Sansan, Inc.

Earnings Results Briefing for FY2021 Q4

July 15, 2022

Event Summary

[Company Name]	Sansan, Inc.	
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[Participants]	120	
[Number of Speakers]	2	
	Chikahiro Terada	Representative Director and CEO
	Muneyuki Hashimoto	Director, Executive Officer, CFO, Corporate Division Head
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	Kenichi Ito	Ichiyoshi Research Institute Inc.
	Hiroshi Yamashina	Macquarie Capital Securities (Japan) Limited
	Leo Mochizuki	BofA Securities Japan Co., Ltd.

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

Presentation

Moderator: Welcome, everyone, it's time to start the financial briefing. I would like to introduce today's speakers. Mr. Terada, CEO and Representative Director. Mr. Hashimoto, Director and CFO.

Regarding today's presentation materials, the meeting documents will be displayed on screen via the Zoom platform. If you are joining us by phone, please go to the IR page on our corporate website to view the presentation materials. Mr. Hashimoto and Mr. Terada will give a presentation for about 25 minutes, followed by a question-and-answer session, which we schedule to wrap up by 11:00 AM.

Without further ado, I would like to turn the meeting over to Mr. Hashimoto.

Hashimoto: Thank you for attending our earnings presentation today. I'm Hashimoto, CFO. I will begin by reviewing our full-year results for the fiscal year ended in May 2022. Please refer to page five.

For the fiscal year ended May 2022, there are three highlights of the full-year results.

As for the first point, consolidated net sales increased 26.2% YoY. ARR increased 22.9% to JPY19.823 million.

The second point is about Bill One, a cloud invoice receipt service. Bill One's ARR for May 2022 was JPY1.407 million, far exceeding the target of JPY1 billion.

Third, to achieve medium-term growth, we have renewed our main products, Sansan and Eight.

1 Consolidated Financial Results for FY2021

Overview of Consolidated Financial Results

**Net sales up 26.2% YoY, operating profit down 14.2% owing to growth investments made.
Ordinary profit and profit attributable to parent owners greatly increased thanks to booking of gain on sale of investment securities, etc.**

	(millions of yen)	FY2020 Full-year Results	FY2021 Full-year Results	FY2021 YoY	(For Reference) FY2021 Q4 Results	(For Reference) FY2021 YoY
Consolidated Results	Net Sales	16,184	20,420	+26.2%	5,715	+29.0%
	Gross Profit	14,192	17,904	+26.2%	4,931	+27.4%
	Gross Profit Margin	87.7%	87.7%	–	86.3%	-1.1 pt.
	Operating Profit	736	631	-14.2%	397	–
	Operating Profit Margin	4.6%	3.1%	-1.5 pt.	7.0%	–
	Ordinary Profit	375	968	+158.3%	217	–
	Profit Attributable to Owners of Parent	182	857	+369.7%	282	–
	EPS (1)	1.47 yen	6.87 yen	+368.8%	2.26 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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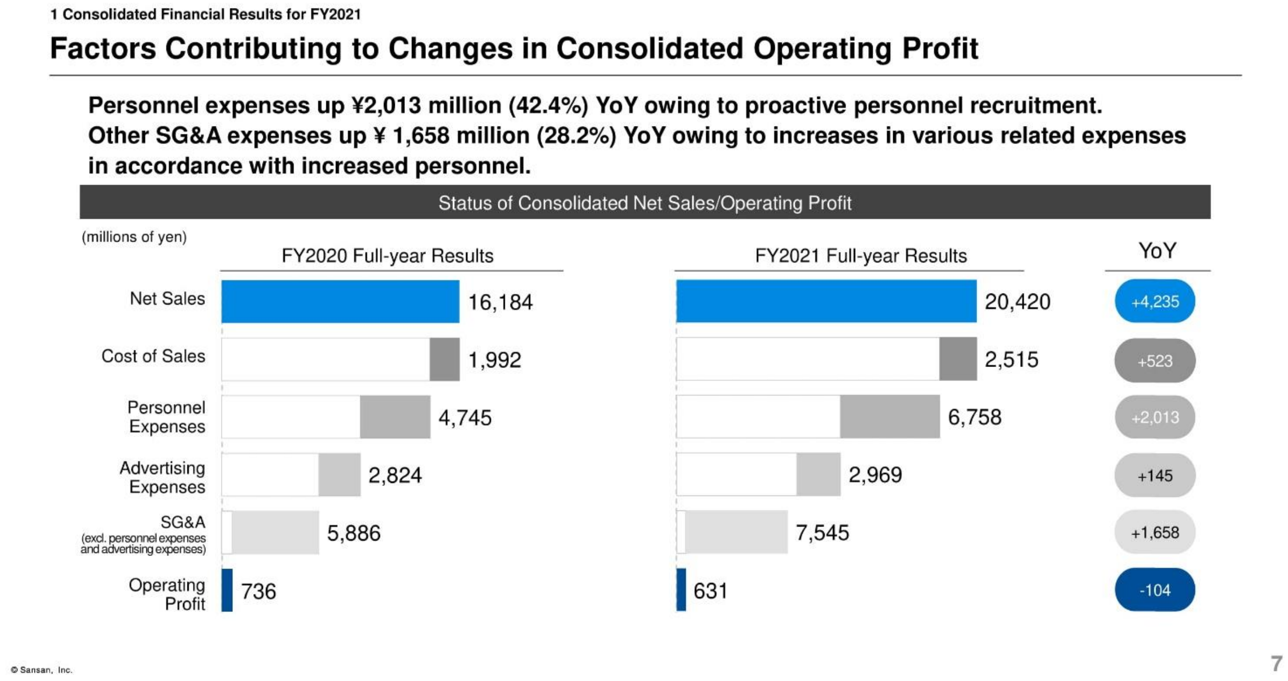
Consolidated results are shown on page six, as shown.

Sales growth was solid, with a 29% increase in Q4, resulting in a full-year growth rate of 26.2%, up more than one percentage point from the cumulative Q3 results.

Operating profit, which will be reviewed in detail on the next page, was down 14.2% from the same period last year, mainly due to investments for growth that were made in the first half of the year.

Ordinary profit and net profit attributable to owners of the parent increased significantly, mainly due to gains on sales of investment securities.



Next, I will review the factors behind the increase or decrease in operating profit.

While net sales increased by JPY4.235 million, operating profit decreased mainly due to the intensified recruitment effort, which is one of the growth strategies.

The consolidated headcount of employees increased by 248 YoY to 1202, resulting in a JPY2.013 million increase in personnel expenses.

Other SG&A expenses, which include various related costs associated with the increased employees, increased by JPY1.658 million.

1 Consolidated Financial Results for FY2021

Results by Segment

Increased net sales and operating profit (reduced deficit) in both Sansan/Bill One and Eight Businesses. Adjustments amount (operating loss) up ¥890 million YoY, owing to increased employees, etc.

	(millions of yen)	FY2020 Full-year Results	FY2021 Full-year Results	FY2021 YoY	(For Reference) FY2021 Q4 Results	(For Reference) FY2021 Q4 YoY
Net Sales	Consolidated	16,184	20,420	+26.2%	5,715	+29.0%
	Sansan/Bill One Business	14,605	18,105	+24.0%	4,906	+24.4%
	Eight Business	1,582	2,213	+39.9%	783	+60.4%
	Others	–	126	–	46	–
	Adjustments	-3	-25	–	-19	–
Operating Profit	Consolidated	736	631	-14.2%	397	–
	Sansan/Bill One Business	5,278	5,725	+8.5%	1,695	+39.3%
	Eight Business	-754	-386	–	10	–
	Others	–	-28	–	-10	–
	Adjustments	-3,787	-4,678	–	-1,298	–

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Page eight shows the status by segment.

Both the Sansan Bill One and Eight businesses reported increases in revenue and profit.

The negative adjustment amount is increasing, but this is mainly due to the increase in various costs associated with the increase in personnel, especially in the corporate division.

1 Consolidated Financial Results for FY2021

Sansan / Bill One Business Overview

Against backdrop of Sansan's steady growth and high growth of Bill One, net sales up 24.0% YoY.
Even while investing in Bill One's growth, operating profit up 8.5% YoY.

Sansan/Bill One Business (1)	FY2020	FY2021		(For Reference) FY2021	
(millions of yen)	Full-year Results	Full-year Results	YoY	Q4 Results	YoY
Net Sales	14,605	18,105	+24.0%	4,906	+24.4%
Sansan	14,519	17,214	+18.6%	4,551	+16.9%
Sansan Recurring Sales	13,811	16,349	+18.4%	4,286	+15.6%
Sansan Other Sales	707	865	+22.3%	264	+42.8%
Bill One	84	826	+878.1%	327	+552.1%
Others	1	64	+4,414.0%	26	+4,236.4%
Operating Profit	5,278	5,725	+8.5%	1,695	+39.3%
Operating Profit Margin	36.1%	31.6%	-4.5 pt.	34.6%	+3.7 pt.

(1) Figures other than net sales and operating profit for the full-year ended May 31, 2021, are exempt from review conducted by an audit corporation.

Please refer to page nine for the business results by segment.

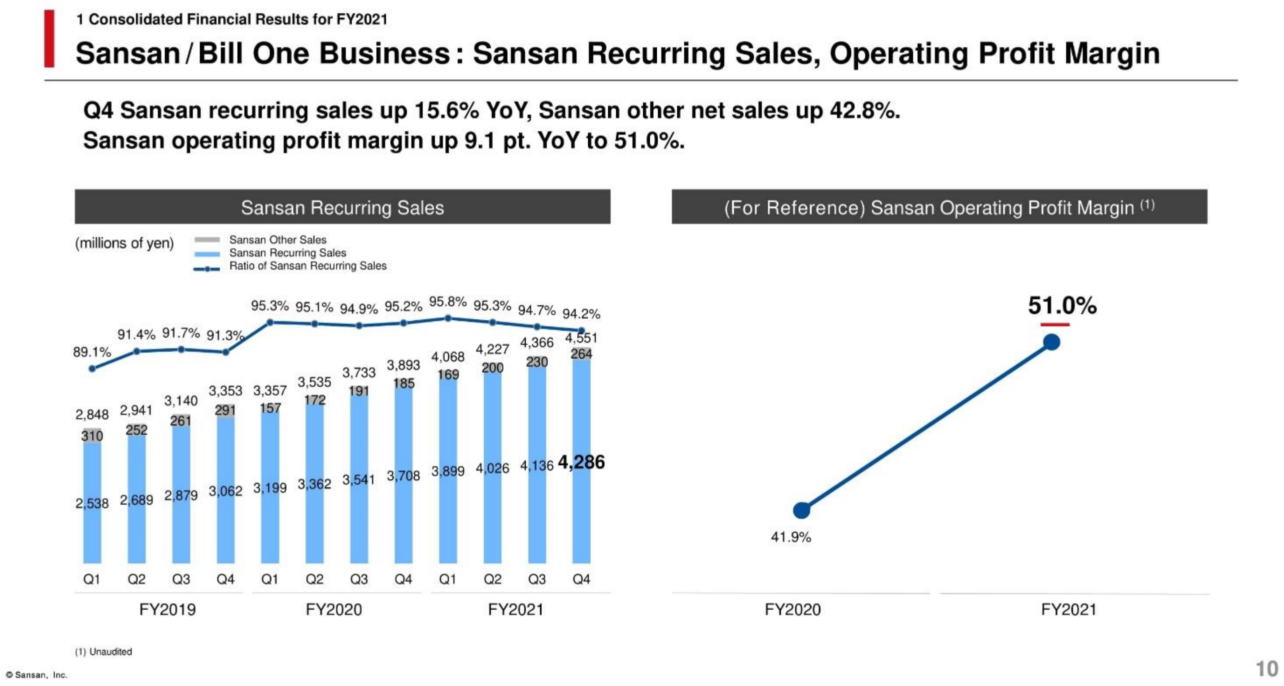
First, I would like to discuss the performance of the Sansan Bill One business.

Net sales increased 24% YoY to JPY18.105 million. Bill One's continued high growth led to a 24.4% increase in sales growth in Q4 alone, 0.6 percentage points higher than the previous quarter.

Sansan sales grew solidly with an 18.6% increase. In addition, Bill One sales were approximately 10 times higher than in the same period of the previous year.

The significant growth in the growth rate of other sales is due to Contract One and other factors.

Operating profit increased 8.5% YoY to JPY5.725 million, a steady increase, although the profit margin itself declined due to the investment in Bill One.



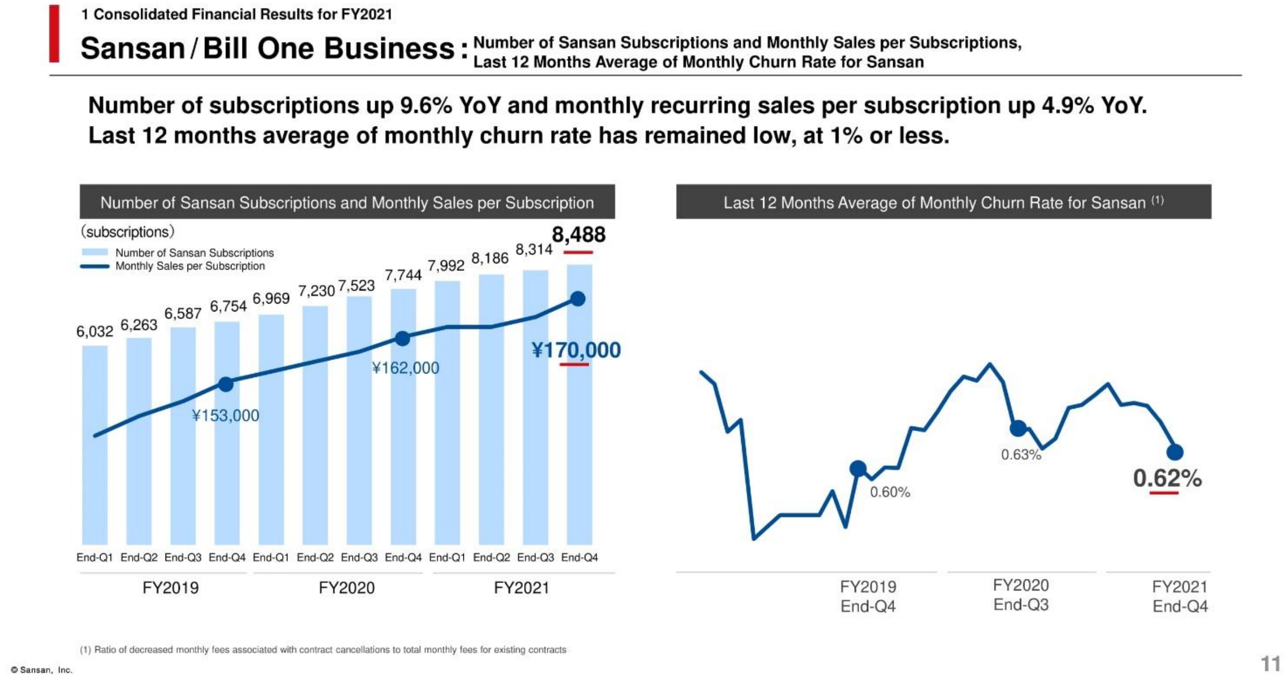
Page 10 is a slide showing Sansan stock sales by quarter and the operating margin for Sansan alone.

Sansan stock sales for Q4 were up 15.6% over the same period last year.

Although the negative impact of the pandemic, and other factors, have slowed the growth rate, the single month of May 2022 was one of the largest order intakes since the pandemic, and we expect this to lead to solid sales growth in the future.

Sansan other sales increased 42.8%, mainly due to a recovery in initial costs.

For reference, the operating margin for Sansan alone improved 9.1 percentage points YoY to 51%.

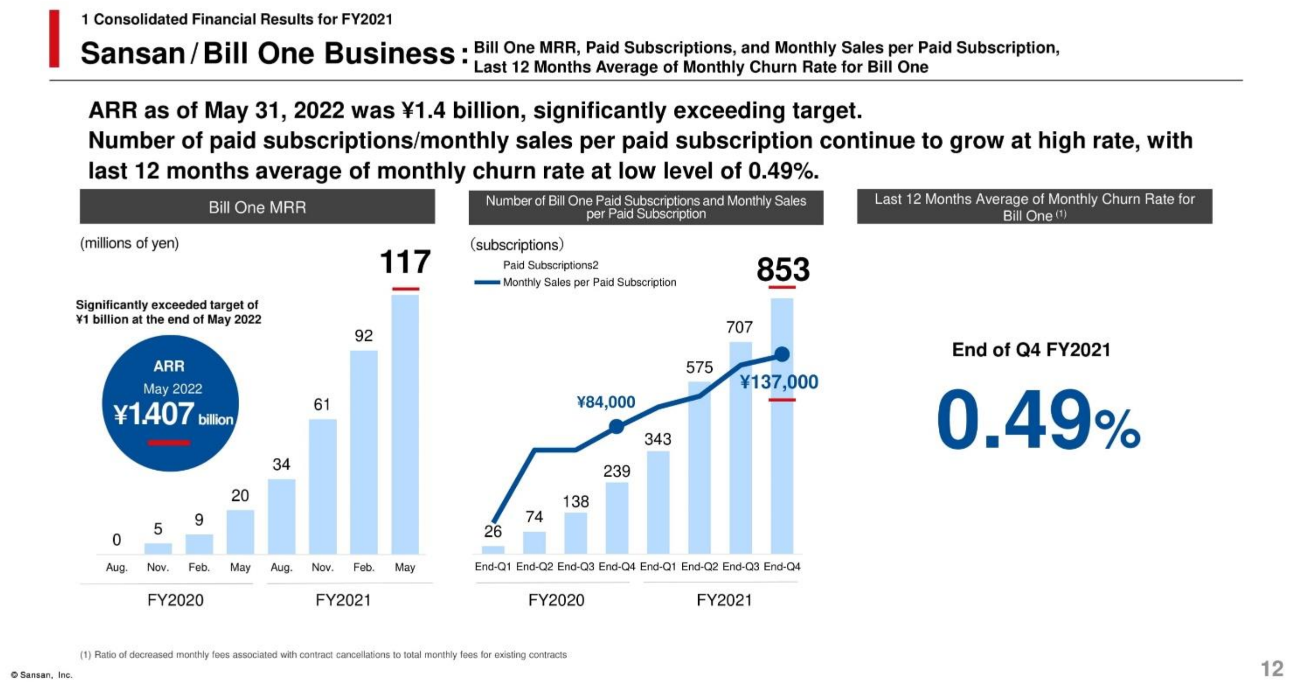


Please refer to page 11.

The number of Sansan contracts increased by 9.6% YoY to 8,488, with the net increase larger than in the previous quarter.

Monthly stock sales per contract increased 4.9% over the same period last year.

The average monthly churn rate for the last 12 months continues to remain low, at less than 1%.



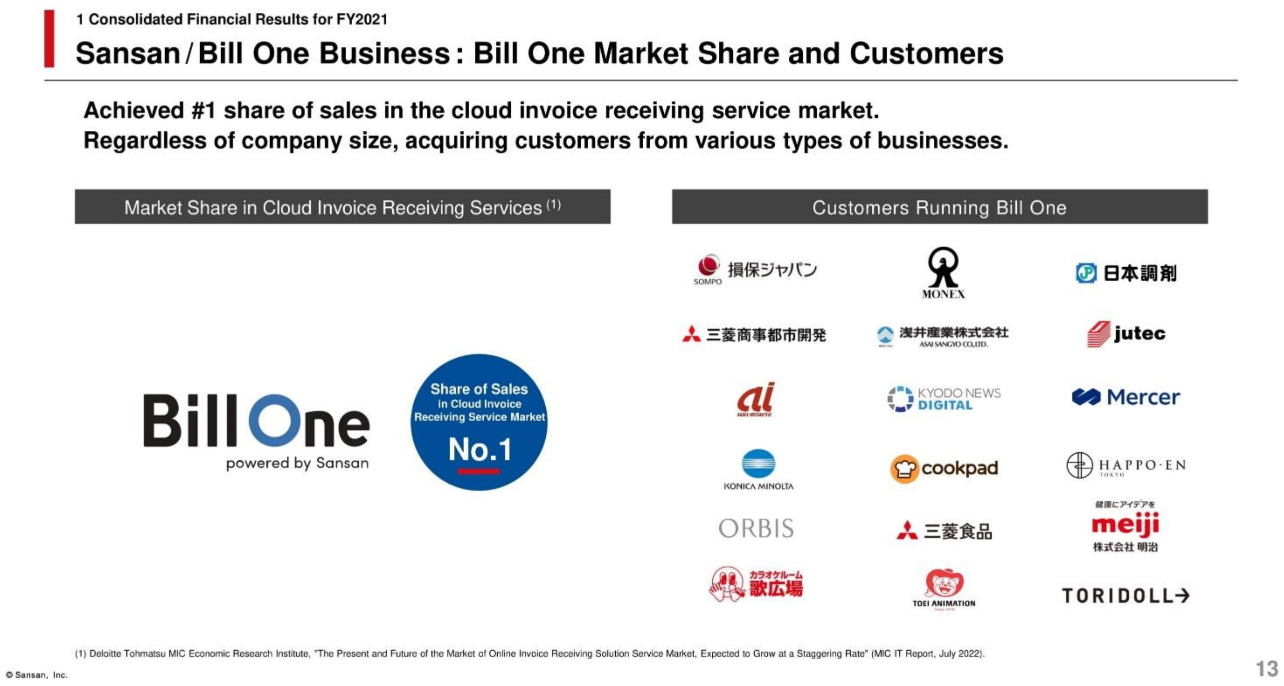
Next, we will discuss Bill One's track record. Please refer to page 12.

Bill One and MRR for May 2022 totaled JPY117 million, approximately six times higher than the same period last year, due to the acquisition of new contracts from medium-sized and large companies, among other factors. As a result, ARR was JPY1.407 million, far exceeding the targeted ARR of JPY1 billion.

The number of Bill One paid subscriptions increased by approximately 3.5 times YoY to 853, and monthly sales per paid subscription increased by approximately 1.6 times to JPY137,000.

The number of paid subscriptions did not reach the 1,000 that we had set as an aspiration, partly because we started the free plan during the term, but the growth of the more important MRR was remarkable and is not a particular concern.

In addition, the average cancellation rate for the most recent 12 months is disclosed from this time, and it is as low as 0.49%.



Please refer to page 13.

Bill One achieved the number one share of sales in the cloud invoice transmit service market.

On the right, please see a case study of a Bill One client.

Bill One products are used in a wide variety of industries and business categories, regardless of company size, including major financial institutions and food companies.

Eight Business Overview

Sales up 39.9% YoY owing to expansion of B2B services.
Recorded operating profit for first time in Q4, decreasing loss by ¥367 million YoY.

	(millions of yen)	FY2020	FY2021		(For Reference) FY2021	
		Full-year Results	Full-year Results	YoY	Q4 Results	YoY
Eight Business (1)	Net Sales	1,582	2,213	+39.9%	783	+60.4%
	B2C Services	296	286	-3.6%	72	-3.4%
	B2B Services	1,286	1,927	+49.9%	710	+72.0%
	Operating Profit	-754	-386	–	10	–
	Operating Profit Margin	–	–	–	1.3%	–
	Number of Eight Users (2)	2.92 million people	3.10 million people	+0.18 million people		
	Number of Eight Team Subscriptions	2,253	2,819	+25.1%		

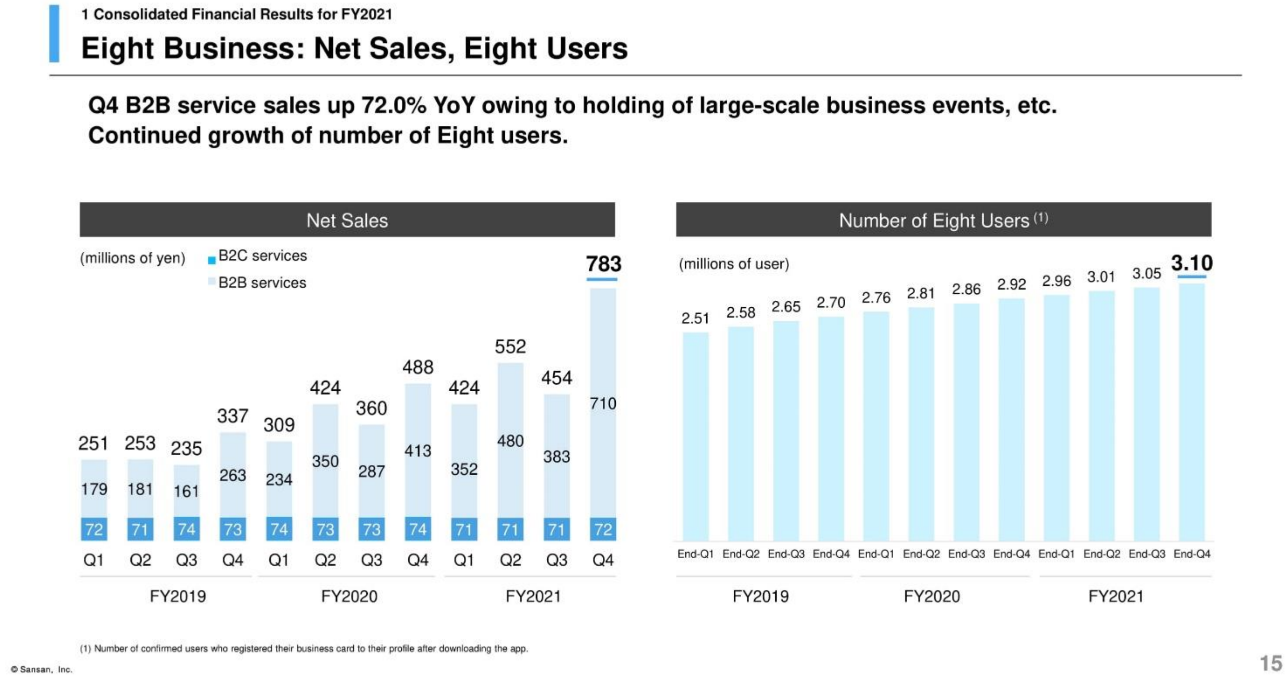
(1) Figures other than net sales and operating profit for the full year ended May 31, 2021, are exempt from review conducted by an audit corporation.
(2) Number of confirmed users who registered their business card to their profile after downloading the app.

Next, I will review Eight business. Please refer to page 14.

Net sales increased 39.9% YoY to JPY2.213 million due to strong growth in B2B services in Q4.

The amount of operating loss decreased by JPY367 million due to the increase in revenue.

Looking at Q4 alone, this was the first time the Company posted an operating profit every quarter.

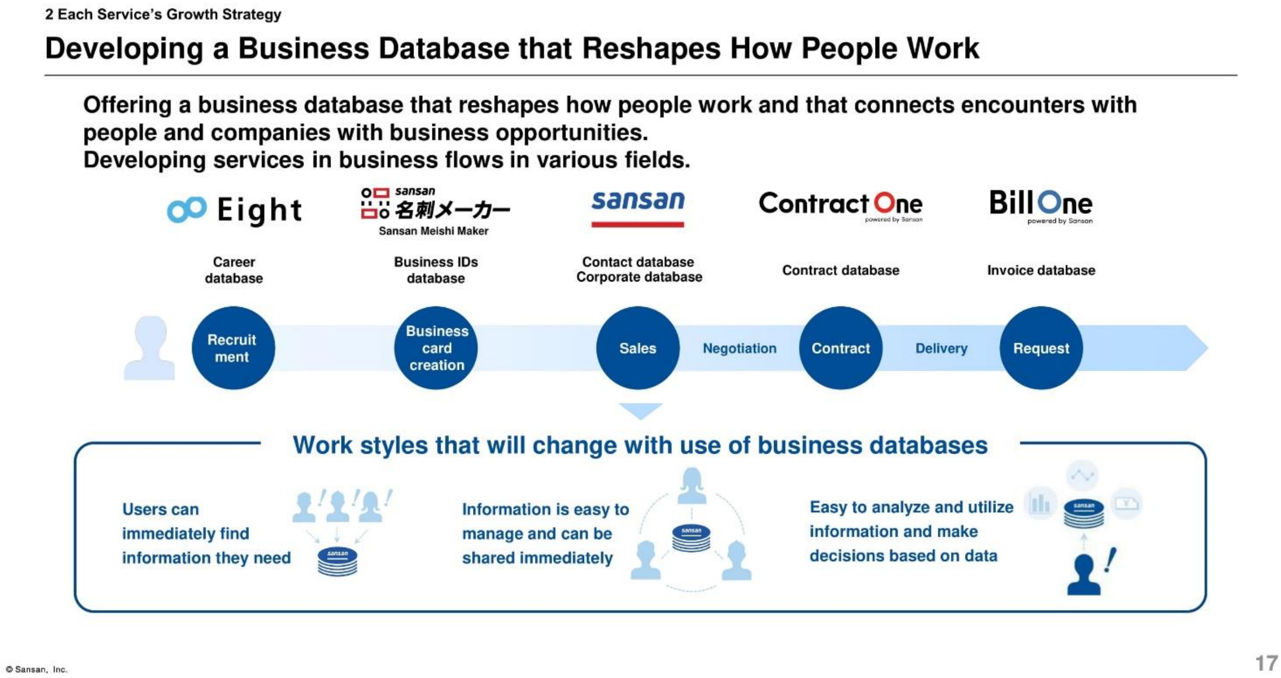


Please refer to page 15. This section discusses sales trends and the number of Eight users.

In Q4, B2B service sales increased significantly by 72% YoY due to the large business event Climbers and spot advertising service sales. The next Climbers meeting is scheduled for Q2 of the fiscal year ending May 2023.

The number of Eight users increased by 0.18 million to reach 3.10 million compared to the same period last year.

This was a presentation of the results for the fiscal year ended March 2022. Mr. Terada will then review the future growth strategy and other matters.



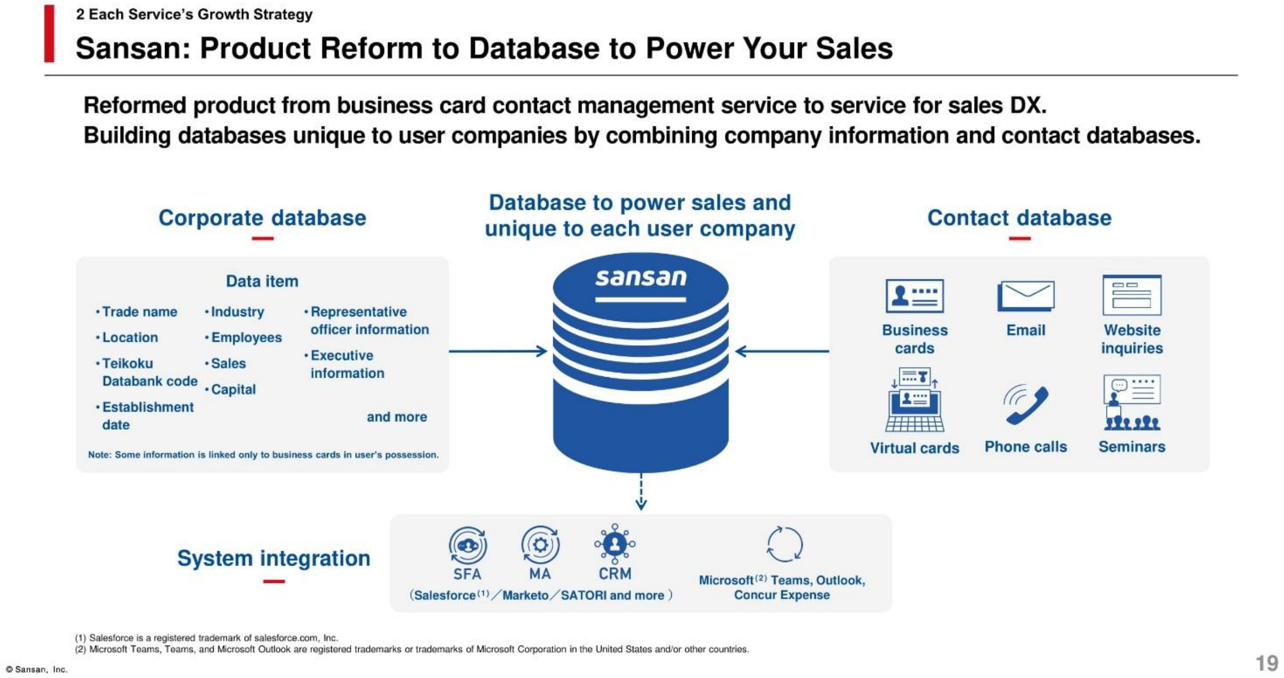
Terada: I'm CEO Terada. I will now review our growth strategies and business outlook for each of our services.

Please refer to page 17.

To reiterate in an organized manner, our group provides business database services that change the way we work, connecting encounters with people and companies to business opportunities.

The main focus is on solution services for companies. In terms of a company's business flow, we have established a multi-product structure that covers various areas such as recruiting, sales, contracts, and invoicing.

Through these services, we hope to promote the use of diverse business data and revolutionize the way companies and businesspeople work.



Specific initiatives for each service. First, let's talk about Sansan's strategy. Please refer to page 19.

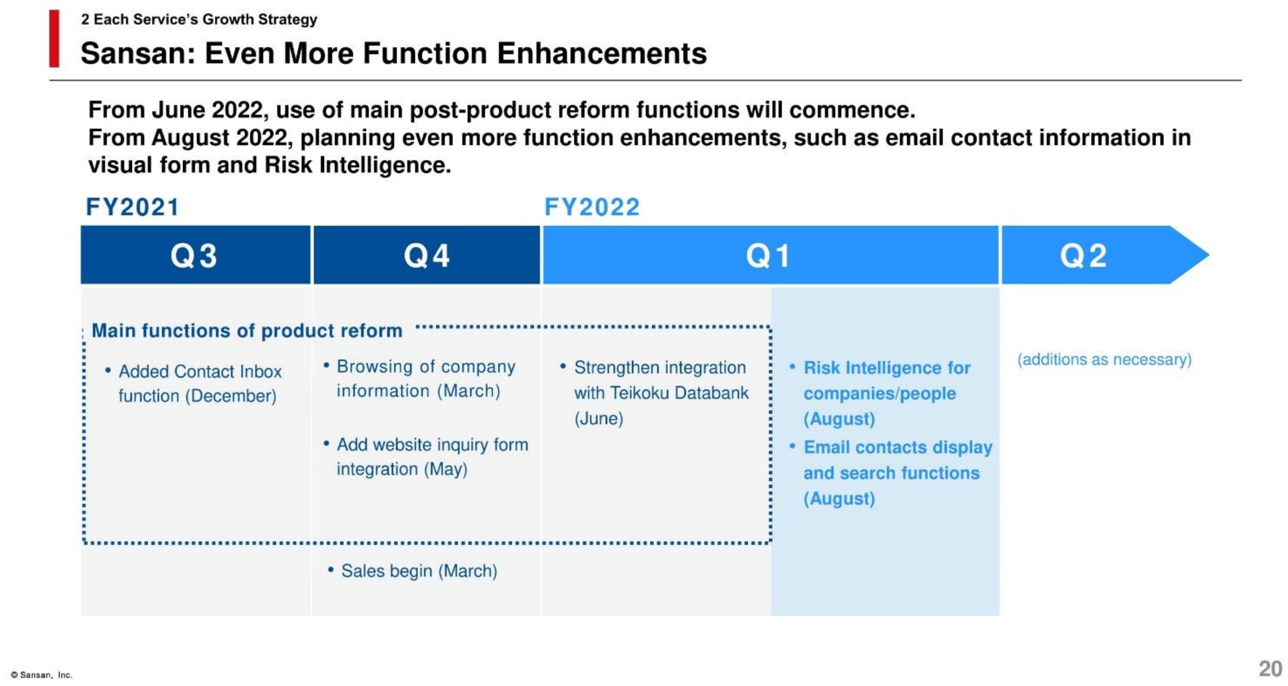
We revamped Sansan's products based on the concept of a database that strengthens sales. I will review the summary of our financial results.

Sansan offers business card management service, and after the business revamping, we are adding sales DX service to the service, which now includes a company database that allows access to a variety of company information and a contact database that accumulates and visualizes all contact points, including business cards, e-mails, and inquiries via the website.

The corporate database provides access to more than 1 million companies, including those with whom we have contact, as well as those without.

In the contact database, it is now possible to visualize and accumulate not only business cards but also e-mail, website inquiries, and various other client contact points.

By combining these databases, we can offer a database that caters to the unique needs of the user clients, who want to use the database for their strategic sales activities. With this restructuring, we hope to enhance Sansan's value as a business database and continue its steady growth.

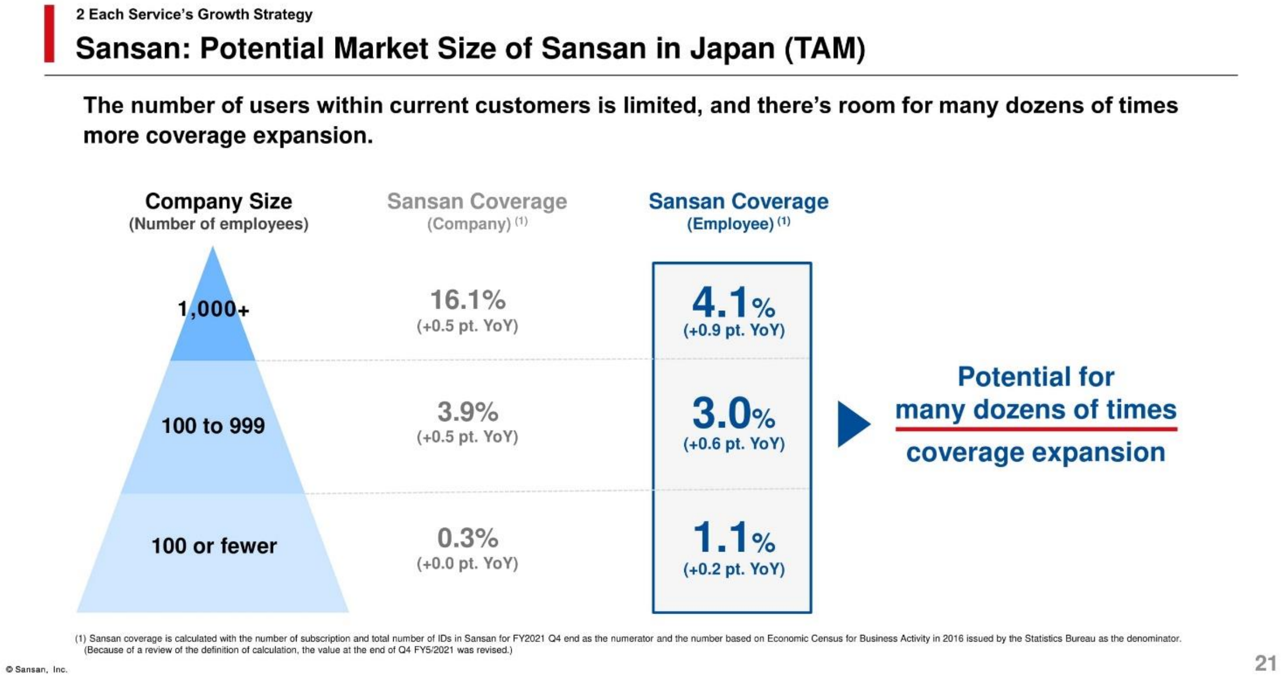


Page 20 summarizes the schedule for product restructuring.

By June 2022, the major functions related to the restructuring have been installed, and full deployment has begun.

A user who has been using the new Sansan system immediately commented, "We extract a list of companies in industries with a high propensity to receive orders in the past from the corporate database and approach companies with which we have contact. The Company has been able to create a list of companies with which it has contact and formulates strategies for each company. There are three questions. We are very pleased with the response.

We plan to further enhance the functionality of the system in the future, for example, by adding a function to visualize the e-mail contact itself from the e-mail server, not just the e-mail signature information, or by adding a governance function to search for risks of companies or persons with whom there is no contact.

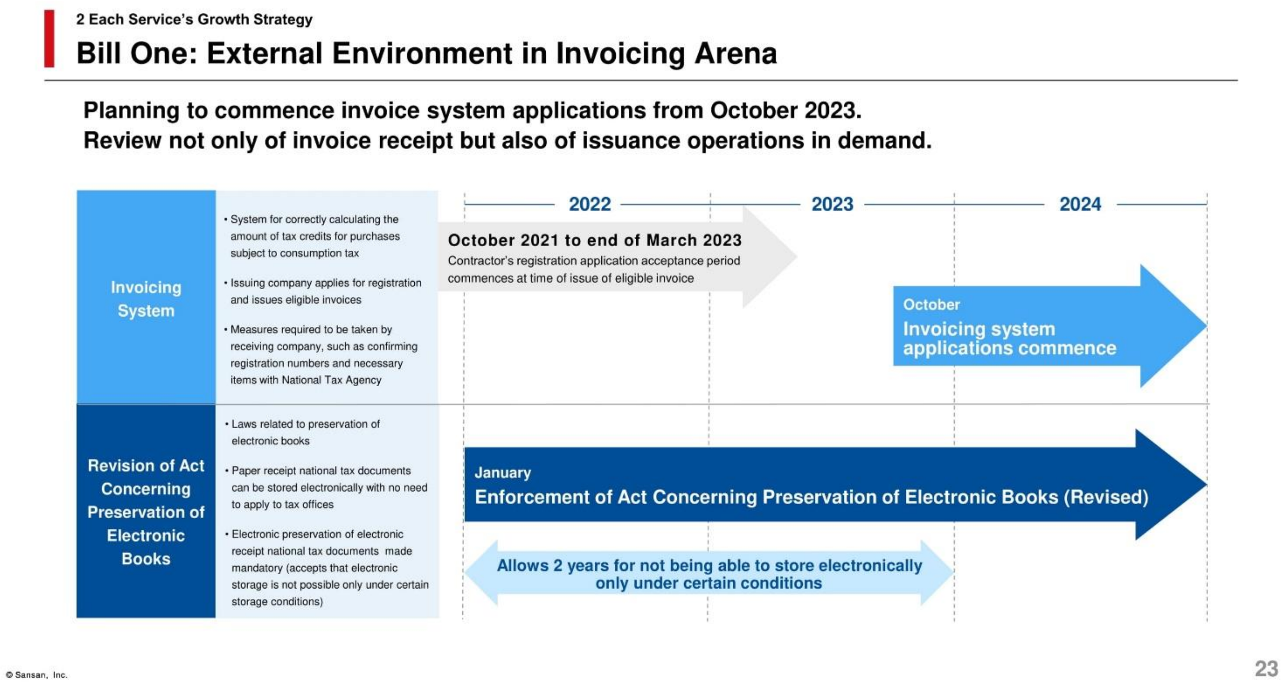


Page 21 shows the potential market size of Sansan in Japan.

Although the product concept has been revamped, Sansan continues to be a service that can be used by all companies in Japan, regardless of industry or business type. The concept of potential markets has not changed.

As you can see, in terms of Japan's working population base, the market share is still only about 3%, and we believe that there is room for expansion at the scale of dozens of times in the domestic market alone.

As a result of the product restructuring, we expect to entice large- and medium-sized companies and increase unit prices in the future.



Next, I would like to review Bill One. Please refer to page 23.

First, let me review the external environment surrounding Bill One.

We believe that the world's understanding of electronic invoicing has advanced to a certain degree as a result of the revision of the Electronic Bookkeeping Law and other factors.

The introduction of the "invoicing system," which is said to be in some ways more costly than the revision of the ledger law, is scheduled for October 2023. When the invoice system is introduced, companies on both the invoicing and receiving sides will have to review their operations and deal with the new man-hours that will be required.

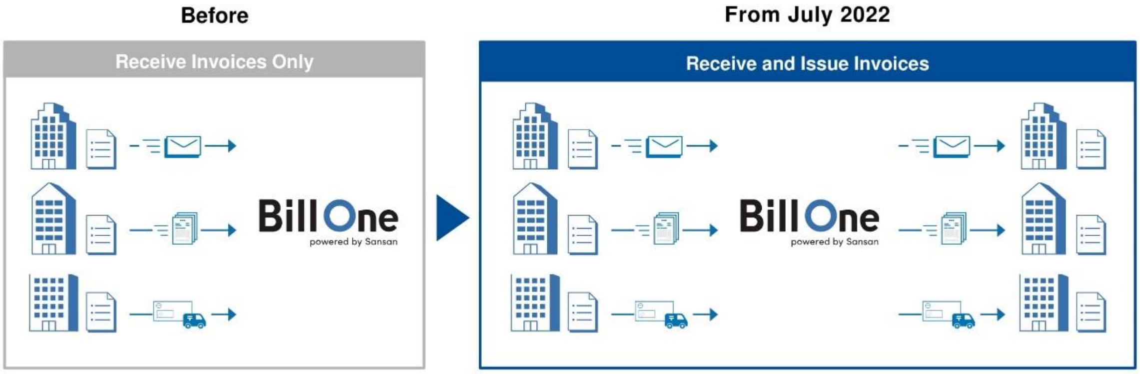
Specifically, the issuing company must pre-register to become a Qualified Invoicing Business and change the description of the invoices it issues. For example, it will be necessary to add new information such as registration number and applicable tax rate.

In addition, the recipient company must verify that the invoice received is qualified to receive the credit for purchases, that it contains the required information, and that the registration number is correct.

2 Each Service's Growth Strategy

Bill One: Offering Invoice Issuing Function

Invoice issuing to be offered as a standalone service from July 2022.
Planning response to eligible invoice issuance, supporting corporate invoicing systems from both receipt and issuing side.



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We have begun adding new features to Bill One to address these issues. Please refer to page 24.

Until now, the main focus has been on the invoice receipt function, but from July 2022, we will begin offering the issuance function as a stand-alone service. By uploading relevant information, such as PDF files of invoices, it will be possible to issue invoices electronically in batches, regardless of whether the recipient is a Bill One user or not.

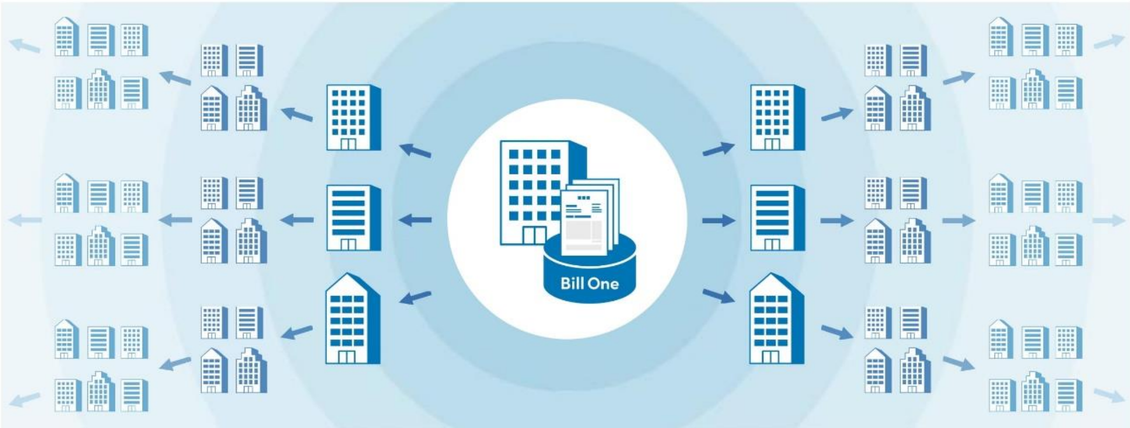
We also provide a proxy transport function to accommodate clients who wish to issue paper invoices. This makes it possible to issue invoices to various business partners in batches and centrally manage the data on Bill One.

By the fall of 2022, we will also implement the ability to create invoices on Bill One. By enabling the creation and issuance of qualified invoices, the application of the invoice system is addressed from both the receiving and issuing sides. By handling both receipt and issuance, we hope to expand our invoice network centered on Bill One.

2 Each Service's Growth Strategy

Bill One: Invoice Network Building

Aiming to expand invoice network by adding invoice issuing function.
Network enables rapid, smooth inter-company communications, accelerates monthly accounts settlement.

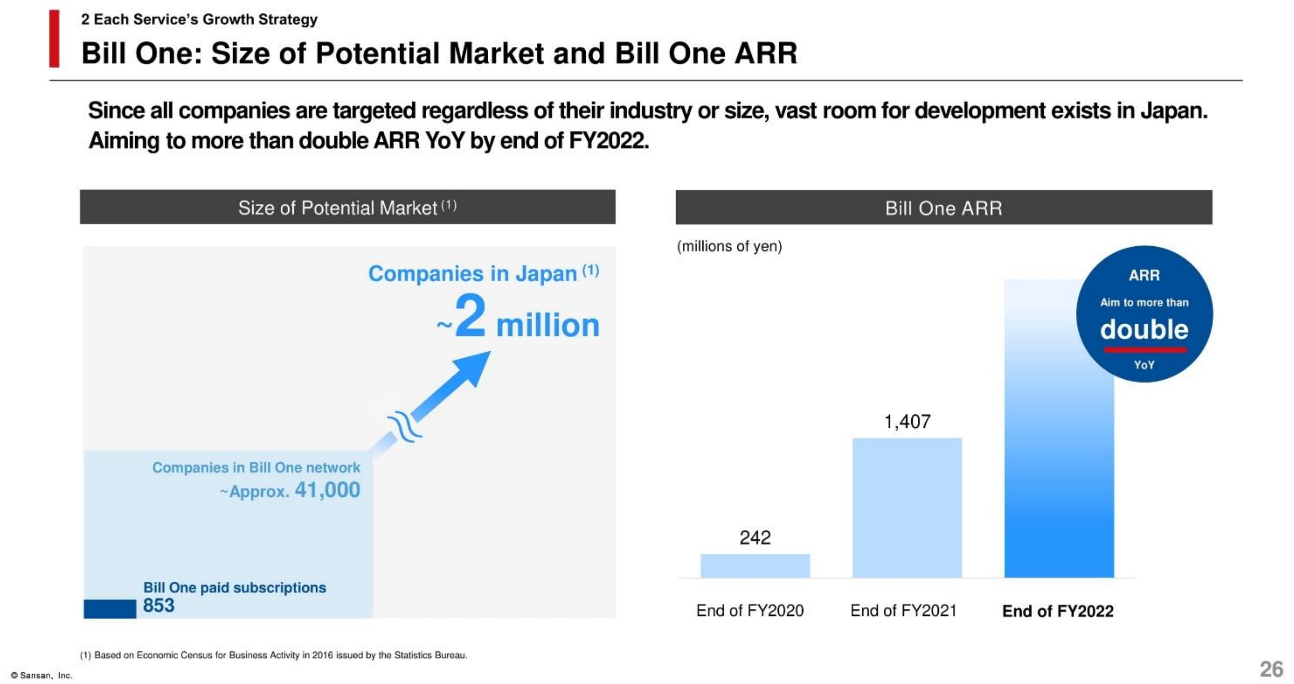


Please refer to page 25.

The current invoice network, consisting of paid subscribers to Bill One's receipt function, free users, and companies that send invoices to subscribers, is approximately 41,000 companies in size.

In the future, we believe that by enabling companies participating in the network to communicate with each other based on invoice information on Bill One, we can further improve the efficiency of invoicing operations and accelerate the monthly closing of accounts.

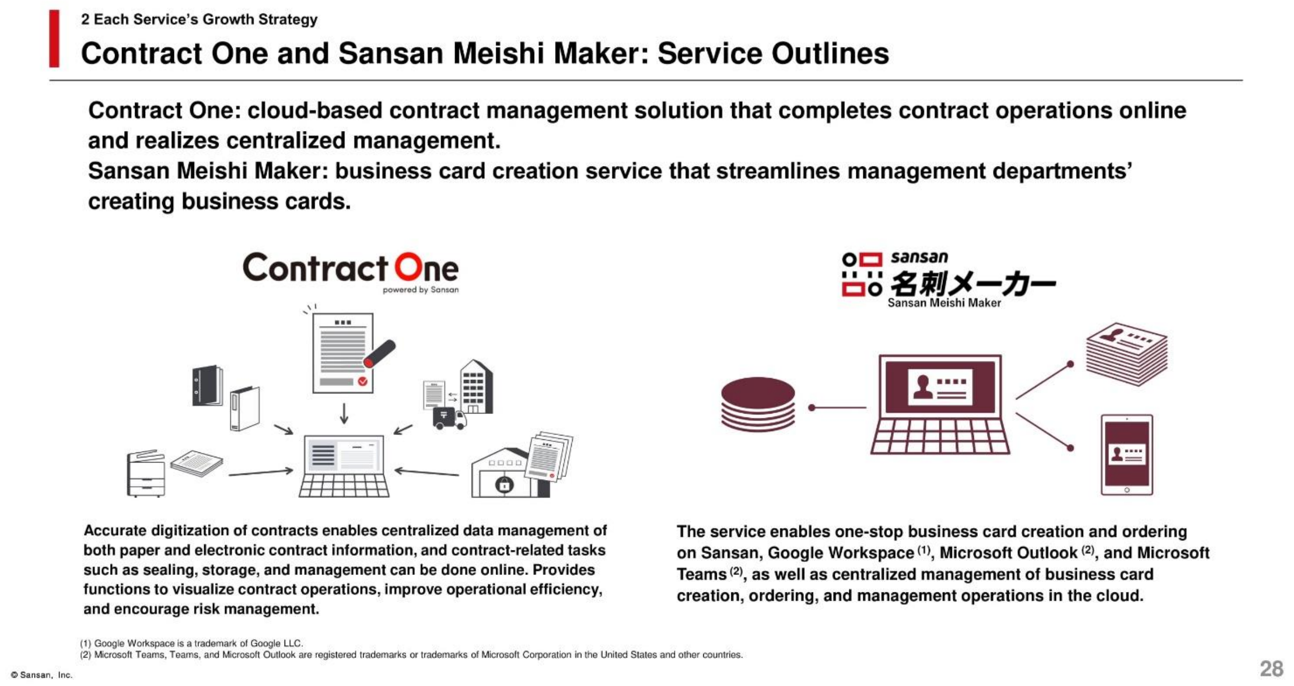
The total amount of invoices exchanged between companies participating in the network currently exceeds JPY670 billion for May 2022, which is equivalent to more than JPY8 trillion per year.



Please refer to page 26.

Regarding TAM, the number of companies participating in the invoice network, which I reviewed earlier, at approximately 41,000 companies, still covers only 2% of the companies in Japan, which also means that there is vast room for development.

Therefore, we continue to aim for the continued high growth of Bill One and expect the ARR in May 2023 to more than double that of the same period last year through efforts to strengthen the sales structure and expand the issuance function.



We will then briefly describe the relatively new service. Please refer to page 28.

Starting January 2022, we are offering Contract One.

Contract One is a service that centralizes the management of all forms of contracts, both paper and electronic, to achieve operational efficiency and risk management at the same time.

For paper contracts, a series of tasks such as stamping, binding, and mailing can be completed only with online instructions. Contract One is currently on track to sign 100 contracts as of today, which we believe is a good start for the Company.

We also offer another service called Sansan Meishi Maker. With this service, users simply register their business cards with Sansan and other platforms, and the service centrally manages the entire process from ordering business cards and applying for restructurings to the workflow, approvals, and printing.

Currently, we are enhancing external collaboration to improve user convenience. Most recently, this Sansan Meishi Maker is now available from Google Workplace and Microsoft Outlook.

In addition, the service also includes a function for creating online business cards, which we believe will contribute to expanding the use of online business cards.

2 Each Service's Growth Strategy

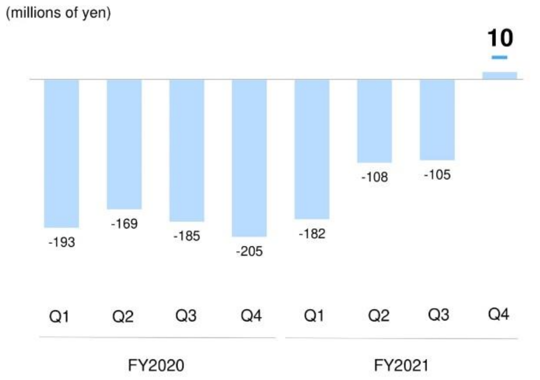
Eight: Product Reform

Reformed from a business card management app to a contact and career management app that supports personal career development.
Aiming to return to profitability for FY2022 by strengthening recruitment-related services.

Eight: Contact and Career Management App

Through the new Career tab, Eight offers information relevant to career development, such as reports and company information useful for skill improvement, and recruitment information tailored to user attributes.

Eight Business Operating Profit/Loss



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As the last part of our growth strategy, I would like to review Eight. Please refer to page 30.

In April 2022, we revamped Eight from a business card application to a career profile. While retaining the major functions of the previous version, a new career tab has been implemented to provide information on job openings as well as reports and company information that will help you improve your skills.

We expect that this restructuring will contribute to the future growth of Eight Career Design, a recruiting service we offer as one of our B2B services.

Until now, the Eight business had been posting losses, but by working to strengthen B2B services, we were able to achieve our first quarterly profit in Q4 of the fiscal year ending May 2022, and our next goal is to return to profitability for the full fiscal year.

3 Full-year Forecasts

Consolidated Financial Forecasts

Aim for solid growth in consolidated net sales and growth in adjusted consolidated operating profit that exceeds sales growth in FY2022

Consolidated Forecasts (millions of yen)	FY2021 Full-year Results	FY2022 (1) Full-year Forecasts	FY2022 (1) YoY
Sales	20,420	25,117 ~25,764	+23.0% ~+26.2%
Sansan/Bill One Business	18,105	21,998 ~22,632	+21.5% ~+25.0%
Eight Business	2,213	2,900 ~3,010	+31.0% ~+36.0%
Adjusted Operating Profit (2)	730	917 ~1,288	+25.5% ~+76.3%
Adjusted Operating Profit Margin	3.6%	3.7% ~5.0%	+0.1pt ~+1.4pt

(1) We do not disclose specific forecast figures for operating profit (loss) and below 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 profit (loss) and other items.
(2) Operating Profit + Share-Based Payment Expenses + Expenses Arising from Business Combinations (amortization of Goodwill and amortization of Intangible Assets)

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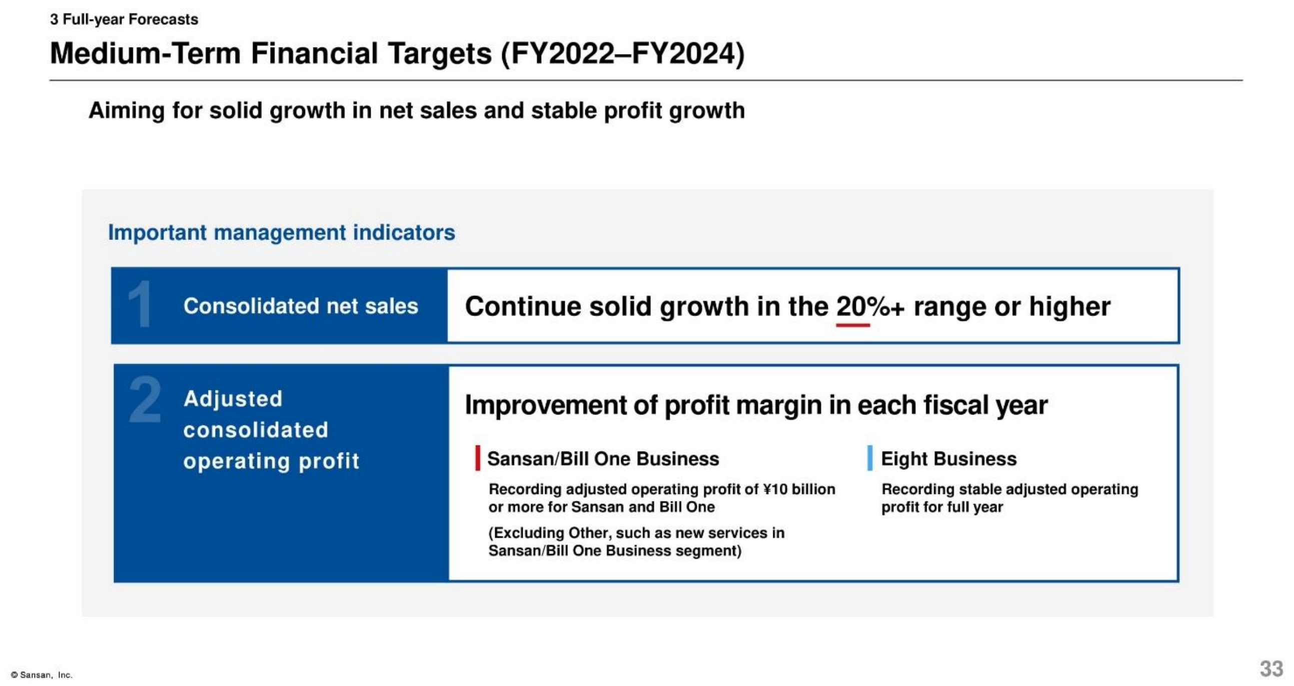
Finally, I would like to discuss the outlook for our business performance. First, I would like to discuss the consolidated earnings forecast for the fiscal year ending May 2023. Please refer to page 32.

Consolidated net sales are expected to increase between 23% and 26.2% YoY. However, since the product restructuring has just been implemented, it is difficult to accurately forecast the effect of the product restructuring, so we have adopted a range for the forecast disclosure.

In addition, as announced yesterday, following the resolution regarding the issuance of stock options with stock price conditions, we have decided to use adjusted operating profit, which excludes expenses related to stock-based compensation and expenses incurred in connection with the business combination, as a management indicator to be emphasized from this time onward.

Adjusted operating profit is expected to increase between 25.5% and 76.3% YoY due to strong sales growth, although SG&A expenses are expected to increase due to the execution of investments for growth. The main SG&A expense was labor, at around 23.7% YoY. Advertising expenses are expected to increase by around 6.5%.

We do not disclose specific forecast figures for the step profit – loss -- below operating profit --loss -- because stock compensation-related expenses may fluctuate significantly depending on the level of our stock price and other factors.



Finally, I would like to review our mid- and long-term financial goals. Please refer to page 33.

Taking into consideration the scale of investment required to achieve medium- to long-term sales growth, the current business phase, and the stock market environment, we aim to achieve both sales growth and profit growth as our medium-term goal for the period from the fiscal year ending May 2023 to the fiscal year ending May 2025.

First, the most important management indicator remains the consolidated sales growth rate, but we aim to maintain solid growth in the 20%+ range or higher.

Next, we aim to improve the adjusted operating margin in each fiscal period while making the necessary investments for sales growth in each business. Considering the current phase of our business, we believe that we are well positioned to improve profit margins while making the investments necessary for the growth of each service.

For this purpose, we are aiming for more than JPY10 billion in total adjusted operating profit for the two services, which is the sum of Sansan and Bill One services in the fiscal year ending May 2025, although this excludes other services and does not correspond to the results of the Sansan Bill One business.

Again, we aim to achieve stable adjusted operating profit for the full year in the Eight business.

This is the end of my presentation. Thank you for your kind attention.

Question & Answer

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

The contents of the Q&A session will be transcribed. If you would like to avoid your name and company name being published, please claim to remain anonymous. If you wish to submit your question digitally and wish to remain anonymous, please change your login name to any four alphabets of your choice.

To ensure everyone has a chance to post questions, we ask that you kindly limit the number of questions to two per person per round. For those who have more than two questions, please raise your hand for the second round or post questions separately.

Who would like to go first? Ok, Mr. Miyazaki. Please go ahead with your questions.

Miyazaki [Q]: My name is Miyazaki from Goldman Sachs. Thank you very much for your briefing. I have two questions. I appreciate your time.

The first question is about the future growth strategy, which you walked us through in the presentation. For the Sansan business and Bill One business, if your company's strategy continues to progress, does the increase in sales correlate to the rise of ARPU?

If your company starts some new business and it eventually represents your business domain, sales volume will naturally increase. As far as the business card business is concerned, every business card user is a potential sales target. On the other hand, when it comes to services that provide a series of business services through business flow, I have the impression that the target users of such services may be limited.

Are you envisioning growing sales by offering high unit price service in a narrow market, or are you going in the direction of offering a broad range of unit prices for an expansive target market? How do you see your business grow in the future?

As you have briefly mentioned, if you seek more users in your business card business, one direction you could take is to focus on seriously growing the Sansan business to begin with. Could you tell us about the balance between business segments and what kind of blueprint you have in mind in terms of growth for your mainstay businesses?

Terada [A]: Sorry, I'm not fully confident that I can provide an accurate answer to your question but let me try.

First, regarding the restructuring of Sansan business, I believe that ARPU will increase in the short term.

In addition to the growth in ARPU, we will continue to focus on the target clients, the former Sansan; I would say, pre-pandemic Sansan. A business card management service. I hope to secure the same target.

So, it is two-sided, but in the short term, we believe that the growth in ARPU will show the effect of Sansan's restructuring.

The second question, which I may not have understood correctly, is about our services in the series of business flows that I showed you at the beginning of this presentation. However, in reality, they are actually separate services, each with its marketing and sales.

On the other hand, if the restructuring of Sansan itself, especially as a database, really hit the bullseye, we have a plan to incorporate information such as Bill One, and Contract One, into Sansan.

To give you an idea, exchanging business cards is a part of saying Sansan is a point-of-contact database. While business cards are decreasing slightly, e-mail communication can be a part of the service. In addition, for example, transmitting invoices and business contracts can also provide important information for the companies.

We envision that if this kind of information is incorporated into Sansan, when people search the name Sansan, they will wonder what kind of communication this company has with each other, like "Oh, there are no business cards, but there are emails." In addition, although there are no business cards or e-mails, there are actually invoices that were exchanged 10 years ago, or in extreme cases, contracts. Those types of communications are visualized.

I believe that once we have that worldview down to that level of functionality, the flow will become integrated as an actual solution, but I think this is actually an image that is two or three years away. While we will naturally link these concepts together, at this stage we are aiming to expand each of these services.

Miyazaki [Q]: Thank you very much. My second question is slightly short-term; or rather, I would like to confirm your forecast for this new fiscal year.

I understand that you are looking at growth in the 21.5% to 25% range for the Sansan Bill One businesses this time, but I was wondering if you could give us some more clues as to how you are looking at Sansan Bill One in the first place. For example, Bill One's ARR is said to be aiming for more than double, but I wonder if this and sales are somewhat close?

Earlier, you mentioned that the effect of restructuring is incorporated, but it is not that obvious. I wonder if you could give us a hint as to how you see ARPU growing or the number of clients growing in Sansan, and what your assumptions are for the new year in this area?

Hashimoto [A]: I will take this question.

To put it simply, I would like to double or triple the sales of the Sansan Bill One businesses, although the range of the Bill One business is slightly wider in terms of sales, not in terms of ARR. The trend is slightly different from the ARR because of the rapid growth, but we see it as well within the realm of possibility.

The rest are generally the former Sansan, or what corresponds to Sansan, a business card management service and sales DX service.

We are working on a multi-product system, so we will be sharing resources among them, and if this one looks good, we will shift slightly more to this one. I hope you understand that the figures I have just mentioned are intended to give you an idea of what we are looking for.

As for Sansan itself, as Mr. Terada mentioned earlier, I believe that the unit price will also go up. Although the net increase in contracts has slowed somewhat in the past year compared to two or three years ago, I believe this is to some extent because we have allocated more resources to Bill One. We see some continuity.

Miyazaki [M]: I understand. Thank you very much.

Moderator [M]: Next question is from Mr. Ito. Thank you.

Ito [Q]: This is Ito of Ichiyoshi Research Institute. Thank you very much for your presentation. I have two questions and I would like to ask you simple questions one by one.

The first is the improvement of the profit margin for each fiscal year, but you have not disclosed any specific figures, such as what percentage or more the profit margin will be. Although there is an operating profit figure for Sansan Bill One combined, the fact that you did not indicate the overall profit margin made me wonder if there might be some new investment required in some cases.

It is the range of this improvement in profit margin every quarter, isn't it? If you have a rough idea of how much improvement you are referring to, please let us know.

Hashimoto [A]: Thank you very much. The newly defined profit margin for the entire Company is the adjusted operating profit margin, and that figure was also created as a rough guide for the Sansan Bill One businesses.

I don't think we are talking about, say, a 10% increase in this year's adjusted operating profit margin compared to the period that ended this year. Since this is a SaaS business, we see it as a structure that will gradually and progressively increase profit margins.

Of course, it is important to continue to generate profits, but we place great importance on achieving sales growth as well, so if new businesses other than the Sansan Bill One business are launched, we will make solid investments in them. We view this as a way to increase our profit margin, and we hope that you will understand that we are by no means trying to maximize profits.

Ito [Q]: Thank you very much. My second question is about the unit price. First is Bill One. Will the unit price still go up if this is also done for issuance?

Terada [A]: Compared to the receiving side, the issuing side has a certain number of players, and we are planning our strategy by referring to the unit price of these players. The unit price is not high in the first place, so there is an element of up-selling to Bill One on the receiving side, but when viewed as a stand-alone Bill One invoicing service, the unit price is less than that of the receiving side.

Ito [M]: I understand. Thank you.

Moderator [M]: Next, Mr. Yamashina. Thank you.

Yamashina [Q]: I'm Yamashina from Macquarie. Thank you very much for your briefing.

My question is related to product restructuring, will this increase lead time or not? If we include the Bill One users who are on the issuing side, how do you see the lead time from lead acquisition to actual service provision, including consideration by the client side, being extended?

In conjunction with that, as a second question, I wonder if there will be any change in the outlook here when we look at things like LTV CAC. What are your thoughts? That's all from me. I appreciate your time.

Terada [A]: I will answer the first question, and Mr. Hashimoto can answer the second.

As I mentioned earlier, the Sansan restructuring itself is still relatively new, so it is difficult to make a judgment, but we do not expect the lead time to be lengthened or shortened as a result of this restructuring. The purpose of the restructuring is to continue to reach out to Sansan's target clients in a deeper and wider range.

As for the issuing side of Bill One, the receiving side and the issuing side themselves are based on separate decisions, so for example, there are cases where we propose to clients who have already included the receiving side to also include the issuing side, and there are cases where we will develop the issuing side on its own in the future. However, we do not currently envision any discussion of extending or shortening the lead time by selling the issuing side together with the receiving side.

Bill One itself will be sold in the same way as before, while the Bill One publisher will sell it as an up-sell product or as a stand-alone product. I would think that the lead time when viewed as a stand-alone commercial product would tend to be rather shorter than on the receiving end. We view it as a low unit price.

Hashimoto [A]: I will answer your second question.

As for the concept of LTV CAC, or rather its numerical value, I don't think there will be any major change at this point. The level has remained quite high in the past, and we expect it to continue to do so in the future.

However, in terms of the breakdown between Bill One and Sansan, Sansan continues to devote more resources to Bill One, so the LTV CAC has become very efficient. Bill One is currently well invested, so I do not think LTV CAC is as high as Sansan's, but if you combine the two, I hope you understand that it is quite high.

Yamashina [M]: I understand. Thank you.

Moderator [M]: Okay, next, Mr. Ito. Thank you.

Ito [Q]: I'm sorry to keep coming back. One more question to add. This time, you are going to feed corporate information from Teikoku Databank into the database, and I would like to ask you how you present this data. Perhaps the owner of the corporate information data will be Teikoku Databank. Just because you have that data flowing into your service, is it something that can be shown to clients as is? Or do you have to be somewhat creative to show it to the client? How will it be handled?

Terada [A]: A tab called Corporate Database was created on Sansan in June, which is open to our clients to conduct data searches. We have received more than 1 million corporate data from Teikoku Databank. Various range of details became available. Some are very in-depth, evaluation for example. On the other spectrum, there are light and generic, like, industry, sale volume, and so on.

In addition to the relatively lightweight corporate information provided by Teikoku Databank, we provide other types of information that we can research in-house, mainly for use in sales and marketing activities. We also pull in other resources based on partnership contracts. We put all of these corporate data on Sansan for the users to search.

For the sake of clarity, I'm focusing on Teikoku Databank, but the corporate database itself will continue to grow more comprehensive as we create various forms of internal and external databases. We want to develop a database that enables our users to make a discovery or build strategy. That is the direction we are facing.

Ito [M]: I understand. Thank you.

Moderator [M]: Next question is from Mr. Miyazaki.

Miyazaki [Q]: This is Miyazaki from Goldman Sachs. Thank you for having me for the second time. First, you mentioned that your mid-term financial strategy is to aim for sales growth in the 20% range or higher. For the current fiscal year, you have disclosed your target.

Speaking of that 30% growth rate, I want to question if you can truly commit to that in the next year or that kind of mid-term time frame. Is 30% easily attainable, what are your thoughts behind your forecast? Sansan, Bill One, there are many faucets, but I wonder if you could tell us your thoughts on this?

Terada [A]: What we are providing as guidance is official and nothing more and nothing less, but in this first semester, we have renewed Sansan and Eight in the two years we have been doing this while also taking into account the pandemic. We believe this was a very big strike.

I believe that once the effect of the business restructuring we have undertaken this time hits the bullseye and becomes evident in the numbers, the growth rate may even exceed our forecast. Although I'm not in a position to make personal statements, I still want to create a business environment in which we can aim for a 30% growth rate, which is the reason why I had decided to undertake the business restructuring. I think it depends on how the market acts toward this.

Miyazaki [Q]: Thank you very much. As you mentioned, the slowdown in the growth of Sansan clients is one factor that makes it difficult to reach the 30% target -- if we break it down. I know that your company's resources are limited, but what is your perception of the possibility of the Sansan acquisition returning to the previous level as COVID-19 is normalized in a certain way? Could you please tell us about that?

Terada [A]: We have a very good response to the business restructuring. We have not yet reached the stage where we can quantitatively present this information, so we are only disclosing a range this time, but we are gathering feedback from our sales staff and clients daily, and we feel that we are getting a very good response. We see this as surely a driver of growth.

Miyazaki [Q]: I understand. Thank you. I would like to ask one more question about the cost structure, or rather, the cost of the product. Looking at the fiscal year, my understanding is that the cost of sales ratio was flat between the fiscal year that ended and the fiscal year before that.

I'm wondering if the cost ratio will be slightly high once Bill One is up and running until Bill One gets more comfortable, and if the Eight business increases with events and such, will this also affect the overall cost ratio slightly?

What should the cost ratio be considered for the new year? Could you please confirm the concept of cost of goods sold where it has been declining for the past several years, and with the increase of various new businesses and other factors. I appreciate your time.

Hashimoto [A]: In terms of the outlook for this fiscal year, we expect the cost ratio to worsen slightly. As you mentioned, this is due to the increase in the number of businesses with a high-cost ratio of [a certain] Eight, and the other major factor is the increase in the percentage of Bill One.

Although the cost ratio of Bill One itself is gradually improving, it is still higher than that of the Sansan business. I think that as the percentage of Bill One business increases, the structure of the cost ratio will worsen slightly.

Miyazaki[Q]: Thank you very much for the presentation. Thank you very much for your answer.

Moderator [M]: Next, Mr. Mochizuki, please go ahead.

Mochizuki [Q]: Thank you very much for your presentation. My name is Mochizuki from Bank of America. I'm afraid this may be a very short-sight question, but I would like to ask two questions.

Of the Sansan Bill One business guidance that Mr. Hashimoto mentioned earlier for this fiscal year, I believe you mentioned that the growth rate of Bill One is roughly two to three times in terms of sales. The reason I'm asking is that, if Bill One grows by two to three times, Sansan's growth rate would appear to be in the low 10% range, so I would like to confirm whether it is actually two to three times? Or rather two times or so?

Hashimoto [A]: Thank you very much. If we use the median of two to three times as you mentioned, I believe that Sansan's growth rate on its own will be about 15%.

However, as I mentioned earlier, from the standpoint of which direction to grow and which allocation of resources to use, this is a kind of management decision, and we will allocate them so that the combined growth rate is maximized. I hope you understand that we do not necessarily want to do so, but that we will make management decisions that will result in a combined growth rate of about this much.

As for the calculation, I think you are right.

Mochizuki [Q]: Thank you very much. My next question is about short-term profit. In terms of advertising expenses, I think you mentioned that you expect a growth of about 6.5% this year, but when you look at the quarter, profits will gradually recover from Q1 to Q4. Going up. Should I look at it with such an assumption?

Maybe TV commercials here in particular will be quite a burden on the budget, depending on the quarter, so are you planning to do TV commercials every quarter on a fairly continuous basis? Since this is additional adjusted earnings guidance, could you please tell us how much of the SVC assumption you are including?

Hashimoto [A]: We are currently investing in advertising, including TV commercials, so I expect that there will be quite a large investment in Q1. Since advertising expenses for the year will increase by 6.5%, the figure will be approximately [JPY]3.2 billion or [JPY]3.3 billion, but we assume that a certain percentage, not necessarily half, will be spent in Q1.

I think SVC refers to stock-based compensation expense, but the actual amount of this expense is structured in such a way that it varies greatly depending on changes in the stock price, so we do not calculate it at this time. Therefore, we are disclosing and guiding adjusted operating profit that is not affected by this change.

Mochizuki [M]: Thank you. It was very clear.

Moderator [M]: Does anyone have any other questions? Mr. Takizawa, please go ahead with your question.

Takizawa [Q]: Thank you. My name is Takizawa of Fidelity Investment Trust. You mentioned that ARPU will probably go up as a result of this product restructuring at Sansan's sales DX. I had heard that you aimed to increase the value of the product itself rather than adding optional pricing or raising the price, but can you confirm the logic behind the increase in ARPU?

Terada [A]: ARPU itself actually depends largely on the licensing system. We evaluated the value of the newly revamped Sansan in our own way and decided what kind of licensing structure we would offer.

The license system is also being tuned, or rather changed, in line with this restructuring. If we determine that the value of the product has increased, we will establish a licensing system that includes, for example, a certain increase in the minimum usage fee.

Since the order of the ARPU increases with the licensing system, the causal relationship is that the value has increased, and the licensing system has changed. I think the answer is that we are trying to create a structure that will result in higher ARPU.

Takizawa [Q]: Okay, thank you. The other point is the operating profit adjustment amount, which was JPY4.6 billion, an increase of about JPY0.8 billion to JPY0.9 billion from the previous fiscal year. This is written in the form of an increase in personnel, but what will be the driver of the increase in this area about the increase in profits in the business segment? I think that for overall operating profit to expand, the expansion here must be small about the profit of the business portion, but can you confirm what would be the variable factors?

Hashimoto [M]: Just to confirm, am I correct in understanding that you are referring to the segmental P&L adjustments?

Takizawa [M]: Yes.

Hashimoto [A]: This adjustment includes the costs of corporate divisions that do not belong to each business segment, for example, divisions that work on cross-divisional security. Naturally, this is not something that increases in line with sales, but to some extent, in terms of the ratio of fixed costs to variable costs, there is a certain amount of fixed costs as well. We expect this ratio to decline to a certain degree as sales grow or as the business base expands.

Takizawa [M]: I understand. Thank you very much. That's all from me.

Moderator [M]: I would like Mr. Mochizuki to go with the question.

Mochizuki [Q]: Thank you for allowing me to speak twice. On a longer-term note, I would like to talk about Sansan's product restructuring. I wanted to ask your thoughts on the competitive environment. My current understanding is that the product will be revamped, moving from a business card management platform to a CRM and sales automation product, and that Salesforce and others may begin to compete with it.

I think that your company will probably be a rather big competitor in the way that we originally came together as partners, so what are your thoughts? Please let us know.

Iida [A]: Thank you. We do not expect the competitive landscape to change significantly. When we think about the evolution of our products, we have always taken steps to contribute to the growth of the market that we have created, while maintaining our own unique edge.

For example, I didn't mention the contact database earlier, but we are actually planning to import sales force leads and other information into Sansan. Then, for example, as I mentioned earlier about business cards, e-mails, contracts, and invoices, we are also considering the possibility of expressing contact with this company from this perspective and at this event by importing lead information from the sales force.

We do not see ourselves as part of any kind of entry into Salesforce's area, but rather as a way to strengthen the complementary relationship.

Mochizuki [M]: Thank you.

Moderator [M]: Does anyone have any other questions? As there are no further questions, this concludes the financial results briefing. Thank you very much for joining us today.

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