup>(1)</sup> : 24.1% growth to 17,935 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

### **Bill One, Contract One results performance favorable**

Bill One MRR <sup>(2)</sup> increased by 1,131.4% YoY to 61 million yen and number of paid subscriptions increased by 677.0% YoY.  
The new Contract One service has made a smooth start.

(1) Annual recurring revenue  
(2) Monthly recurring revenue

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Please refer to page 5. There are 3 highlights of H1 results.

First of all, consolidated net sales grew steadily by 25.4% YoY. ARR increased by 24.1% to JPY17.935 billion.

As for the second point, the cumulative results for H1 of the fiscal year showed steady progress toward the full-year forecasts. The decrease in operating profit was due to personal recruitment and promotion of advertising activities to achieve medium- to long-term growth, and the results were in line with the forecast.

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The third point is about Bill One, an online invoice receiving solution, and Contract One, a cloud-based contract management solution. Bill One's MRR as of the end of November 2021 was approximately 12 times YoY and continued to grow at a high rate. In addition, our new service, Contract One, has made a smooth start.

1 Consolidated Financial Results for FY2021 Q2 (six months)

## Overview of Consolidated Financial Results

**Net sales increased by 25.4% YoY.**

**Operating profit decreased owing to execution of growth investments.**

	(millions of yen)	FY2020	FY2021	
		Q2YTD Results	Q2YTD Results	YoY
Consolidated Results	Net Sales	7,636	9,577	+25.4%
	Gross Profit	6,690	8,446	+26.2%
	Gross Profit Margin	87.6%	88.2%	+0.6 pt.
	Operating Profit	686	-133	—
	Operating Profit Margin	9.0%	—	—
	Ordinary Profit	454	643	+41.7%
	Profit Attributable to Owners of Parent	388	573	+47.8%
	EPS <sup>(1)</sup>	3.12 yen	4.60 yen	+47.6%

<sup>(1)</sup> As the Company conducted a four-for-one common stock split effective December 1, 2021, the EPS were calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 31, 2021.

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Now, let's move on to page 6.

Consolidated results for H1 are as shown here. Despite being negatively impacted by the prolonged Covid-19 disaster, sales were generally favorable and increased by 25.4% YoY to JPY9,577 million.

In addition, as a result of executing various investments for medium- and long-term growth, operating profit decreased by JPY820 million YoY, and a loss of JPY133 million was recorded.

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

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## Results by Segment

**Net sales increased in both Sansan/Bill One Business and Eight Business.**

**Adjustments amount (operating loss) increased by ¥423 million YoY owing to increase in number of employees, etc.**

		FY2020	FY2021	
(millions of yen)		Q2YTD Results	Q2YTD Results	YoY
Net Sales	Consolidated	7,636	9,577	+25.4%
	Sansan/Bill One Business	6,903	8,548	+23.8%
	Eight Business	734	976	+33.0%
	Others	—	54	—
	Adjustments	0	-2	—
Operating Profit	Consolidated	686	-133	—
	Sansan/Bill One Business	2,835	2,366	-16.5%
	Eight Business	-363	-291	—
	Others	—	0	—
	Adjustments	-1,785	-2,209	—

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An overview of results by segment is shown on page 7.

Hashimoto will explain in detail later, however, both Sansan/Bill One business and Eight business recorded increased sales.

The main reason for the larger negative adjustment is the increase in various costs associated with increase in the number of employees.

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## Focal Points in Our Service Development

Under our avowed mission of Turning encounters into innovation, developing B2B services that realize DX for business fields where analog business flows remain.

Point 1

### Encounters

- Focusing on person-to-person, company-to-company encounters

Point 2

### From Analog to Digital

- Including paper, analog business flows remain, and thus there is substantial room for optimization through digitization

Next, I would like to explain the development of services in invoice and contract fields. See page 9.

Before explaining individual services in invoice and contract fields, let me first mention 2 focal points in our service development.

The first is that it is a service related to encounters. Our mission is “Turning encounters into innovation.” We have been developing our business by focusing on person-to-person, company-to-company encounters, and points of contact.

For example, business cards. Business card exchange is essential in business encounters, and invoices and contracts are a proof of the connection-like business transaction and encounter between companies.

The second is from analog to digital. We are focusing on those areas where there is substantial room for optimization through digitization of the remaining analog workflows, such as paper media.

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## Our Strengths

Establishing one of the largest SaaS positions in Japan based on technology for digitizing analog information.



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Let's go on to page 10. Next, I will explain our strengths in this regard.

Our greatest competitive advantage in developing our services is our technology for digitizing analog information. We are proud to say that Sansan has led the market. We offer convenience responding to the need of customers and gain the largest shares in the business card management market for corporate business. We believe that what has supported this is the system and technology that allows us quickly, accurately, and securely to digitalize large amounts of analog information.

OCR, meaning machine and technology alone, is still not enough for accurate digitalization. Accuracy, to really guarantee this, will always require a combination of technology and operations, combined with human manual input.

This unique operation will continue to generate correct data, which in turn will evolve the AI engine and AI technology, and enhance the operation, thus creating a cycle.

The digitalization technology that we have built by continuing this cycle since our foundation has become an overwhelming competitive advantage that no other company can match.

In addition, Sansan is in the business of taking care of business cards, an important corporate information asset, and as the leader in this service, it is widely recognized in Japan, which contributes greatly to gaining credibility for our service.

Another major strength is the high level of know-how and organization in sales and marketing that we have built up as a SaaS company over the past 15 years.

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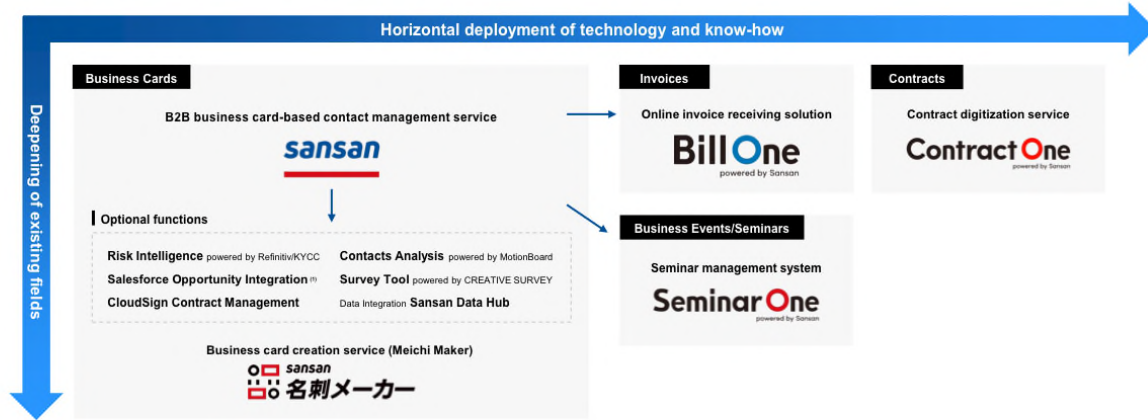
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## Development of Our B2B Services

While devising ways to deepen our market penetration as a business platform in the business card space, horizontally deploying technologies and expertise we have cultivated and creating new services in a range of business fields.



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Please refer to page 11. This diagram shows the development of our B2B services.

By combining the 2 focal points I mentioned earlier with the Group's strengths, we are evolving Sansan in the core business card field and developing new services in adjacent business fields, such as invoices, contracts, and events.

Our goal is to create innovative services that promote efficiency and digitalization, for the various business flows that arise from encounters in business events where people meet, to the management of business contacts after those encounters, to contractual work and invoice processing. Our goal is for these services to be used as a matter of course, and eventually to be recognized as business infrastructure.

Among them, today I'd like to talk about Bill One, an online invoice receiving solution, and Contract One, a cloud-based contract management solution, in detail.

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## Bill One: Service Outline

A service that enables receipt of paper and PDF invoices online and supports faster settlement of monthly accounts by realizing operational efficiency.



In addition to accurately digitizing paper and PDF invoices, and for invoices that have been digitized to be viewable in the cloud, the service enables a variety of business flows, such as invoice confirmation and approval, to be completed in the cloud.

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Now, please see page 12. From here, I will explain the individual services in detail.

First, let's talk about Bill One. Bill One is a digitalization service that facilitates the streamlining of invoice-related operations by allowing you to receive online all invoices that are sent in a variety of formats, including paper and PDF to multiple locations and departments.

Bill One will receive invoices sent by post or email attachment on behalf of you, scan them, and digitalize them. Invoices that have been accurately digitalized can be viewed in the Cloud, and various workflows such as invoice confirmation and approval can be completed in the Cloud. This is a service that contributes to accelerating settlement of monthly accounts.

In addition, since invoice information is managed centrally in an easy-to-search database, the data can be used to control costs, create sales opportunities, and maximize future revenue generation.

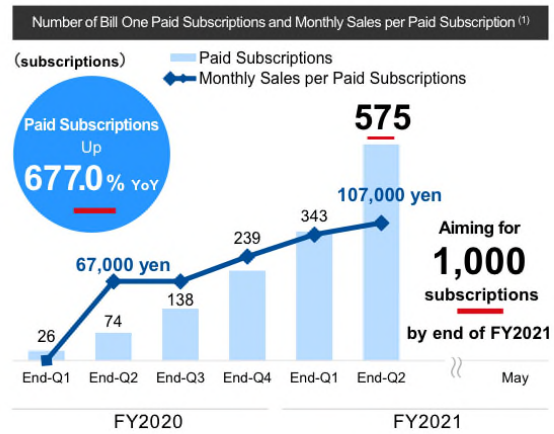
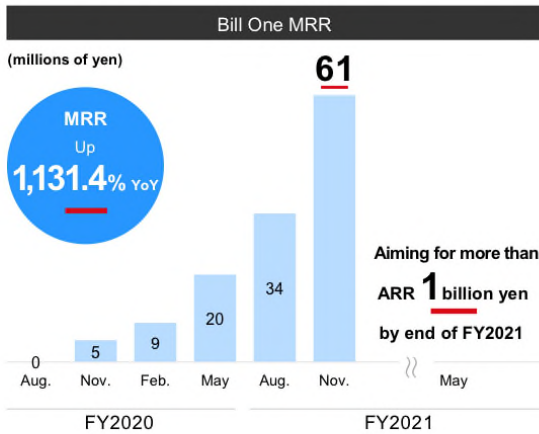
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## Bill One: MRR, Paid Subscriptions and Monthly Sales per Paid Subscription

Rapid growth of MRR, number of paid subscriptions and monthly sales per paid subscription  
Aiming for ARR of ¥1 billion+ in FY ending May 2022.



(1) Monthly results for the end of the quarter in Bill One, unaudited

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Let me explain our business performance with Bill One. Page 13 shows MRR and the number of paid subscriptions for Bill One.

Bill One's MRR as of the end of November 2021 was JPY61 million, approximately up 12 times YoY, thanks to progress in acquiring new contracts from medium-sized and large companies.

The number of paid subscriptions for Bill One increased approximately 7-fold YoY to 575, and monthly sales per paid subscription increased by 59.7% YoY to JPY107,000.

We are aiming for ARR of JPY1 billion or more in the end of May 2022, and ARR as of the end of November 2021 was JPY739 million, making very good progress toward our goal.

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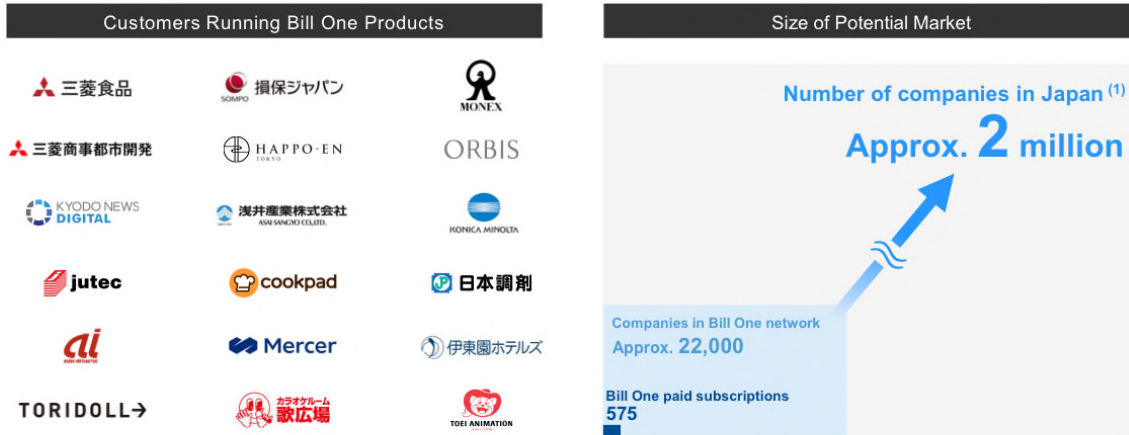
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## Bill One: Customers and Size of Potential Market for Bill One

Regardless of company size, acquiring customers from various types of business and business conditions  
Vast room for development exists in Japan.



(1) Based on Economic Census for Business Activity in 2016 issued by the Statistics Bureau.

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Page 14 shows customers and potential market size of Bill One.

As you can see from the corporate logos on the left, we have customers from a variety of industries and business categories, including major financial institutions and food companies.

As for the TAM concept on the right, the dark blue in the graph represents the number of Bill One paid subscriptions at the end of the quarter, the light blue next to it represents the number of companies in the network, including companies that send invoices, and the large, light gray square represents the number of companies in Japan that we are targeting.

The number of companies participating in the network is a model that expands more than the increase in the number of Bill One users, as there are multiple senders for each user company. We had 575 new paid subscriptions at the end of November 2021, and the number of companies participating in the network is approximately 22,000.

In the year and a half since the service was launched, we believe that we have been able to expand to about 1% of the companies in Japan.

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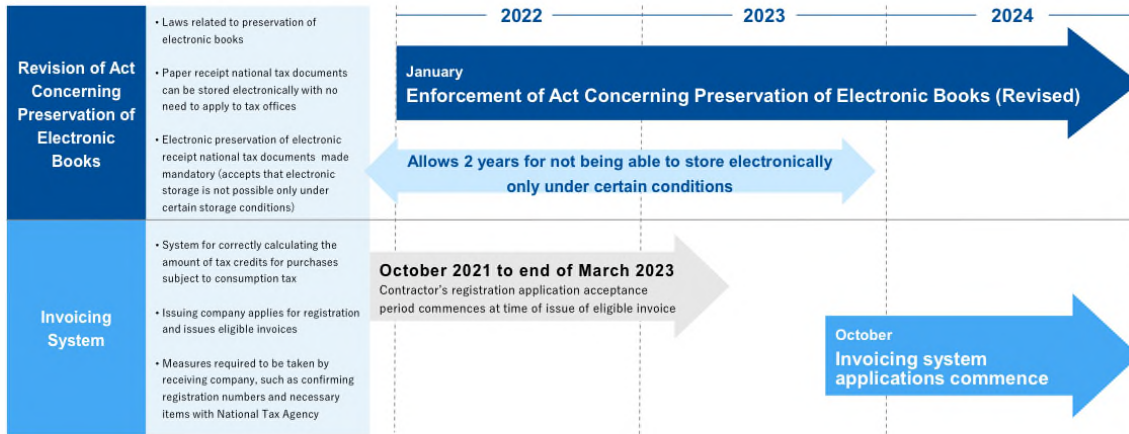
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## External Environment in Invoicing Arena (Legal Changes)

While legal reforms and other measures are promoting invoice digitization, companies face new issues in need of attention, and demand for services to solve these issues is rapidly increasing.



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Please see page 15. I would like to touch on the external environment in invoicing field, such as legal changes.

While Japan's public and private sectors have been promoting the digitization of invoices, including legal amendments, companies are facing new challenges.

The amendment to the Act of Preservation of Electronic Books, which came into effect in January this year, requires that invoices received electronically must be saved as electronic data, whereas previously they were allowed to be printed and saved on paper.

In addition, it is necessary to be able to confirm that the data has not been tampered with, and to be able to quickly search the data by date, amount, business partner, et cetera, as requirements for data storage.

As a result, in-house electronic storage management becomes much more difficult, and centralized management, including invoices received on paper, becomes extremely difficult.

In addition, after the introduction of the invoicing system, which is expected in October 2023, the receipt of eligible invoices will be required in order to receive the amount of tax credits for purchases. Companies that receive the invoice will have to spend additional man-hours to confirm that it is an eligible invoice, that it contains the required information, and that the registration number on it is correct.

We believe that the rapidly growing demand for services that solve these issues will act as a tailwind for the future expansion of Bill One.

In addition, the amendment to the Act of Electronic Books also applies to contracts covered by Contract One, as I will explain next.

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## Contract One: Service Outline

A service that realizes risk management from the DX of contract business.



By accurately digitizing contracts, both paper and electronic contract information can be centrally managed as data. In addition to supporting the visualization and effective utilization of contract information, Contract One also provides functions that enable a series of contract-related tasks, from stamping and storage to management, to be completed online.

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Next, let's take a look at Contract One's service outline. Please see page 16.

Contract One provides centralized management of all types of contracts, from paper to electronic, to improve business efficiency and manage risk at the same time. Paper-based contracts, which require stamping, binding, and mailing, can be comprehensively digitalized from conclusion to management like electronic contracts.

The reality is that contract-related work is still primarily paper-based, and there are still inefficient and extremely wasteful man-hours involved in binding, stamping, and mailing. Even with the introduction of new ways of working, such as remote work, this has become a bottleneck in the quest for increased productivity.

In fact, I understand that the spread of electronic contracting services themselves has advanced greatly due to the pandemic, but their penetration rate has not yet reached the majority, and on the contrary, because paper-based contracting operations have not been completely eliminated, issues have arisen where paper and electronic contracts are mixed together, making integrated management difficult.

In addition, in order to comply with the revision of the Act of Electronic Books, the management of contracts is also being reviewed, which is a management issue for companies.

Contract One is a service that solves these issues. Specifically, through the Smart Ledger function, Contract One accurately digitalizes paper-based contracts and electronic contracts and generates a ledger in the Cloud in a format that complies with the Act of Electronic Books.

In addition, there is the smart seal function, which allows Contract One to take over the printing, stamping, binding, mailing, et cetera, that are required when concluding paper-based contracts. With these features, users can complete their contractual work online, including when the counterparty sends a paper-based contract. Furthermore, it can be centrally managed on a database. The result is a service that enables risk management throughout the Company.

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## Contract one: Collaboration with Other Companies

Contract One enables centralized management of all contracts, including electronic contract services.  
— Planning to integrate functions with seven major electronic contract service companies.



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Please see page 17. The corporate logos shown here are those of 7 companies that provide major electronic contracting services that will be linked to Contract One.

As a service that enables centralized management of all types of contracts, both paper and electronic, Contract One is not in competition with existing electronic contracting services from other companies, but is a partner. Contract One is supported by companies that provide electronic contracting services from the perspective of promoting the digitization of contracts, because it enables digital migration while allowing the analog state of paper-based contracting to some extent.

Although it was just free-launched in July 2021, the number of Contract One contracts has advanced to 45 at present, without any marketing. We are very excited about this service, as it acquires customers at a fast pace that is comparable to the past Sansan and Bill One services.

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## Consolidated Financial Forecasts

Up to and including the second quarter, results have been progressing steadily.  
No change to consolidated earnings forecast announced at beginning of fiscal year.

	(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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Now, as my final explanation, I would like to talk about our business outlook. Please see page 19.

As the results up to Q2 are progressing smoothly, there is no change to the full-year forecasts announced at the beginning of the fiscal year. Although the declaration of a state of emergency was lifted in October 2021, we do not foresee any major change in the trend of our current business performance from Q3 onward, as we are not yet in a position to foresee the end of the pandemic, including concerns about the spread of the Omicron variant.

Although an operating deficit was recorded in the H1 results, this was due to the execution of investments aimed at realizing medium- to long-term sales growth, and the results are in line with the business forecast.

This concludes my presentation.

Next, Mr. Hashimoto, CFO, will explain the Q2 results.

**Hashimoto:** I'm Hashimoto, CFO. I would like to explain our business results for 3 months of Q2.

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## Overview of Consolidated Financial Results

Despite being impacted by the prolonged and ongoing COVID-19 pandemic, net sales remained strong and increased 25.5% YoY.

Each profit decreased owing to execution of growth investments.

		FY2020	FY2021	
(millions of yen)		Q2 Results	Q2 Results	YoY
Consolidated Results	Net Sales	3,969	4,979	+25.5%
	Gross Profit	3,460	4,357	+25.9%
	Gross Profit Margin	87.2%	87.5%	+0.3 pt.
	Operating Profit	492	-31	—
	Operating Profit Margin	12.4%	—	—
	Ordinary Profit	352	-111	—
	Profit Attributable to Owners of Parent	302	-78	—
	EPS <sup>(1)</sup>	2.43 yen	-0.63 yen	—

(1) As the Company conducted a four-for-one common stock split effective December 1, 2021, the EPS were calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 31, 2021.

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The results for 3 months of Q2 are as shown on page 22.

Net sales totaled JPY4.979 billion, up 25.5% YoY.

Each profit decreased due to execution of growth investments, operating profit was negative JPY31 million, ordinary profit was negative JPY111 million, and profit attributable to owners of parent was negative JPY78 million.

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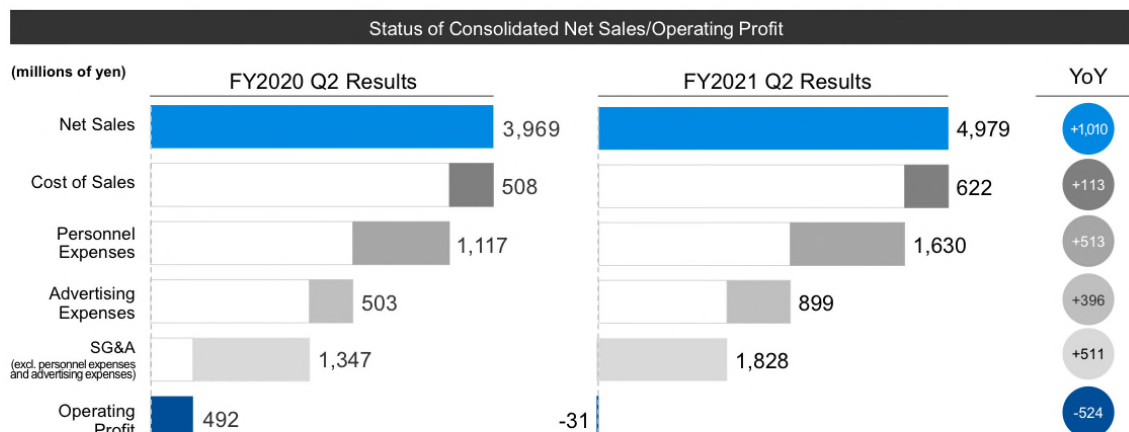
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## Factors Contributing to Changes in Consolidated Operating Profit

Personnel expenses increased by ¥513 million and advertising expenses increased by ¥396 million YoY, owing to recruitment of human resources and strengthening of advertising activities, respectively.



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Page 23 explains the factors behind the increase/decrease in consolidated operating profit.

In Q2, we made various growth investments in order to accelerate the rate of sales growth in the medium and long term. Specifically, the number of consolidated employees increased by 288 YoY to 1,069, as a result of the continued enhancement of company-wide recruitment since the previous fiscal year, and personnel expenses increased by JPY513 million YoY.

In addition, as a result of promoting marketing activities in Bill One, advertising expenses increased by JPY396 million YoY.

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## Sansan/Bill One Business Overview

Net sales increased by 23.8% YoY against the backdrop of steady growth of Bill One.  
Operating profit decreased 21.5% YoY owing to recruitment of human resources and strengthening of Bill One advertising activities.

	(millions of yen)	FY2020	FY2021		(For Reference) FY2021	
		Q2 Results	Q2 Results	YoY	Q2YTD Results	YoY
Sansan/Bill One Business	Net Sales	3,545	4,387	+23.8%	8,548	+23.8%
	Sansan	3,535	4,227	+19.6%	8,295	+20.4%
	Sansan Recurring Sales	3,362	4,026	+19.8%	7,926	+20.8%
	Sansan Other Sales	172	200	+16.0%	369	+11.8%
	Bill One	10	148	+1,371.1%	238	+2,135.7%
	Others	0	11	+5,720.0%	14	+3,167.2%
	Operating Profit	1,565	1,228	-21.5%	2,366	-16.5%
	Operating Profit Margin	44.1%	28.0%	-16.1 pt.	27.7%	-13.4 pt.

(1) Unaudited

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I will explain the financial results by segment. Please see page 24. First, I will talk about the achievements of Sansan/Bill One business.

Net sales increased by 23.8% YoY to JPY4,387 million on the back of steady growth in Sansan and Bill One. For Sansan, despite the negative impact of Covid-19, sales grew steadily and increased by 19.6% YoY.

The slowdown in the growth rate compared to the previous quarter was due to the negative impact of the declaration of a state of emergency lasting the end of September 2021 and other factors. For Bill One, sales continued to grow at a high rate, increased approximately by 14 times YoY.

The large sales growth of Others was owing to Contract One.

Operating profit decreased by 21.5% YoY to JPY1,228 million due to an increase in personnel expenses from recruitment and an increase in advertising expenses from the strengthening of marketing activities for Bill One.

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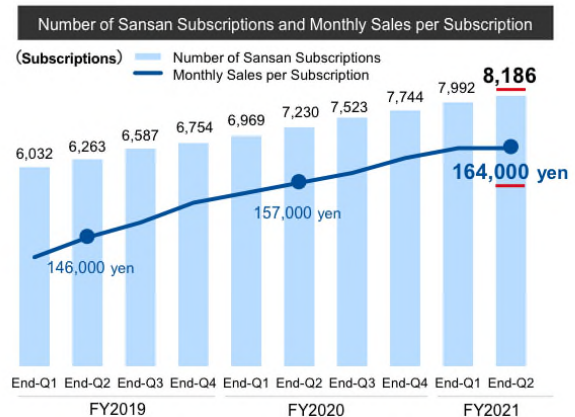
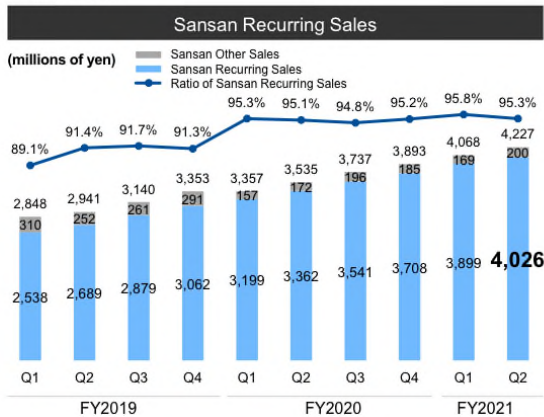
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## Sansan / Bill One Business: Sansan Recurring Sales, Number of Sansan Subscriptions and Monthly Sales per Subscriptions

Recurring sales steadily increased by 19.8% YoY.

Number of subscriptions increased by 13.2% YoY and monthly recurring sales per subscription increased by 4.5% YoY.



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Please see page 25.

Sansan recurring sales increased by 19.8% YoY owing to the steady increase of Sansan subscriptions and the maintenance of a low churn rate.

In addition, the number of Sansan subscriptions increased by 13.2% YoY to 8,186. Monthly recurring sales per subscription increased by 4.5% YoY.

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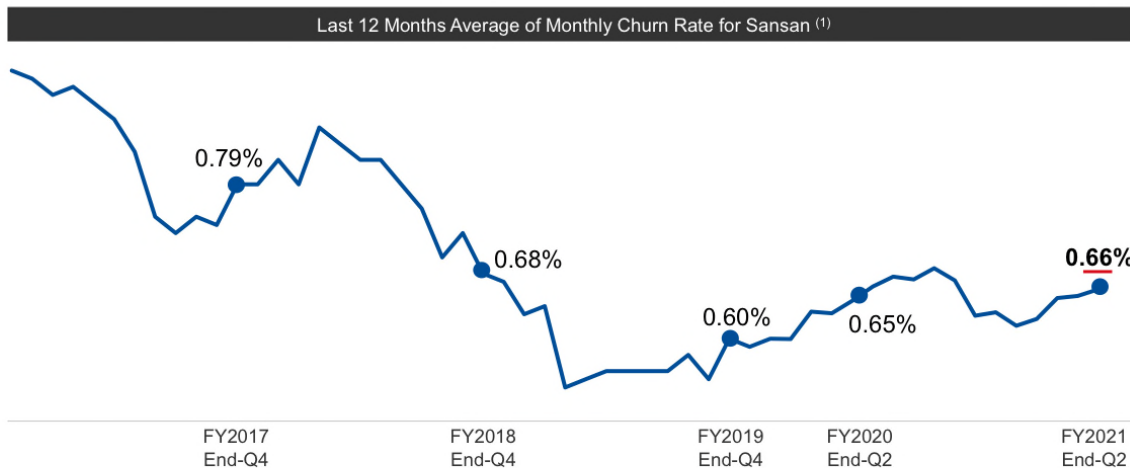
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**Sansan/Bill One Business: Last 12 Months Average of Monthly Churn Rate for Sansan**

Last 12 months average of monthly churn rate has remained low, at 1% or less.



(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 26.

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

**Eight Business Overview**

Net sales increased owing to the expansion of B2B services.

		FY2020	FY2021		(For Reference) FY2021	
		Q2 Results	Q2 Results	YoY	Q2YTD Results	YoY
(millions of yen)						
Eight Business <sup>(1)</sup>	Net Sales	424	552	+30.0%	976	+33.0%
	B2C Services	73	71	-3.8%	142	-4.0%
	B2B Services	350	480	+37.1%	833	+42.3%
	Operating Profit	-169	-108	—	-291	—
	Operating Profit Margin	—	—	—	—	—
	Number of Eight Users <sup>(2)</sup>	2.81 million people	3.01 million people	+0.20 million people		
	Number of Eight Team <sup>(3)</sup> Subscriptions	1,949	2,481	+27.3%		

(1) Unaudited

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

(3) Eight Corporate Premium was renamed to Eight Team

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Next, please refer to page 27 for the results of the Eight business.

Net sales increased by 30% YoY to JPY552 million owing to an increase in B2B services, and deficit of operating profit decreased by JPY60 million, and operating profit was negative JPY108 million owing to the increase in net sales.

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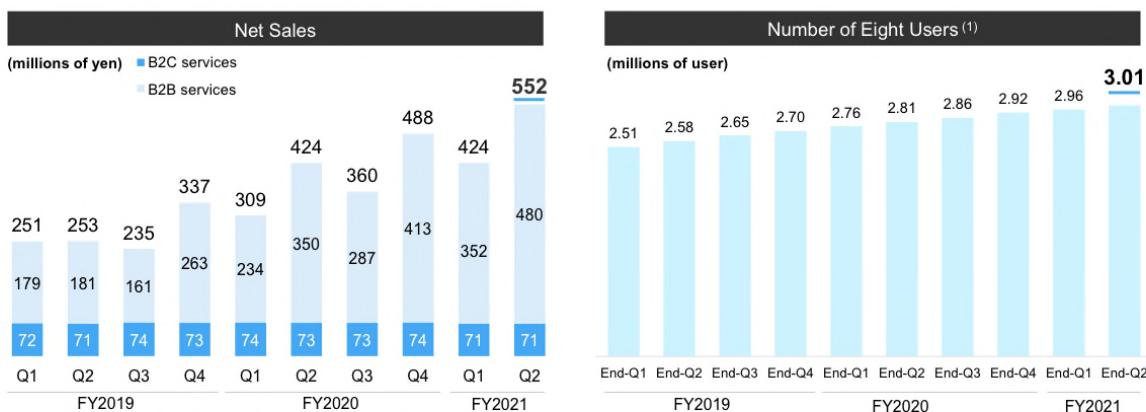


In addition, the number of Eight Team subscriptions increased by 27.3% YoY to 2,481.

Consolidated Financial Results for FY2021 Q2 (three months)

## Eight Business: Net Sales/Eight Users

**B2B service sales increased significantly compared with previous quarter owing to implementation of business events and other factors.**  
**Continued growth of number of Eight users.**



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

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Page 28 shows net sales and the number of Eight users.

B2B service sales increased by 37.1% YoY, owing to the continued strong growth in Eight Team, a business card management service for enterprises, and Eight Career Design, a professional recruitment service, as well as organizing business events.

The number of Eight users increased by 200,000 compared to the end of the same period last year, surpassing 3 million.

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## Eight Business: Business Event Services

Held a business event that utilized the Eight Business network and our unique technology.  
In addition to the quarterly Meets event, Climbers and DX Camp events held in November 2021.

### Business Event; Climbers



A large-scale online event that included the holding of special lectures and that drew the participation of 30,000 businesspeople.

### DX leader development; DX Camp



Training-format business conference targeting corporate leader level.

### Business Matching; Event Meets



A unique B2B event that connects buyers with sellers quickly and efficiently.

### Online exhibitions; Business IT & SaaS EXPO



An exhibition for the purpose of consultations on and comparisons of IT installations displayed by companies that provide the latest IT/SaaS products.

Please see page 29.

Eight's network is characterized not only by its large number of users, but also by the fact that each user's registered profile generated from business card information is highly compatible with business situations. We aim monetization through B2B services utilizing its network.

Among them, business events is expanding its services by combining Eight's business network with its own technology to organize events on various themes and in various formats.

In November 2021, we held Climbers 2021 Fall, a large-scale event featuring lectures by top runners in their respective fields for young executives and business owners, as well as DX CAMP 2021 Zero-Plus, a training-type business conference targeting corporate leaders and higher level.

This fiscal year, we are planning to hold several business events in H2 of the year, and the total number of visitors to the events is expected to be 1 of the largest.

As a result of these efforts to strengthen our services, we achieved profitability in November 2021, albeit for a single month. We will continue to aim for an early return to profitability for the full year.

This concludes my presentation.

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## Question & Answer

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

Please note that we will be transcribing questions and answers, so if you would like your company name and name to remain private, please ask to remain anonymous.

Those who ask questions online and wish to remain anonymous, please change your displayed name to any 4 letters of the alphabet.

Please note that we would like to receive questions from everyone, so each person may ask up to 2 questions at a time. If you have 3 or more questions, please raise your hand again.

Now, does anyone have any questions?

Then, Mr. Miyazaki, please begin.

**Miyazaki [Q]:** Hello. Thank you.

I am Miyazaki from Goldman Sachs Japan Co., Ltd. I have 2 questions.

The first question is about Contract One and Bill One, which you explained. Concerning TAM, especially on Bill One, I would like you to explain further. I would like to know how we should view the size of TAM. I would like to know if there have been any changes in your view of TAM and the amount compared to the past.

Looking at page 14, for Bill One, 2 million is the number of companies in Japan, and I would like to know if the number of paid subscriptions will increase in the same balance as it is now, or if ARPU is currently around JPY107,000, so I would like to know if multiplying that by the size will result in TAM. Regarding Contract One, you gave us an overview of this service, but I'd like to know what kind of scale you think the market will be and what kind of sales you expect.

Secondly, I would like to ask you about Sansan. As you can see on page 25, the number of subscriptions was 8,186 and the monthly recurring sales were JPY164,000, which is the same as Q1. May I take these numbers are the best? I would like to know about your view on this growth in the number of subscriptions compared to the plan and how you see it in the future. Please answer to my questions.

**Terada [A]:** Now, I would like to answer the first question, and Mr. Hashimoto will answer to the second question.

I think you asked about TAM for Bill One and Contract One. As for Bill One, I can tell you right now that invoices are just as essential as business cards, maybe even more so, in a company's business activities, and they are used regardless of industry, type of business, or size. So, I believe that Bill One will have the same or even larger market size when compared to Sansan.

Theoretically, if there are 2 million companies in Japan, there is a possibility that all of them will use it. As a matter of fact, we have made our products free of charge for smaller markets, so I don't think we will estimate ARPU based on 2 million companies. Anyway, its business has just started, and I think TAM still will be huge.

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I think the same thing can be said about Contract One, but it's still in its early stages, so it's hard for me to say for sure since we just had a public launch yesterday. Likewise, contracts are likely to be used by every company in Japan in the sense that they are used by most companies.

However, when we think about the characteristics of business cards, invoices, contracts, and other forms, invoices are generated on a monthly basis in any company, but when it comes to contracts, depending on the scale of the company, the number of contracts may not be so large. Therefore, the extent to which we can respond to the potential of TAM will depend on the business model and the way we build our products.

**Hashimoto [A]:** Now, I would like to explain a little to the second question, on the number of subscriptions to Sansan service for business card management, and the trend in recurring sales.

As for the number of subscriptions, 8,186, if you look at the differences and additions per quarter, it seems that there has been a slight slowdown compared to Q1 of last fiscal year.

This is not a net increase, but a gross increase. In other words, if you look at the gross number of contracts excluding cancellations, there is almost no change in the trend over the last 12 months, and the number is steadily increasing.

As for the churn rate, since the rate has not changed from the past, the number of churn cases has unfortunately increased as the population grows. However, if the economic environment settles down to a certain degree, or if we continue to strengthen our customer success initiatives, I think we will be able to control this a little better.

ARPU, on the other hand, is JPY164,000, which is almost flat from the Q1 figure. There are a number of reasons for this, but I think the biggest reason is that enterprise sales and marketing have not been as smooth as they could have been.

This is because of the relatively long lead time required to sell to the enterprise market. The state of emergency declared during the summer Olympic Games lasted for a very long time, so enterprise sales had to be weakened. I'm thinking that it will take some time for this to recover.

On the other hand, we are seeing better recovery in the medium-scale market than in the enterprise market, so I understand that this trend will continue in the future.

**Miyazaki [M]:** Thank you very much.

**Moderator [M]:** Next person, Mr. Ito, please.

**Ito [Q]:** This is Ito from Ichiyoshi Research Institute Inc. Thank you for your support in advance. I have 3 questions, and I would like to ask you one by one.

The first question is about sales per contract that you just mentioned. How is the impact of cross-selling? If you can't get new large enterprise customers, I think you'll have to move to cross-selling to existing enterprises. If I look at sales per contract, it is a little bit flat, so I felt that not only new business, but also cross-selling is not going so well. Please let me know your view on this.

**Terada [A]:** What you are looking at is the figures by product, and needless to say, we are cross-selling Sansan, Bill One, and Contract One. The smooth launch of Bill One itself is largely owing to the fact that we are approaching existing Sansan customers and using Sansan's sales resources to develop the service. Contract One will also be marketed in the same way, and will be introduced to existing customers.

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For example, there are already customers who introduce both Bill One and Contract One at the same time, or all of Sansan, Bill One, and Contract One, so I think it depends on how we count. In any case, we believe that cross-selling new products, including to existing customers, is an important part of growing our business.

**Ito [Q]:** How about cross-selling within the Sansan Business services?

**Hashimoto [A]:** Let me answer.

I understood that you were asking about selling through a combination of various options, such as the anti-social forces check option. The number of subscriptions for the anti-social forces check option has been steadily increasing. Hundreds of companies are already using it.

Also, although it was not part of the presentation, we have already obtained a triple-digit number of contracts for Seminar One in the event tech field, so I think that we are doing well in that area.

Concerning ARPU, it is largely depending on the number of subscriptions, or the mix of subscriptions that can be obtained, or how we can acquire small-, medium-, and large-scale subscriptions. As I explained earlier, our concern now is how the enterprise business will recover.

**Ito [Q]:** I understood very well.

The second question is how much difference is there between Sansan and Bill One's CAC efficiency now?

For example, if you invest the same CAC cost of JPY100 million, Sansan is expected to have this level of LTV, while Bill One is expected to have this level of LTV, so it would be more efficient to invest in Bill One. If you compare Sansan and Bill One, can you tell us how they compare in terms of LTV/CAC?

**Hashimoto [A]:** Internally, we are considering and managing with various indicators, but Bill One service has been launched a little over a year ago, and in fact, we saw very rare its cancellation. There really are 1 or 2, but that's about it. So, I think it's a little difficult to measure LTV, and at this stage, I don't think I can give a fair number.

On the other hand, if you compare Bill One and Sansan in terms of, for example, how many orders can be received per salesperson, Bill One is currently overwhelmingly higher. Therefore, we shifted our sales system, including putting more time and resources, to Bill One in July.

**Ito [Q]:** What do you mean by "overwhelming" in terms of scale? It's okay if you have a vague idea of a percentage, or a multiple.

**Hashimoto [A]:** I think it's a few times less than that.

**Ito [Q]:** Thank you very much.

The third question is, you explained a little bit about Contract One and how it is interrelated with other companies' electronic contracting services. If there are already many customers in the existing mutual relationship, 1 of the themes is how to capture the customers that other companies have.

I thought that if that worked, Contract One would be able to start up very quickly because you don't have to market it by yourselves. What do you think about this Contract One marketing strategy?

**Terada [A]:** We would like to strengthen our alliances with existing electronic contracting companies, and we would like to explore not only product collaboration, but also sales collaboration.

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In terms of partners, we already have resale partners for Sansan and Bill One, so we are still trying to anticipate that these companies will also take on the responsibility of selling Contract One.

On the other hand, having been in the Cloud services and SaaS business for a long time, I believe that the most important thing is direct selling, and reselling and partnering are only possible if you can appeal to the value of your customers. I think that for the time being, we should focus on how we can expand the direct sales of Contract One, and how far we can go in terms of initial traction.

**Ito [Q]:** I'm sorry, I'd like to add another point. Bill One and Sansan have different sales teams, but in the medium term, will you be strengthening your sales system to sell multiple products? Or, in the case of your company, do you have a different sales organization for each product?

**Terada [A]:** To begin with, sales itself is now integrated under the umbrella of the business management division. As for Bill One, we have dedicated sales staff for Bill One but, basically, we have a system where we work together with general sales people who sell everything.

As for Contract One, we already have an existing sales force selling the product, so we are thinking about what is the best mix, but we would like to combine salespeople who are familiar with the product with general salespeople who propose various products to the accounts. We would like to maximize our sales by combining the 2.

**Ito [M]:** I understand very well. Thank you very much.

**Moderator [M]:** Does anyone have any other questions? We would like you to limit your questions to 2 questions per raise of your hand.

Then, Mr. Takizawa, please.

**Takizawa [Q]:** Thank you very much. My name is Takizawa from FIL Investments Limited. I have 2 questions.

First of all, in your presentation, you mentioned the strengthening of Bill One's advertising. The entire advertising expenses increased by JPY0.4 billion YoY to JPY0.9 billion. Can you give us a sense of the scale of Bill One's advertising? How much do you spend for Bill One?

And what do you think the pace of advertising will be in the future as Bill One sales increase?

**Hashimoto [A]:** Let me start.

Advertising expenses for Q2 were JPY900 million, but for H1 of the fiscal year as a whole, they were about double that, or JPY1.8 billion, or JPY1.7 billion, but in terms of value, less than 1/2 of that was for Bill One. As for H1 of this fiscal year, of course, there are some things that we do as company-wide advertising, so it's difficult to distinguish between them, but as a shift, we're clearly putting more emphasis on advertising for Bill One than for the business card management service. I think the trend will remain the same in H2 of the year.

**Takizawa [Q]:** Thank you very much.

Secondly, in the previous question, there is a part of Sansan's business card business that is offset by the mix of customer sizes, but on the other hand, there is also talk of growth in the enterprise segment, such as anti-social forces checks, and in the event tech segment. In that sense, is it correct to assume that the unit price per contract ARPU in the enterprise category is growing?

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**Hashimoto [A]:** Yes. I don't have the numbers at hand, so I don't know exactly, but I have a feeling that it is growing. Especially in the enterprise market, rather than the emergence of multiple services, for example, it is easy to move from limited internal use to company-wide use in stages, so I think ARPU is growing if we include that.

**Takizawa [Q]:** Thank you very much. I was wondering if I could ask you about it concerning the enterprise market. Can you tell us what you see as the opportunity to accelerate the acquisition of enterprise contracts in the future?

**Terada [A]:** Sansan itself, after the pandemic, has been evolving its products over the past 1 1/2 or 2 years, not only for paper business cards, but also for online business card exchange, for example, and also for functions such as a smart signature capture function.

The Sansan product is mainly a business card management service, but we are also looking to evolve into a database, and I think there is a high possibility that we will see further growth when we get closer to completion in terms of product, appeal, and licensing. I'd like to do our best to achieve this goal, which is our current status.

**Takizawa [M]:** I understand very well. Thank you.

**Moderator [M]:** Next person, Mr. Miyazaki, please.

**Miyazaki [Q]:** I'm sorry for asking a question again. I am Miyazaki from Goldman Sachs. This is my second chance for asking questions. Please accept this.

As you mentioned in your explanation about the number of employees, I believe it has been steadily increasing, but what is the breakdown of this number? Do you hire necessary people? What is the current hiring environment as a SaaS company, what are the key points that you're doing well, and what are the bottlenecks in your workforce structure that you need to address in order to grow? Please answer these questions.

**Terada [A]:** In terms of recruitment, we had strategic targets and rather successfully hired the people for the posts requiring seeing the results.

Of course, the hiring of engineers is the same for other companies but, basically, we are already competing with each other for those positions, so it's a game of how many we can get while always doing our best. However, for other positions, especially in the sales field, I believe that the hiring team is relatively able to move accordingly to the target for each quarter.

**Miyazaki [M]:** I understand. That's all. Thank you.

**Moderator [M]:** Next person, Mr. Sawada, please.

**Sawada [Q]:** My name is Sawada from ACE Research Institute. Thank you very much for your presentation today. I would also like to ask 2 questions.

The first point is about the external environment. You mentioned that the pandemic had a great impact on your business, which the fiscal year ended in November. Since the emergency declaration was lifted on October 25, I would like to know if there have been any changes in this area and what your perception of the situation has been. This is the first point.

**Terada [A]:** Honestly speaking, I don't have the sense that anything has changed drastically since the declaration of the state of emergency was withdrawn. By the end of the year, there was a sense that things

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were gradually returning to normal, even within the Company, for example in terms of working styles. In addition, since the Omicron variant has already started spreading, I honestly think that the outlook is uncertain, including at the moment.

**Sawada [Q]:** Thank you very much.

My second question is on page 31 where your mission and vision are introduced. I saw your organization having a sense of speed, and an ability to launch products rapidly, which were not mentioned in your presentation.

I would like to hear from President Terada again about the objectives and thoughts behind the combination of mission, vision, and values.

**Terada [A]:** Thank you.

We aim to be a mission-driven, vision-driven, and value-driven organization. Compared to other companies of similar size, I think we have historically spent a lot of time and effort discussing these issues with our employees.

1 of the things we are proud of is that we are not just trying to win in this market because it is growing, but we are trying to create a new market by defining a new area or domain with our unique angle, and by offering a kind of discontinuous service that has never existed before. With this, we will define new areas and domains and create markets.

In this sense, we believe that it is important to conceive of everything from the perspective of what we want to be, what we want to do for society, and who we want to be, rather than by looking at the market, the market environment, or the macroscopic view. Therefore, in our corporate management strategies, we have been spending a lot of time on the premise that there is a high demand for mission, vision, and values, and we have been trying to manage our business based on them.

**Sawada [M]:** Thank you very much. I understand very well.

**Moderator [M]:** Next person, Mr. Ito, please.

**Ito [Q]:** This is Ito. I'm sorry again.

I would like to ask 1 more question about the 22,000 companies that are participating in the Bill One network. Do you plan to have people use the free version for the time being, or are you considering some kind of mechanism to shift to the paid version in the future?

**Terada [A]:** We are considering various possibilities. 22,000 customers, basically as it stands now, have joined that network with invoices and invitations from the recipient. Naturally, we have received requests to send invoices to other companies as well, so we are currently testing the function on an experimental basis and are in the process of verifying it.

Also, since most of the information flying around is related to billing data, or money transactions, we are doing a lot of research, including thought experiments, to see what we can do with it.

We call it a billing network, so we want to create a world where billing and invoicing is done through Bill One, and we want to maximize business opportunities in that world.

**Ito [M]:** Thank you.

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

**Sawada [Q]:** Excuse me for the second round. I am Sawada of Ace Research Institute.

There is 1 minor point. I have heard that due to the recent shortage of semiconductors, some corporate servers are becoming difficult to obtain and that there is a shortage of various equipment. Is this affecting your business? For example, if there is something that you can't do on the sales side because you have to include the hardware with it, or if it is your company's development, or if you don't have enough servers for supply, please tell us about it. Please answer to this question.

**Terada [A]:** So far, we haven't felt any influence from it. For example, we have a component where we provide scanners and tablets to our customers, and the price of tablets has gone up a bit. I don't have a sense of whether the supply bottleneck will have any impact on the growth of our business at the moment.

**Sawada [M]:** I understand. Thank you very much.

**Moderator [M]:** Do you have any other questions?

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

Thank you very much for joining us today.

[END]

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