Sansan, Inc.

Results briefing for FY2022

July 14, 2023

Event Summary

[Company Name]	Sansan, Inc.	
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[Event Name]	Results briefing for FY2022	
[Fiscal Period]	FY2023 Annual	
[Date]	July 14, 2023	
[Number of Pages]	33	
[Time]	10:00 – 10:56 (Total: 56 minutes, Presentation: 28 minutes, Q&A: 28 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Chika Terada	Representative Director & CEO
	Muneyuki Hashimoto	Director, Executive Officer, CFO
[Analyst Names]*	Takashi Miyazaki	Goldman Sachs
	Naoki Hiraoka	Nomura Securities

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

Presentation

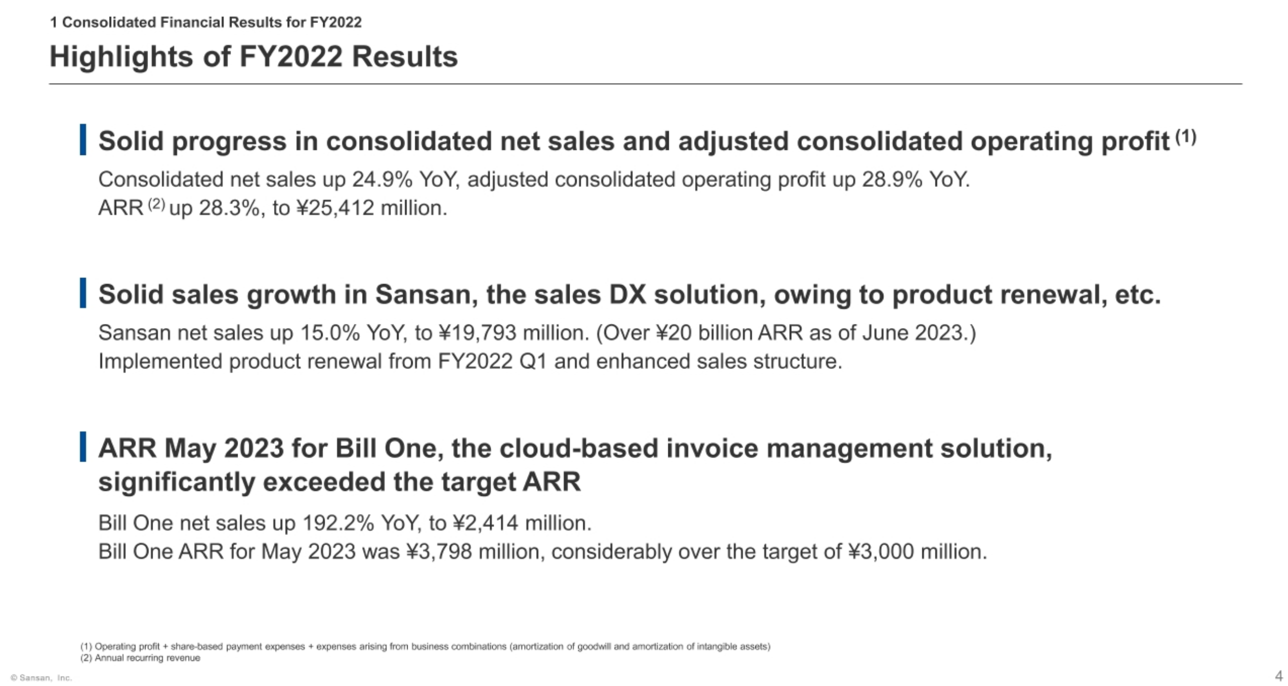
Moderator: Now that the time has arrived, Sansan, Inc. will start a presentation on the full-year financial results for the fiscal year ending May 31, 2023.

Here are today's speakers. This is Mr. Terada, Representative Director & CEO. This is Mr. Hashimoto, Director, Executive Officer, CFO.

Next, I would like to explain today's materials. We will share the screen of the presentation materials with those who participate via Zoom. Those who participate via telephone can view the materials on our IR website.

Terada and Hashimoto will give a presentation about the financial results and growth strategy, followed by the question & answer session until 11:00 AM.

Now Mr. Hashimoto will give a presentation.



Hashimoto: Thank you very much for attending our earnings presentation today. I am Hashimoto, CFO. I would like to talk about the full-year results. Mr. Terada, CEO, will explain our growth strategy and full-year earnings forecast for the fiscal year ending May 31, 2024, later.

See page four. There are three highlights of the full-year results for the fiscal year ending May 31, 2023.

First, consolidated net sales progressed steadily, increasing 24.9% YoY. Adjusted consolidated operating income increased 28.9% YoY, mainly due to sales growth.

Next, a sales DX service, Sansan, grew steadily as a result of product renewal and a strengthened sales structure. The invoice management service, Bill One, achieved ARR of JPY3,798 million in May 2023, far exceeding the target.

1 Consolidated Financial Results for FY2022

Overview of Consolidated Financial Results

Net sales up 24.9% YoY, accelerating growth from Q3, adjusted operating profit up 28.9%.
Ordinary profit decreased owing to share-based payment expenses, etc., while profit attributable to owners of parent recorded deficit owing to extraordinary losses, etc.

		FY2021	FY2022		(For Reference) FY2022	
	(millions of yen)	Full-Year Results	Full-Year Results	YoY	Q4 Results	YoY
Consolidated Results	Net Sales	20,420	25,510	+24.9%	7,341	+28.3%
	Gross Profit	17,904	21,827	+21.9%	6,081	+23.3%
	Gross Profit Margin	87.7%	85.6%	-2.1 pt.	82.9%	-3.4 pt.
	Adjusted Operating Profit	730	942	+28.9%	182	-57.1%
	Adjusted Operating Profit Margin	3.6%	3.7%	+0.1 pt.	2.5%	-4.9 pt.
	Ordinary Profit	968	122	-87.4%	-379	–
	Profit Attributable to Owners of Parent	857	-141	–	-880	–
	EPS	6.87 yen	-1.13 yen	–	-7.02 yen	–

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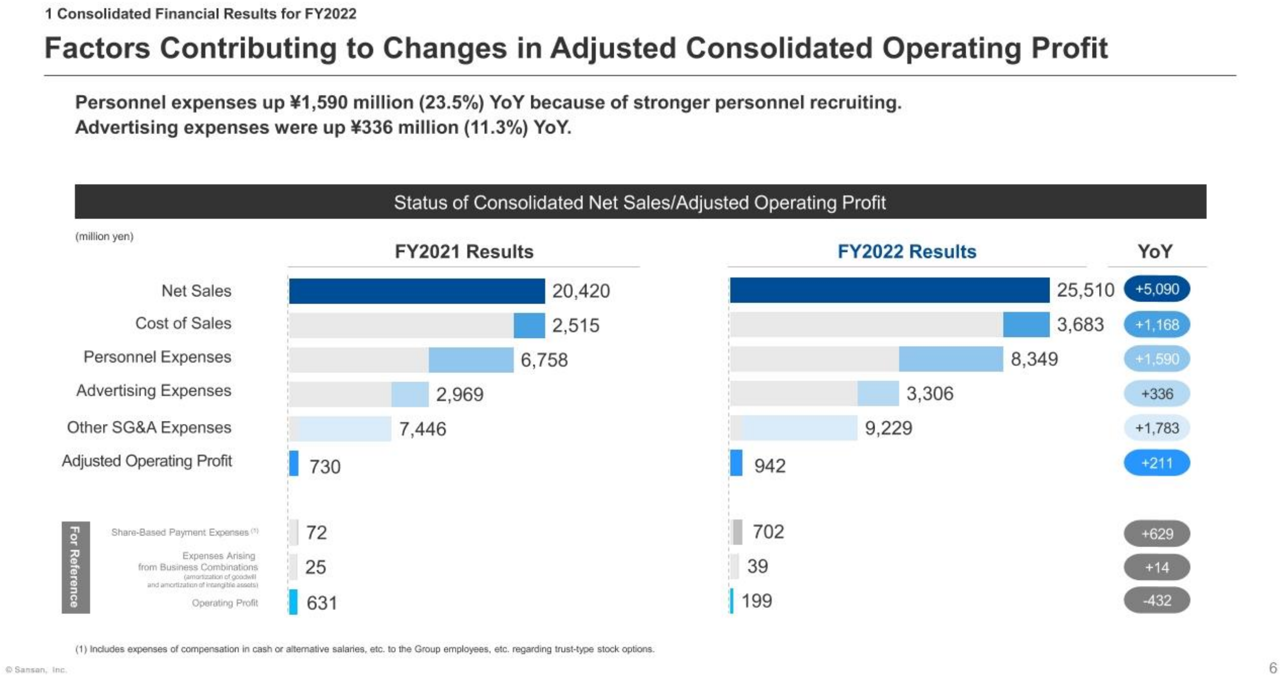
Consolidated results are shown on page five.

Sales grew by 24.9%, as the growth rate in Q4 was 28.3%, accelerating 4.4 percentage points from Q3. Most of the sales growth for the full year was due to organic growth. The newly consolidated subsidiaries contributed the growth rate of about 0.5%.

Adjusted operating income was JPY942 million, up 28.9%, mainly due to sales growth. The adjusted operating margin improved by 0.1 percentage points to 3.7%.

Ordinary income decreased due to an increase in expenses related to stock-based compensation and the fact that a gain of JPY979 million on the sale of investment securities was recorded as non-operating income in the previous year. Profit attributable to owner of the parent company was a loss, mainly due to a loss on valuation of investment securities of JPY980 million recorded as an extraordinary loss.

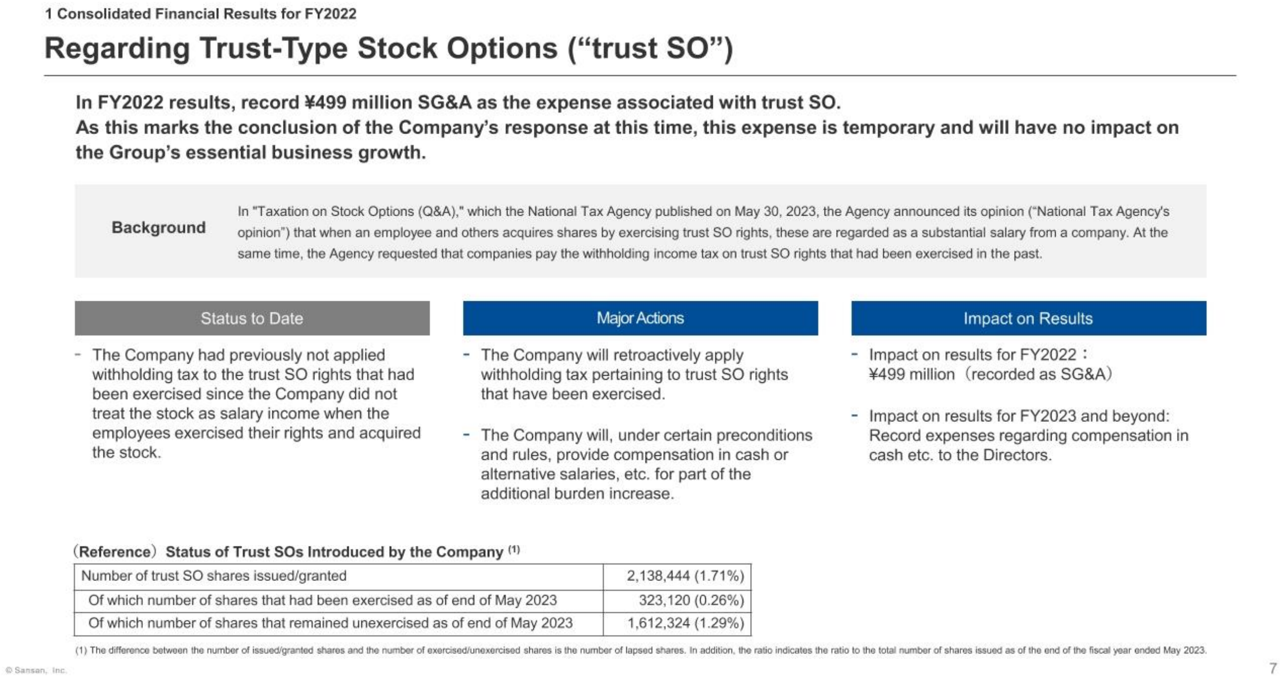


Next, I will explain the factors behind the increase or decrease in adjusted consolidated operating income. See page six.

As a result of enhanced recruitment, the number of consolidated employees increased by 194 YoY to 1,399, and personnel expenses increased by JPY1.59 billion from the same period last year.

On the other hand, advertising expenses increased by JPY336 million YoY due to the strengthening of Bill One's advertising activities throughout the period, resulted in 11.3% increase YoY.

As a result, adjusted consolidated operating income increased by JPY211 million.



Next, I would like to explain the details of our response to the recent media report on trust-type stock options. See page seven.

First, as background, National Tax Agency published and announced its opinion on May 30, 2023 that when an employee and others acquires shares by exercising trust SO rights, these are regarded as a substantial salary from a company. At the same time, the Agency requested that the Company pay the withholding income tax on trust SO rights that had been exercised in the past.

The Company issues trust SOs for the purpose of incentivizing the enhancement of corporate value and retention of talented personnel. However, the Company had not treated the trust SOs as employment income in the past, and therefore had not applied withholding taxes that were exercised.

In light of this NTA opinion, the Company will retroactively apply withholding tax pertaining to trust SO rights that have been exercised. However, in light of the purpose of introducing the Trust SO, under certain preconditions and rules, a portion of the additional burden will be compensated in cash, and alternative salaries, etc., for directors, employees, and others enrolled in the Group, even for unexercised Trust SO.

The total amount of supplemental and alternative salary payments to employees and others, as well as the costs associated with these payments, is JPY499 million and is included in the SG&A expenses for the fiscal year ending May 31, 2023, as explained earlier. However, expenses related to monetary payments to the Company's directors will be recorded in the financial statements for the fiscal year ending May 31, 2024 and thereafter.

This expense is one-time and will not affect the Group's essential business growth. For details of these, please refer to the timely disclosure materials disclosed yesterday.

1 Consolidated Financial Results for FY2022

Results by Segment

Increased net sales and adjusted operating profit (reduced deficit) in both Sansan/Bill One and Eight Businesses.
Adjustment amount (adjusted operating profit) expanded by ¥1,212 million in negative because of increased headcount, etc.

(millions of yen)		FY2021 Full-Year Results	FY2022 Full-Year Results	FY2022 YoY	(For Reference) FY2022 Q4 Results	(For Reference) FY2022 YoY
Net Sales	Consolidated	20,420	25,510	+24.9%	7,333	+28.3%
	Sansan/Bill One Business	18,105	22,516	+24.4%	6,284	+28.1%
	Eight Business	2,213	2,867	+29.5%	1,018	+30.0%
	Others	126	198	+57.3%	53	+16.0%
	Adjustments	-25	-72	—	-23	—
Adjusted Operating Profit	Consolidated	730	942	+28.9%	182	-57.1%
	Sansan/Bill One Business	5,752	7,005	+21.8%	1,808	+6.2%
	Eight Business	-355	-170	—	36	+88.2%
	Others	-22	-36	—	-8	—
	Adjustments	-4,643	-5,856	—	-1,653	—

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Page 8 is a summary by segment. Both the Sansan/Bill One and Eight businesses reported increases in both revenue and income.

The negative adjustment in adjusted operating income increased by JPY1,212 million from the same period of the previous year, but more than half of this increase was due to various cost associated with employee expansion. A breakdown of adjustments and details are provided on page 46 of the Supplementary Information in this document.

1 Consolidated Financial Results for FY2022

Sansan/Bill One Business Overview

Net sales increased by 24.4% YoY, owing to solid progress for Sansan and high growth for Bill One.
Adjusted operating profit up 21.8% YoY owing to net sales growth, etc. while enhancing marketing and advertising activities.

	(millions of yen)	FY2021	FY2022		(For Reference) FY2022	
		Full-Year Results	Full-Year Results	YoY	Q4 Results	YoY
Sansan/ Bill One Business	Net Sales	18,105	22,516	+24.4%	6,284	+28.1%
	Sansan	17,214	19,793	+15.0%	5,245	+15.2%
	Sansan Recurring Sales	16,349	18,688	+14.3%	4,907	+14.5%
	Sansan Other Sales	865	1,104	+27.7%	338	+27.8%
	Bill One	826	2,414	+192.2%	870	+165.8%
	Others	64	308	+379.7%	168	+547.4%
	Adjusted Operating Profit	5,752	7,005	+21.8%	1,808	+6.2%
	Adjusted Operating Profit Margin	31.8%	31.1%	-0.7 pt.	28.8%	-5.9 pt.

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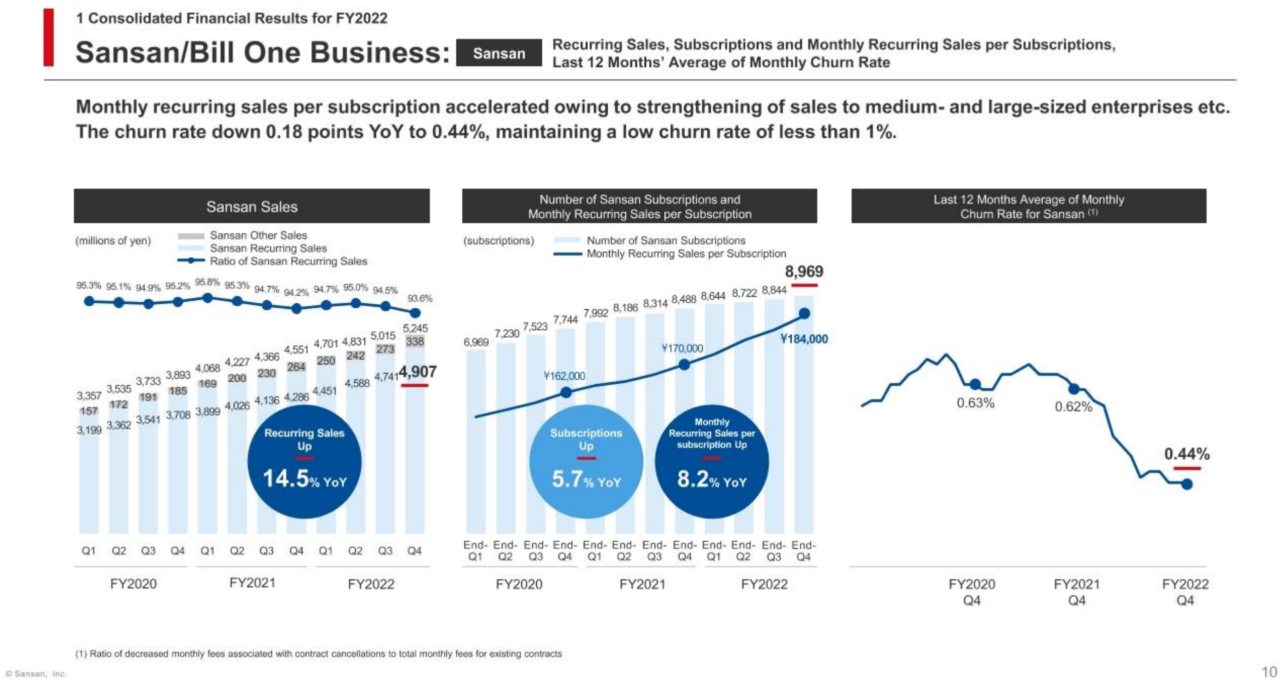
Beginning on page nine, I would like to explain each business. First, I would like to talk about the results of the Sansan/Bill One business.

Full-year sales for the Sansan/Bill One business increased 24.4% YoY, driven by solid growth of 15.0% for Sansan and strong growth of 192.2% for Bill One. The increase in revenue also resulted in a 21.8% increase in adjusted operating income.

Other sales, which includes Contract One, increased 379.7% due to the contribution of Creative Survey, which became a subsidiary in March 2023, from Q4.

On a quarterly basis, the sales growth rate of the Sansan/Bill One business accelerated from the previous quarter. Sansan's Q4 revenue grew 15.2%, 0.3 percentage points higher than the previous quarter, and Bill One's Q4 revenue grew 165.8%, 17.5 percentage points higher than the previous quarter.

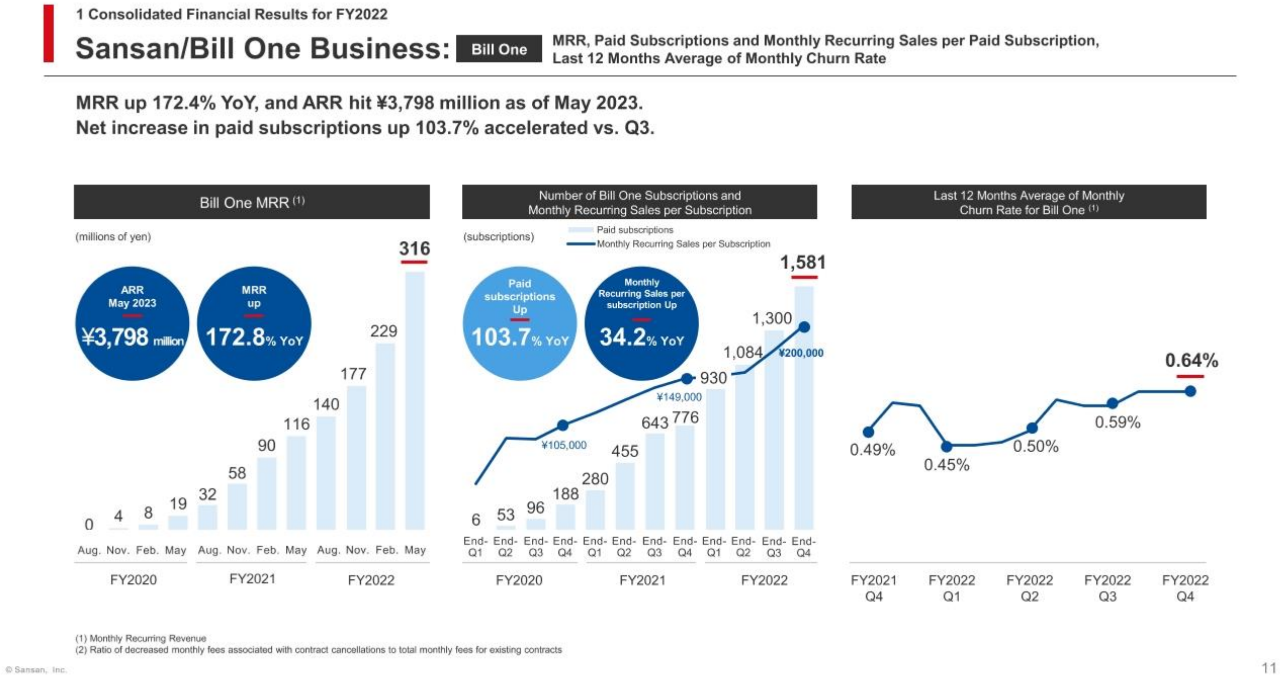


See page 10. I would like to talk in detail about Sansan's KPI for Q4 and the three months.

The graph on the left side of the slide shows Sansan's recurring sales. This has increased 14.5% over the same period last year. Sansan's other sales increased 27.8% YoY, mainly from higher initial costs.

The graph in the center of the slide shows the number of Sansan subscriptions and monthly recurring sales per subscription. The number of contracts was 8,969, up 5.7% from the same period last year, and monthly recurring sales per subscription were up 8.2% from the same period last year. This was mainly due to the efforts of a strengthened sales structure aimed at acquiring new contracts with medium and large-sized companies.

The right side of the slide shows Sansan's average monthly churn rate over the last 12 months. As of May 2023, the churn rate was 0.44%, the lowest level ever recorded in the measurable period.



See page 11. I would like to explain the Bill One's KPIs for Q4 and the three months.

The graph on the left side of the slide shows Bill One's MRR for the single month of May 2023, which was approximately 2.7 times higher than the same period last year, the largest three-month net increase on record. As a result, ARR as of May 2023 was JPY3,798 million, far exceeding the target of JPY3 billion.

The graph in the center of the slide shows the number of Bill One paid subscriptions and monthly recurring sales per paid subscription. As a result of the acquisition of new medium and large sized customers, the number of paid subscriptions nearly doubled YoY to 1,581, with a net increase of 65 during the quarter compared to Q3. Monthly recurring sales per paid subscription rose 34.2% from the same period last year to JPY200,000.

The value of new orders received in Q4 was approximately 3.2 times higher than that of the same period last year, a further acceleration compared to the previous quarter.

The right side of the slide shows Bill One's average monthly churn rate over the last 12 months. As of May 2023, the churn rate was 0.64%, maintaining a low level of less than 1%.

1 Consolidated Financial Results for FY2022

Eight Business Overview

Net sales up 29.5% YoY owing to B2B service sales growth.

(millions of yen)

		FY2021 Full-Year Results	FY2022 Full-Year Results	FY2022 YoY	(For Reference) FY2022 Q4 Results	(For Reference) FY2022 YoY
Eight Business	Net Sales	2,213	2,867	+29.5%	1,018	+30.0%
	B2C Services	286	303	+6.0%	77	+7.3%
	B2B Services	1,927	2,563	+33.0%	940	+32.4%
	Adjusted Operating Profit	-355	-170	—	36	+88.2%
	Number of Eight Users (1)	3.10 million people	3.31 million people	+0.20 million people		
	Number of Eight Team Subscriptions	2,819	3,703	+31.4%		

(1) Confirmed users who registered their business card in their profile after downloading the app.

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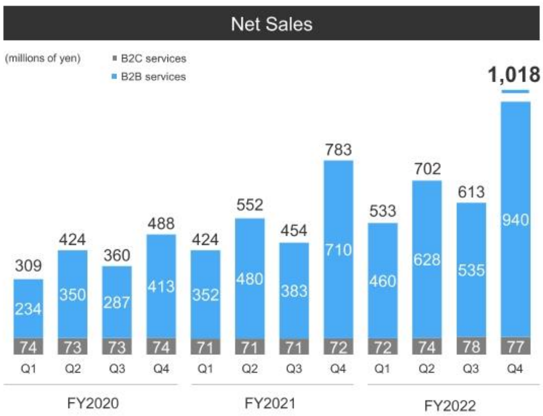
As a final part of our achievements, we would like to explain our Eight business. See page 12.

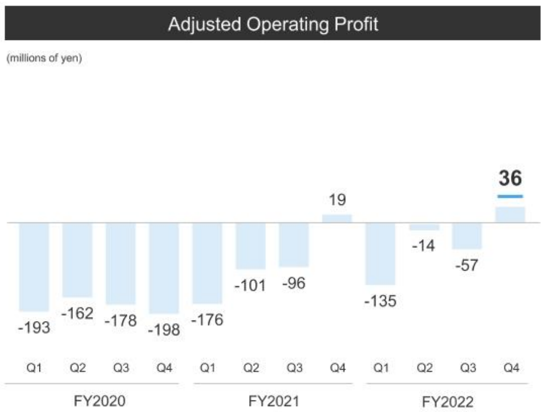
Net sales increased 29.5% YoY due to the expansion of BtoB services, but results were somewhat sluggish compared to the forecast at the beginning of the period. In addition to the increase in adjusted operating income, the loss has shrunk by JPY185 million due to monetization efforts.

1 Consolidated Financial Results for FY2022

Eight Business: Net Sales, Adjusted Operating Profit

B2B net sales up vs. Q3 owing to holding a large-scale business event.
Adjusted operating profit up owing to sales growth, recorded profit in Q4.





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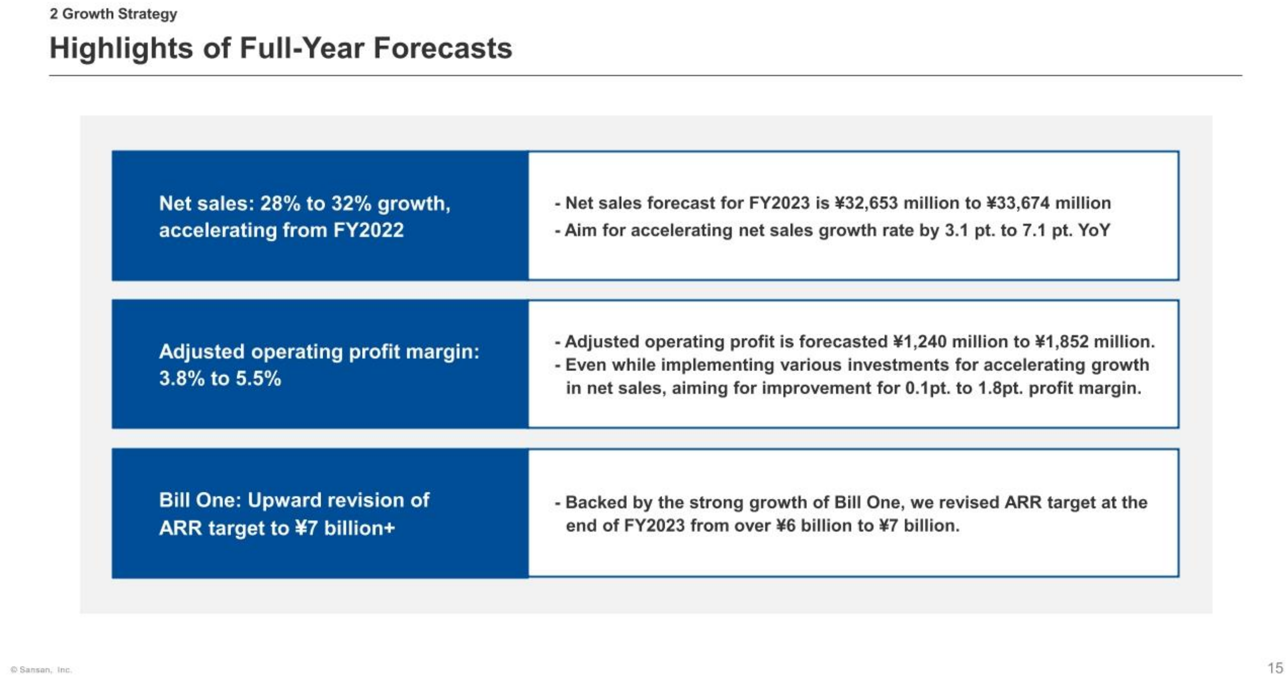
Page 13 shows the quarterly results of the Eight business.

Although sales growth for the full year was somewhat sluggish, as I mentioned earlier, sales for the quarter were up significantly from the previous quarter due to the business events held.

In line with sales growth, adjusted operating income was positive in Q4 alone.

This is all about the financial results. Mr. Terada will give a brief explanation.



Terada: I am Terada, CEO. I will explain our growth strategy for the fiscal year ending May 31, 2024, as well as our business outlook.

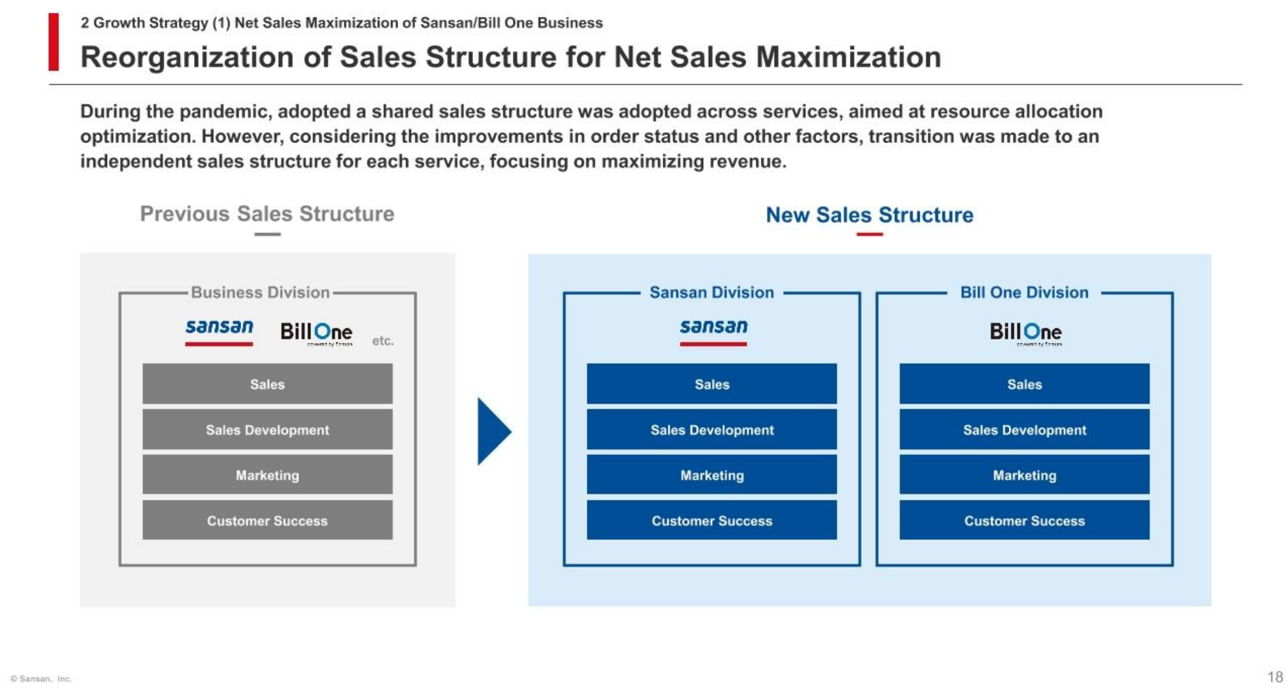
First, I would like to explain the highlights of our full-year forecast for the fiscal year ending May 31, 2024. See page 15.

For the full year ending May 31, 2024, the growth rate of consolidated sales is expected to accelerate by 3.1 to 7.1 percentage points YoY, from 28% to 32%.

The adjusted consolidated operating income margin is projected to be 3.8% to 5.5%, up 0.1 to 1.8 percentage points from the same period last year, despite the execution of various investments such as hiring and advertising activities to accelerate sales growth.

We have also revised upward ARR target for Bill One from more than JPY6 billion to more than JPY7 billion.

I will now explain our strategy to accelerate sales growth and stable profit growth in three parts.



The first is about maximizing sales in the Sansan/Bill One business. See page 18. On June 1, we made changes to our sales structure to maximize sales of each service. I would like to explain the background of these changes.

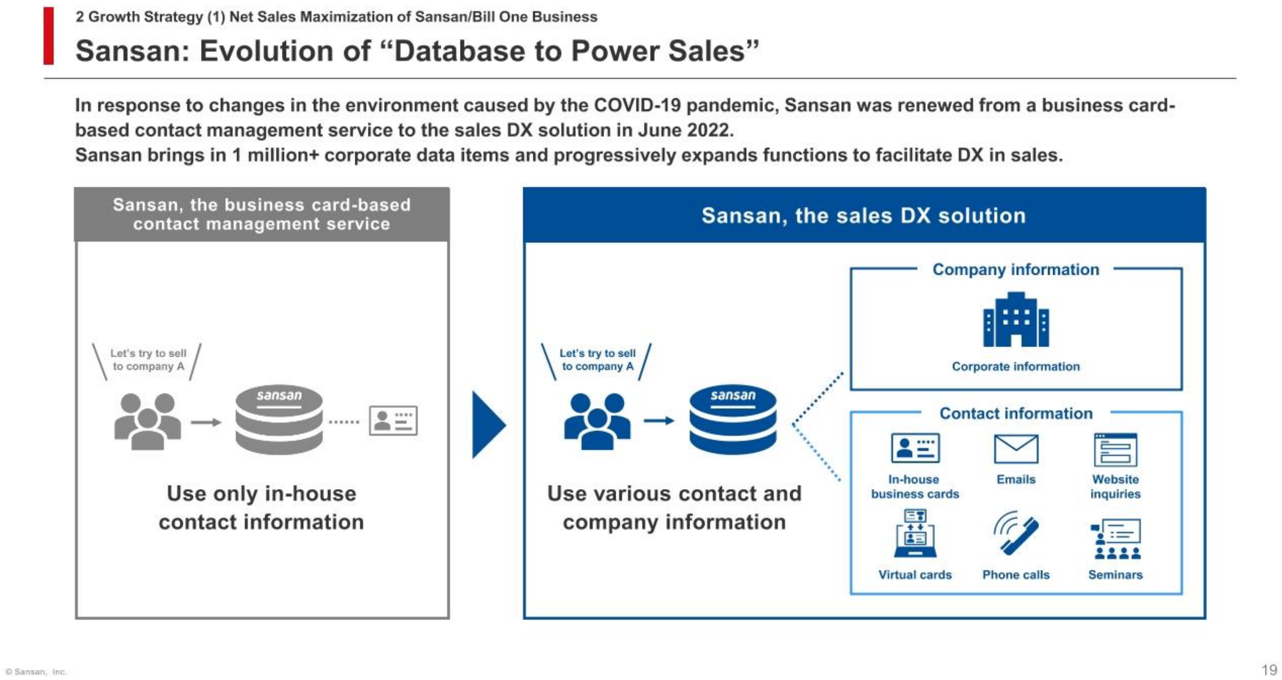
Prior to the COVID-19 pandemic, we adopted a sales structure by each service. However, changes in the business environment due to the spread of COVID-19 led to a change in the structure from July 2021 to the end of May 2023, which consolidated sales personnel for Sansan, Bill One, and other services into a single organization.

While Sansan, which had been marketed as a business card management service, had a negative impact on new sales activities in the pandemic, Bill One had increased sales productivity due to the need for DXing invoice-related operations and a tailwind from the regulation reform. Therefore, we were trying to optimize the organization to enable so-called flexible resource allocation by sharing the sales personnel, which had been scattered among different services.

However, the effects of Sansan's product renewal and the economic reopening after the pandemic contributed as an improvement factor in the order receiving situation from Q2 of 2023 onward. With this, we decided to return to the sales structure for each service again.

By assigning sales personnel to each service, we aim to create an environment to maximize sales.

In seeking to maximize the sales, we will further strengthen recruitment in the sales department. We plan to hire 420 people on a consolidated basis during the current fiscal year, including about 200 as sales employees. We will work to maximize sales under the new structure.

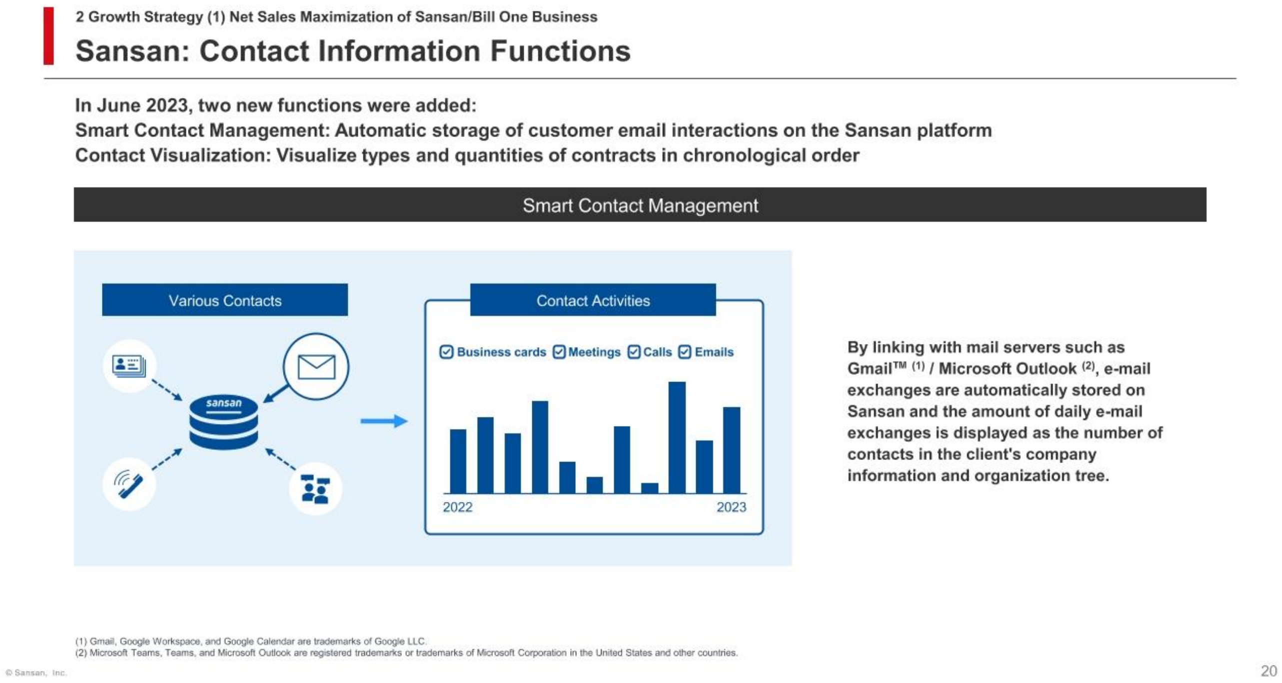


See page 19. From now on, I would like to talk about the strategies for individual services to maximize sales.

First, I would like to talk about the enhancement of Sansan's products. In June 2022, Sansan revamped its product from a business card management service to a sales DX service with the concept of a database that strengthens sales, in amid change by the COVID-19 pandemic.

As a DX service that solves inefficient business issues in sales activities, we are working to expand functions along two axes: enriching, accumulating, and visualizing corporate information, and expanding the range of information that can be visualized beyond business cards to include digital signatures, phone calls, seminars, and other information.

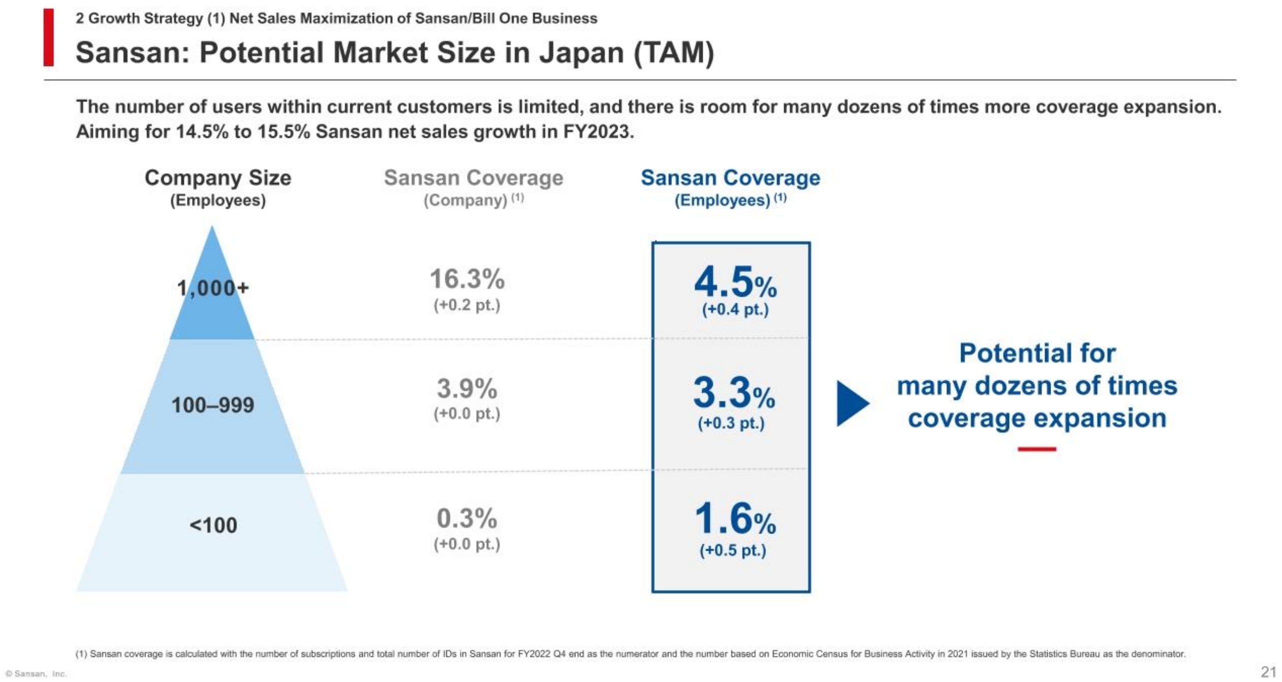
In terms of enrichment of corporate information, various information, including more than 1 million of company and many executives information, has been consolidated on Sansan, which contains one of the largest number of data categories in Japan.



See page 20 for expanded contact information.

We had already implemented a function for digital signatures, but we went beyond that in June 2023 and made it possible to store and visualize the e-mail correspondence on Sansan as contact information. In addition, a contact display function is added to visualize the various types of contact information, such as business card exchanges, e-mails, phone calls, and face-to-face meetings, as well as the volume of such information in chronological order.

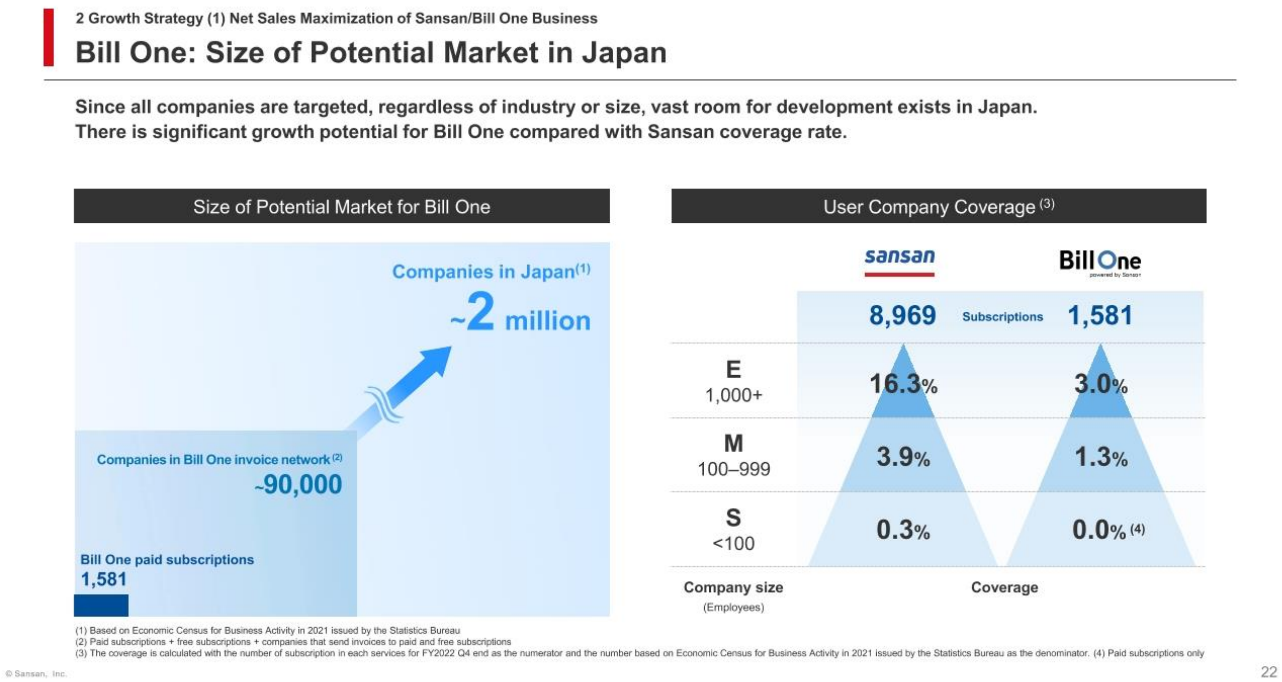
Since business cards as well as e-mails are communication tools that are exchanged very frequently in the business scene, making this information available to the entire organization makes it easy to grasp the latest status of the relationship between companies and their customers, enabling more accurate sales strategy development and management.



See page 21. We would like to explain Sansan's growth potential.

This slide shows the potential market size in Japan. In terms of the Japanese workforce, the number of Sansan users is still around 3% of the total workforce. First, we are aiming for a scale of several times larger than the current one.

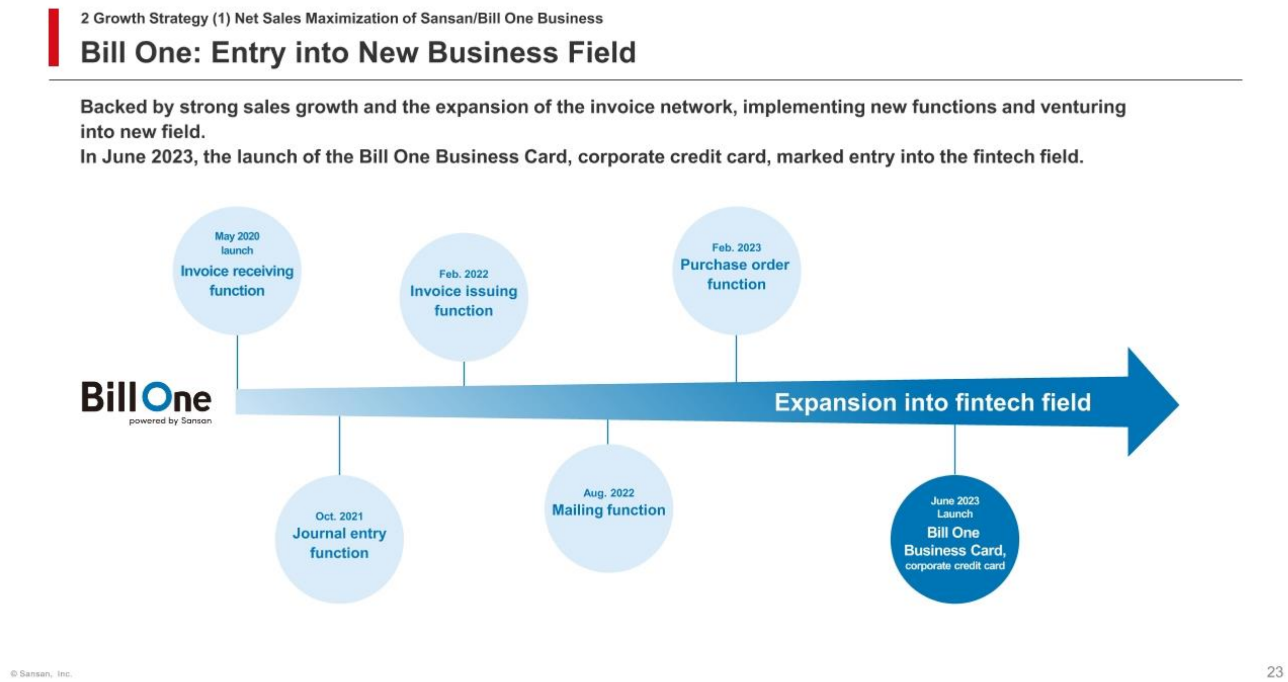
In the fiscal year ending May 2024, we aim to achieve a sales growth rate of 14.5% to 15.5% for Sansan by continuing to expand functions and strengthen sales and marketing activities.



See page 22. I would like to explain the strategy for Bill One.

The left side of the slide shows the potential market size for Bill One. Bill One, like Sansan, is a service targeting all companies in Japan. When looking at the number of companies, we only have 1,581 paid subscriptions and about 90,000 invoice network participating companies out of about 2 million companies in Japan. We believe there is vast room for development in Japan.

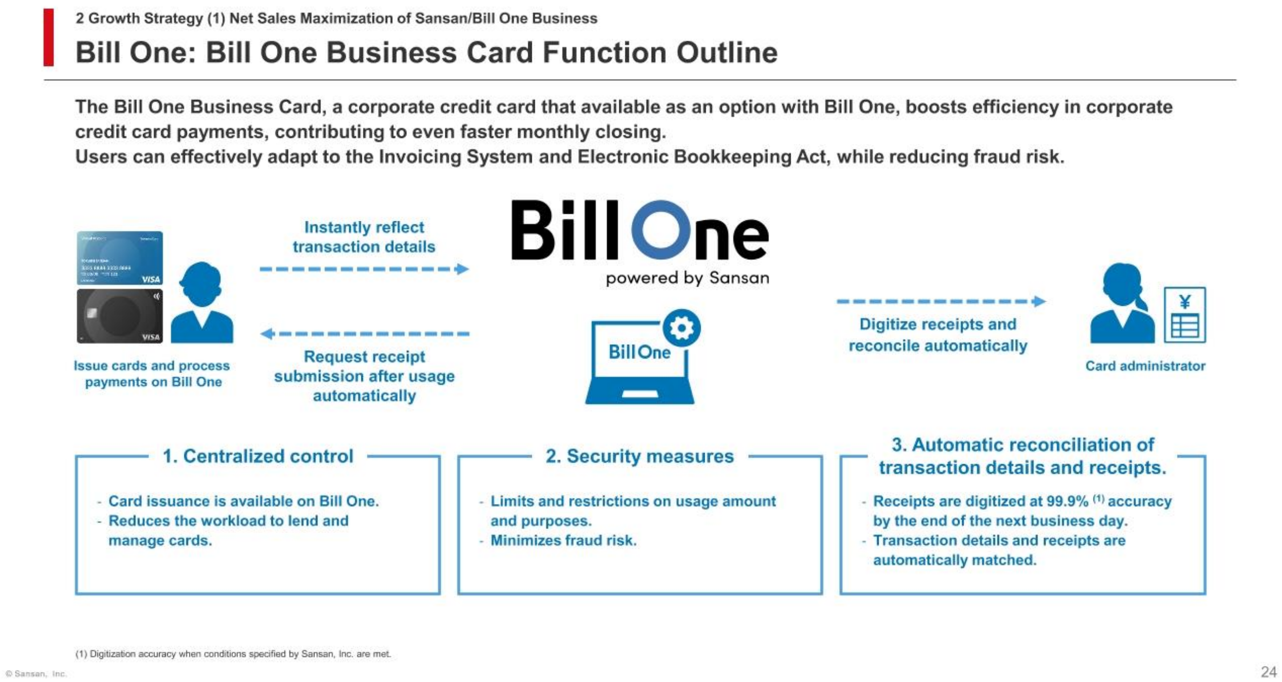
The figure on the right side of the slide shows the coverage rate of companies using Sansan and Bill One, respectively. In terms of coverage rate of large companies with more than 1,000 employees, Bill One's performance at the end of May 2023 was 3.0%, showing significant growth potential compared to Sansan.



In addition, Bill One is expanding its services into new business areas. See page 23.

Bill One has been developed as a service focused on receiving invoice, but with the strong service growth and expansion of the number of companies participating in the invoice network, we have begun to incorporate new features and expand into new business areas.

In June of this year, the Company expanded its business into the fintech domain with the addition of a new corporate card option, further expanding its growth potential.



Now I would like to give an explanation of the features of the Bill One Business Card. See page 24.

To explain briefly about the specific customer issues related to corporate credit cards, it is time-consuming to collect documents such as receipts and invoices, from an accounting point of view. It takes time to verify and match receipts and credit card statements.

In addition to the existence of these analog-style business challenges, the invoicing system will begin in October 2023. It will be necessary to check and ensure that the receipts received meet the required and necessary fields for the qualified invoice. This is expected to further complicate operations related to corporate credit cards.

Bill One Business Card addresses these issues, allowing customers to centrally manage billing and corporate credit card operations on Bill One.

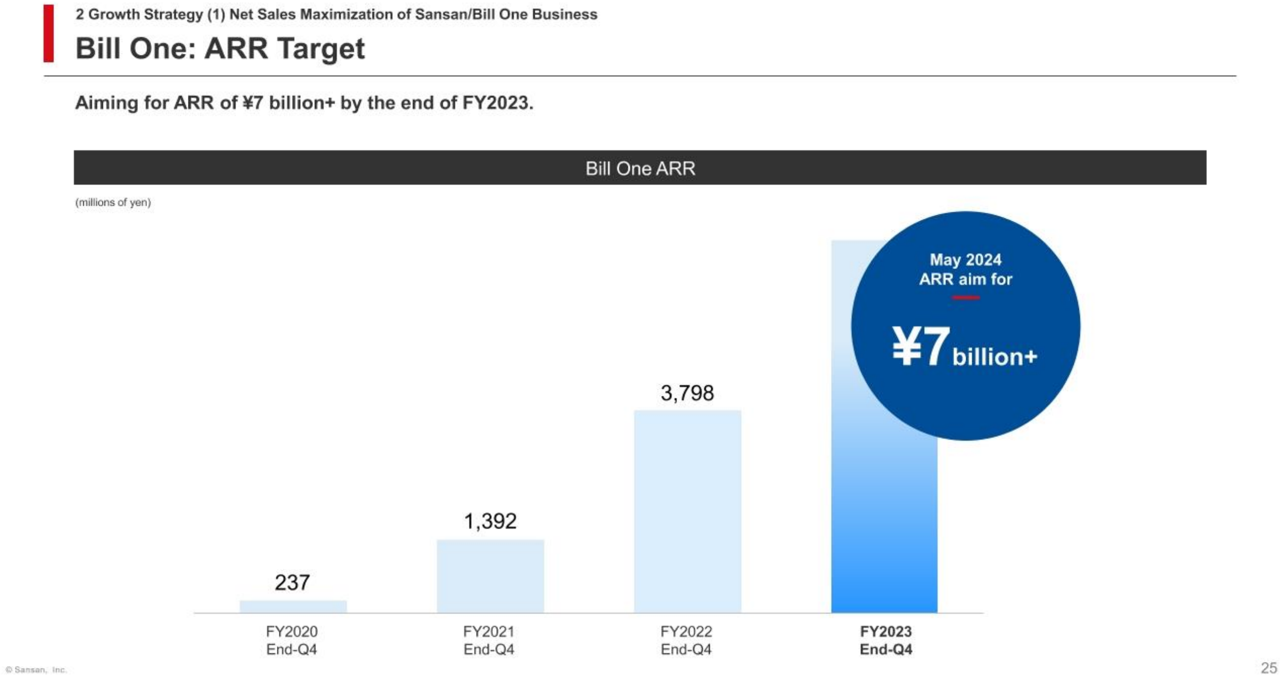
Payments and its detail using the Bill One Business Card are immediately linked to the Bill One screen after the credit card is used. This enables automatic reconciliation of card statements and receipts.

In addition, receipts uploaded to Bill One are converted to data by the end of the next business day, and alerts are displayed if the amount does not match the amount on the credit card statement. Thereby it will improve efficiency of the reconciliation task that was previously performed visually by accounting staff.

In addition, Bill One automatically sends the user a request to upload receipts after the card is used, which is eliminating the need for the accounting staff to remind him/her to submit receipts each time. In addition, it can be applied to legal compliance, such as the invoicing system, and reduce the risk of fraudulent use.

For users, the use of the card will improve productivity in billing and accounting operations, which in turn will further accelerate the monthly closing of accounts that Bill One aims for, and we expect that more companies will adopt the card in the future.

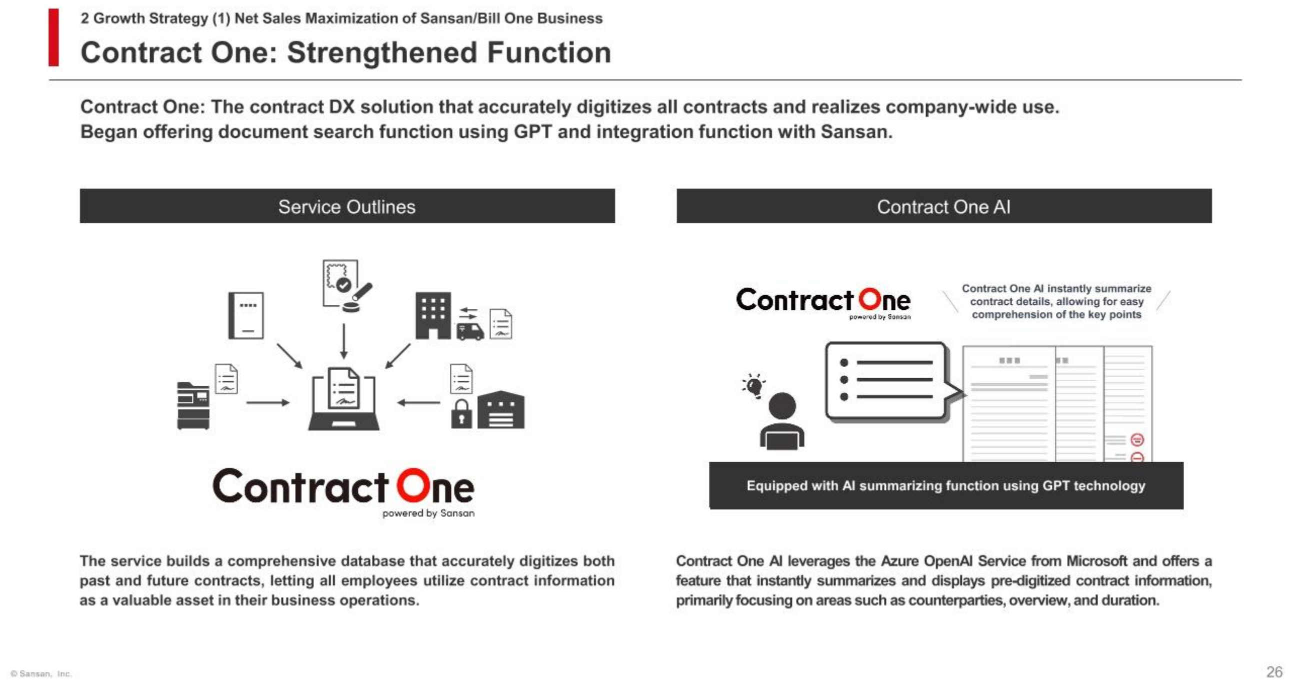
Regarding the revenue model of the Bill One Business Card, there are revenues associated with the data processing of receipts and revenues from settlement fees.



See page 25. I would like to talk about goals for Bill One.

At Bill One, we put our top priority on ARR growth now, and it continues to grow at a much faster rate than when we launched Sansan. ARR at the end of May 2023 was JPY3,798 million, far exceeding the target set at the beginning of the period by more than double the previous year's figure.

The ARR forecast for the end of May 2024, which was set at more than JPY6 billion in the financial results three months ago, has been revised upward to more than JPY7 billion against the backdrop of recent strong performance.

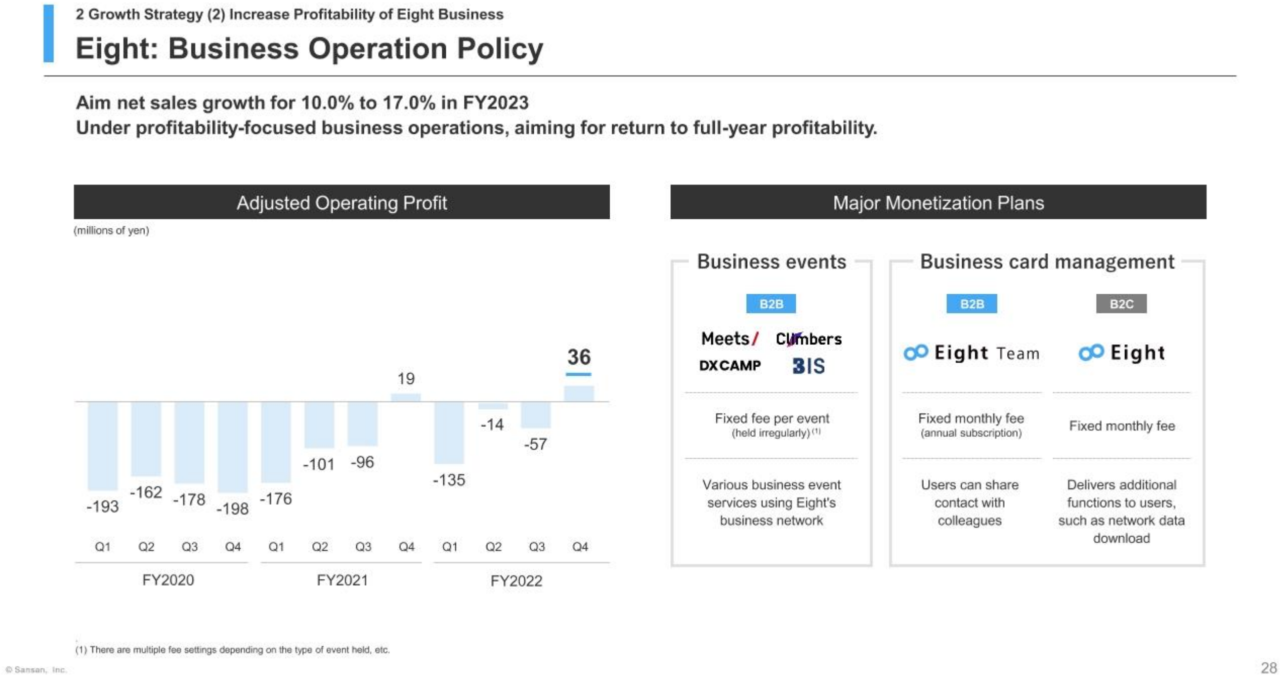


See page 26. I would like to explain about Contract One.

Contract One is a contract DX service that converts all contracts into data and promotes their utilization as company-wide assets. In addition to enabling centralized management of all contracts (paper and electronic), it also makes it possible to complete a series of tasks for paper contracts, such as sealing, binding, and mailing, by instructing from online.

Currently, we are working on Contract One to enhance its functions to increase the value to users. Most recently, we have begun offering the ability to summarize contract documents with Contract One AI, which utilizes GPT. Users can search for the contract they need by company name, etc., and simply move to the AI summary tab to view the document, which is summarized in an easy-to-understand, bulleted format. This makes it possible for not only for staff in charge of legal issues but also sales representatives who are not familiar with technical terms to easily grasp the outline of the contract.

In the future, we intend to promote initiatives for product market fit, aiming to contribute to the growth of the entire group.



Second, I will explain the monetization of the Eight business. See page 28. I would like to explain the management policy of the Eight business.

In the previous fiscal year, we revamped Eight from a business card app to a career profile product and worked to grow our recruiting-related services. However, due to the fact that these efforts did not produce the expected results, we have already shifted our business operations to focus on profitability in H2 of the previous fiscal year.

Under the same policy for the fiscal year ending May 2024, we aim to achieve positive adjusted operating income for the full year. Although this will result in a lower sales growth rate, we aim to achieve a sales growth rate of 10.0% to 17.0% by strengthening our event services, which continue to perform well, and by revising the pricing strategy of the Eight team.

We are also looking at a recovery in business card exchange opportunities after the COVID-19 pandemic and plan to promote the renewal of the app which is specializing in business cards once again.

2 Growth Strategy (3) Utilize M&A

Track Record of Company Consolidation

To achieve discontinuous growth, promote company consolidation etc.
CREATIVE SURVEY and ILU were newly incorporated as group companies.

Track Record of Company Consolidation

 30

I will explain the third growth strategy, the utilization of M&A. The slide on page 30 is a track record of the Group company consolidations to date.

So far, logmi, Inc. and Diamond Corporate Data Services, Inc. have joined our group in August 2020 and August 2021, respectively. In 2023, two new group companies, CREATIVE SURVEY INC. and Institute of Language Understanding Inc., were added to the Group.

2 Growth Strategy (3) Utilize M&A

Newly Incorporated Group Companies

CREATIVE SURVEY provides a corporate survey system.
ILU possesses expertise in knowledge databases and language understanding engine technologies.

Company Outline: CREATIVE SURVEY INC.

CREATIVE SURVEY

Beginning date of consolidation	FY2022 Q4 (March 2023)
Business segment	Sansan/Bill One segment (others)
Service outline	Provides CREATIVE SURVEY corporate survey system that aggregates customer information from various touchpoints
Objective of consolidation	Enhancing CREATIVE SURVEY through integration of our sales and marketing expertise with our proprietary technologies

Company Outline: Institute of Language Understanding Inc.

ILU Institute of Language Understanding

Beginning date of consolidation	FY2023 Q1 (June 2023)
Business segment	Others
Service outline	Engaging in outsourced development etc., utilizing large-scale knowledge databases and language understanding engines
Objective of consolidation	Enhancing Sansan's natural language processing service development, research and development capabilities, and talent acquisition

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On page 31, we will give an overview of the two new companies that have joined our group.

First, let's look at CREATIVE SURVEY INC. on the left side of the slide. They provide SaaS services such as corporate survey services and creative surveys that aggregate customer information from all points of contact. In addition to our sales and marketing know-how, we will work to achieve growth in this service in collaboration with our technology.

The results of CREATIVE SURVEY INC. have been contributing to the Company's results since Q4 of the fiscal year ending May 31, 2023.

Institute of Language Understanding Inc., on the right side of the slide, owns the technology for the knowledge database and language understanding engine. These technologies have synergies with our core technologies such as OCR and natural language processing. In particular, we are currently conducting research on the use of GPT in Contract One, and we expect to realize higher quality product development by combining their technology.

The results of the Institute of Language Understanding are expected to contribute from Q1 of the fiscal year ending May 31, 2024.

3 Full-Year Forecasts

Full-Year Forecasts

Aim for consolidated net sales growth of 28.0% to 32.0%, accelerating from FY2022
Adjusted operating profit margin is to improve 0.1 points to 1.8 points YoY.

	(millions of yen)	FY2022		FY2023 (1)	
		Full-Year Results	YoY	Full-Year Forecasts	YoY
Consolidated Results	Net Sales	25,510	+24.9%	32,653 to 33,674	+28.0% to +32.0%
	Sansan/Bill One Business	22,516	+24.4%	29,046 to 29,835	+29.0% to +32.5%
	Sansan	19,793	+15.0%	22,664 to 22,861	+14.5% to +15.5%
	Bill One	2,414	+192.2%	5,673 to 6,156	+135.0% to +155.0%
	Eight Business	2,867	+29.5%	3,153 to 3,354	+10.0% to +17.0%
	Adjusted Operating Profit	942	+28.9%	1,240 to 1,852	+31.7% to +96.6%
	Adjusted Operating Profit Margin	3.7%	+0.1 pt.	3.8% to 5.5%	+0.1 pt. to +1.8 pt.

(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 share-based payment expenses, which may vary significantly depending on the level of our stock price, and certain non-operating income or expenses and other items.

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Finally, I would like to explain our full-year forecasts. See page 33.

As we have explained, Sansan's growth rate increased from 14.5% to 15.5% YoY, and Bill One's growth rate increased from 135% to 155%. Others are also expected to increase between 130% and 165%, and segment sales are expected to increase between 29% and 32.5%.

The Eight business is expected to grow between 10% and 17% in terms of revenue growth. In addition, sales in the other business segment, other, are expected to increase between 130% and 145%.

As a result, we expect consolidated sales growth of 28% to 32%, an acceleration of 3.1 to 7.1 points compared to the same period last year, as reported in the highlights.

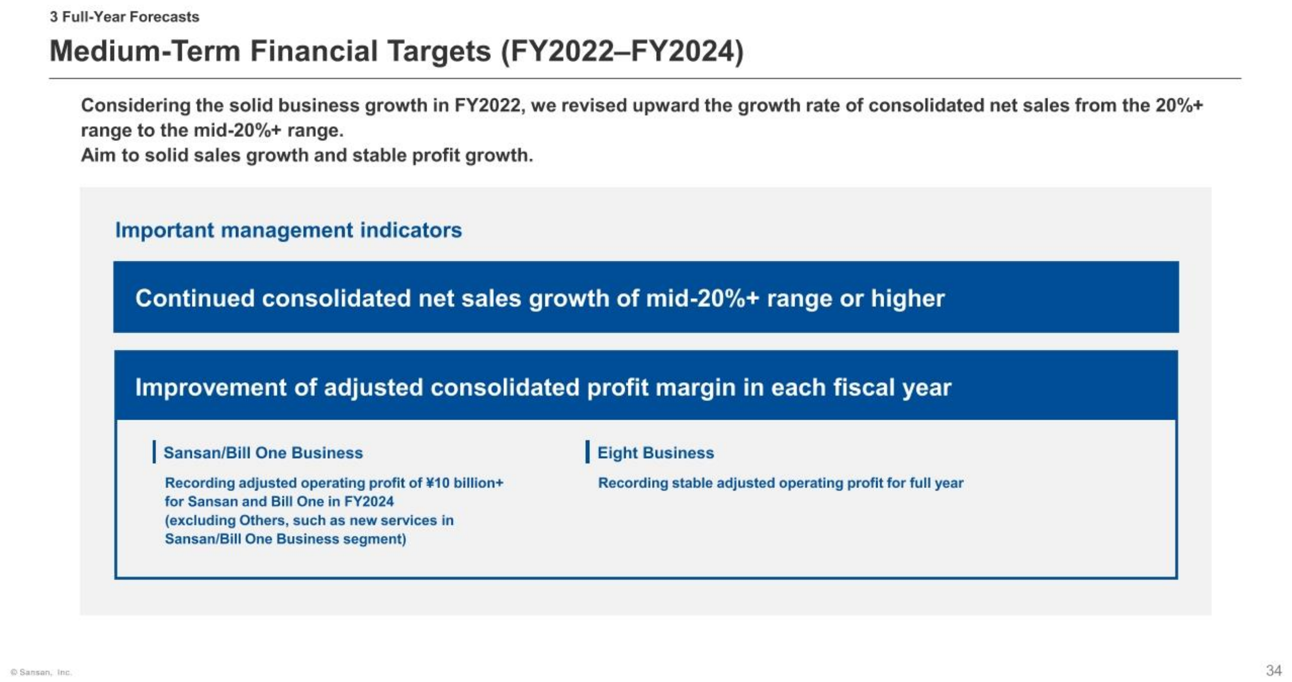
The earnings contribution to the fiscal year ending May 2024 from the new consolidation of subsidiaries just mentioned is approximately 2.6 percentage points or thereabouts.

Adjusted operating income is expected to increase from 31.7% to 96.6% YoY due to solid sales growth, even as the Company executes investments for growth. The adjusted operating margin is expected to increase between 0.1 and 1.8 percentage points.

By segment, adjusted operating income for the Sansan/Bill One business is around JPY9.2 billion. The Eight business is about JPY100 million or thereabouts. Others are negative about JPY30 million. The adjustment is expected to be negative approximately JPY7.7 billion.

As for costs that will increase mainly from implementation of the growth strategy, personnel expenses are expected to increase by around 30% YoY, and advertising expenses by around 26% YoY.

As for the impact of the head office relocation, which we disclosed yesterday, it has been incorporated on the forecast for this fiscal year's adjusted operating income.



See page 34. Finally, I would like to explain our medium-term financial goals.

We have set medium-term financial targets for the period from the fiscal year ending May 31, 2023 to 2025, and have made upward revision of our most important management indicator, consolidated net sales from the growth rate of more than 20% which has set at the beginning of the fiscal year ending May 31, 2023 to more than the mid-20% range, based on recent solid business growth.

We will continue to aim for both solid sales growth rate and stable profit growth.

That concludes today's presentation. Thank you very much.

Question & Answer

Moderator [M]: Now I would like to move on to the question-and-answer session. Please note that the Q&A session will be transcribed, so if you have any questions, please ask to remain anonymous if you wish to keep your company name and name private. If you are submitting questions in web format, please change your name to any four letters of the alphabet.

We would like to receive questions from everyone, so we would like to limit to two questions per person at a time. If there are more than three questions, please raise your hand later again.

Now, does anyone have any questions? Thank you very much. Mr. Miyazaki of Goldman Sachs, please.

Miyazaki [Q]: Thank you. I am Miyazaki from Goldman Sachs. Thank you for your explanation today. I have two questions.

The first question is about your plan for the current year, and I would like to know what factors could cause fluctuation in terms of the range of sales and adjusted operating income.

Secondly, I would like to confirm whether there is any upside in Bill One's ARR target at the end of this fiscal year.

I believe that the net increase in Bill One's ARR for the most recent quarter was about JPY1 billion. So I feel that you may be able to see a figure of JPY8 billion, taking into account the JPY3.8 billion recorded at the end of Q4. I would like to know if there is some kind of conservative view, or if you are factoring in a full cycle of favorable winds from the legal reforms, and what the current response is. Thank you.

Terada [A]: Thank you for your questions. Hashimoto will answer for the first question, and Terada will answer to the second one. So I would like to answer the second question first.

Regarding Bill One's ARR, we think there is plenty possibility of upside. On the other hand, as you mentioned, I wonder what kind of environment the invoicing system will bring after October. There is also an issue with the Electronic Books Maintenance Act in January, so it is hard to read how that will affect the situation.

Bill One itself is not essentially valuable for complying with the law, but rather for simplifying the monthly closing of accounts. However, it is true that there was a tailwind in response to this legal change, so we have set the figure at JPY7 billion because we cannot predict what will happen after that.

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

For the past several years, we have provided performance guidance in a range, but as Terada mentioned earlier, we expect a slight increase or decrease in Bill One sales in this fiscal year. The range is based on the impact of the invoicing system and after implementing it.

On the cost side, we do not expect much fluctuation in the areas that are essentially related to business growth, but on the other hand, we are forecasting the results based on a certain aggressive hiring plan.

We currently expect to hire considerably more than we did last fiscal year, and we are not sure if we will actually be able to hire that many. Of course, we are working with the intention of hiring, but if hiring falls to the same level as last year, we will probably settle at the upper end of the range. Or if we are able to hire aggressively and secure sufficient staff, profits will probably fall a little lower. I think this is the biggest factor.

Miyazaki [Q]: Thank you very much. I would like to confirm in detail, but if I assume that the top line of Bill One will continue to grow even after the tailwind of the invoicing system, is it correct to think that it will settle at the upper end of the Bill One sales range?

Terada [A]: I think that is correct. To be honest, we don't have a precise understanding of the factors that would make this case a case of this number, and we don't have a precise reading of the numbers. From an internal point of view, we are looking at the sales productivity per head and seeing how much we can sell while hiring aggressively for Bill One.

We do not expect a sharp drop after implementing the invoicing system, but if the number of employees is maintained above a certain level, it will naturally rise in proportion to the number of recruits.

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

Terada [M]: Thank you very much.

Moderator [M]: Next, Mr. Hiraoka from Nomura Securities. Please.

Hiraoka [Q]: Thank you. I am Hiraoka of Nomura Securities. I have two questions as well.

First of all, could you reiterate your concept of profit? You are committed to improving the adjusted operating margin, but I think the improvement this quarter appears to be minimal. Does this mean that instead of a large improvement from one year to the next, you will continue to prioritize active investment with a minimum improvement of about 0.1 to less than 2%?

The second question is a bit more medium to long-term. I know that you are working on new initiatives such as the Business Card this fiscal year, but can you tell us what you would like to do as a company in the short, medium, and long term? Short term is in one year, medium term is three to five years and long term is in 10 years or so. I would like to know what you would like to achieve by each period and what you would like to do to achieve those goals. Thank you.

Terada [A]: Thank you very much. Hashimoto will answer your first question and I will answer the second one. To be honest, I can't say anything definite about 10 years from now.

Looking at the next one to three or five years, I think that the most important thing is how Sansan and Bill One can expand the scope of their respective products, including the recent change back to a divisional structure, to increase the market or productivity.

The Bill One card is one such example, and we are also looking into developing Bill One in various peripheral areas. So, it is a matter of how we can release such products in a series manner. Sansan is still in the process of evolving as a sales DX service, as I mentioned earlier.

As we evolve those things, we will be able to access more market potential. I think it comes down to these two points.

In addition, Contract One itself is not at the point where we can say with confidence that it is a PMF, so we will see how we can improve it over the next year.

In terms of three to five years from now, Sansan, Bill One, Contract One, etc., are currently being developed as separate products, and as I explained earlier, the divisional structure will allow us to optimize and maximize each individual product, but I would like to aim for a sense of unity as a product under one company.

As I have often said, I believe that the data handled by these services is contact point information for companies, although they appear to be similar but dissimilar. As a service, Sansan is contact point information centered on business cards between people. For example, Bill One is the contact information which is result of the transactions. If Contract One, contact information to make business transactions.

If we can create a worldview in which this is integrated on Sansan, for example, as the Sansan Suite, we can sell and use the suite as a whole. Then we can expect to increase the Company's business performance. I think it will take us three to five years to realize such a worldview.

Hashimoto [A]: Now I will answer the other question.

Although adjusted operating income for the fiscal year just ended improved only slightly, by 0.1 point compared to the previous fiscal year or the fiscal year ended May 31 2022, we believe that we have maintained our financial strength by keeping the growth rate of adjusted operating income at a higher level than the growth rate of net sales. As a result, we have settled on the figures you are seeing.

In fact, for example, for the three months of Q3, we achieved an adjusted operating income margin of more than 10%, and we have a strong feeling that we can easily achieve that level of adjusted operating income margin, depending on when and whether we implement certain measures.

On the other hand, for the current fiscal year, we have issued guidance for a certain range of aggressive hiring, as I mentioned earlier, and there will be some duplication of costs, including the relocation of the head office, and the relocation of the Bill One invoice receiving center, which we have disclosed. We would also like to make a final push in advertising before and after the invoicing system, so we anticipate spending a little bit of money to spend in this area.

Therefore, it is not certain that adjusted operating income will improve significantly in the current fiscal year, but we believe that a high profit margin can be achieved in the future, taking into account such overlapping expenses and one-time costs in this fiscal year.

Hiraoka [Q]: Thank you, I understand very well.

One question to follow up. I heard that the president is looking at 30% increase in revenue, and I think you are looking at sowing those seeds for a year or so. I would like to confirm if your view on that area has not changed and you are focusing on sales now and hoping to integrate the seeds that have been planted in this area in medium to long term?

Terada [A]: I think top-line growth is the most important thing, and I believe that the increase in costs this year will ultimately contribute only a limited amount to this year's performance. This is especially true in the area of personnel, so we will make our decision based on the response to growth in the next fiscal year and beyond. But in any case, we would like to continue to make top-line growth as our most important indicator for the next several years. I would like to show you enough top-line growth to enable that kind of management.

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

Moderator [M]: Next, Mr. Yamashina, please.

Yamashina **[Q]**: I'm Yamashina from Macquarie Capital Securities. Thank you for your explanation today. I would like to ask you two points as well.

I would like to ask you about the Bill One outlook in a little more depth. What is the biggest response or confident to the fact that you ended up revising the ARR target upward? I am sure there are many factors, such as customer acquisition, ARPU, and usage by specific customers, but I would like to know in the response in what areas has been particularly strong. This is my first question.

The second point is the allocation of advertising expenses in your plan for this fiscal year. It doesn't matter if it is quarterly or semi-annual, just what the outlook is. I think there is a rush demand before the implementation of invoicing system, but on the other hand, there is also a need for it after the tax filing period is over. Please let us know if that is the way you will be allocating the money based on those considerations. Please.

Terada [A]: I will answer the first point and Hashimoto will answer the second.

Firstly, in terms of the quantitative results, sales productivity, or the amount of orders received per salesperson, as well as ARPU, as shown in today's materials, have been increasing.

As you can see, the ARPU is now higher than that of Sansan. So the sales productivity at hand including that is very high. From a perspective of qualitatively speaking, although it overlaps with what we talked about earlier, the monthly closing of accounts has become faster by adding Bill One. I personally feel the most responsive when I hear from customers that their accounting work has become more efficient.

Although it is often seen as a way to comply with laws and regulations, the essence is to accelerate efficiency of the monthly closing of accounts. Even in light of the law change, I believe that we have been able to provide even faster efficiency than before, and I wonder if this is the point actually being appreciated by our customers.

Hashimoto [A]: Regarding the allocation of advertising expenses, including Bill One, there is a large amount planned in Q1 and Q2. This is the same trend as the last year but with slightly more weight on H1. In Q1 and Q2, we will probably spend about 60% of the annual budget.

Therefore, we are afraid that the finished adjusted operating income for Q1 may be in the red, but we would like to achieve our performance targets for the full year.

Yamashina [M]: Okay, thank you.

Moderator [M]: Next, Mr. Oyama from Mizuho Securities. Please.

Oyama [Q]: My name is Oyama from Mizuho Securities. Thank you very much. I have two questions as well.

The first point is about the new divisional sales structure. It's been only one month since you have separated each divisions for Sansan and Bill Once since this June. What response do you feel and what kind of specific improvement in productivity or efficiency can you envision?

Terada [A]: We changed our sales structure in June, and it is still early days, so it is difficult to say for sure. As I explained in the presentation material, the background of our original intention to have a multi-product sales structure with sales staff selling multiple products was, simply put, to shift resources from Sansan sales, whose productivity was declining at the time, to Bill One sales and flexibly changed the allocation of the marketing budget while keeping an eye on the situation. In doing so, we found it difficult to operate under a divisional system, and so we have adopted a functional divisional system and have actually transferred sales from Sansan to Bill One under that environment.

We have been working on product renewal for the past two years, and while Sansan's productivity has been increasing again, we have been trying to maximize both productivity and numbers of employee. However, I can't say for sure since it has only been a month, but in terms of the contribution to the figures, for example, I think it is whether this will help maintaining and expand Sansan's productivity.

If we can add salesperson while keep maintaining and expanding the productivity, it means that we can increase the growth rate of Sansan, and I believe that we have a good start in this regard.

Oyama [Q]: Thank you very much. One more point. You mentioned earlier that you will be aggressively recruiting this fiscal year, but what new measures will you take to increase the number of recruits compared to the previous fiscal year, such as compensation and salary?

You mentioned in your release that you have raised salaries a bit, but I would like to ask you about such measures.

Terada [A]: Recruitment is really a steady process, just like sales. To support this, we have also announced a press release on raising the salary of new graduates. Since we are hiring a considerable number of new graduates, we intend to raise the salary table as a whole by raising the salary of such new graduates. How many people do we really want to assign to the recruiting unit, or how do we do about our branding, how do we want about events, etc. It really depends on how far we can accelerate recruitment through the accumulation of such things.

So, as Hashimoto mentioned earlier, we have set a slightly aggressive target for this fiscal year, and it will be a challenge to see how much we can achieve as a result. But, we will do everything we can to achieve it.

Oyama [M]: I understood very well. Thank you very much.

Moderator [M]: Are there any other questions? Mr. Nagao of BofA Securities, please ask your questions.

NAGAO [Q]: Thank you for taking my questions. My name is Nagao from BofA Securities. Two points, please.

First of all, this is a very basic question, sorry. President Terada mentioned earlier in Mr. Yamashina's question that Bill One's ARPU has been rising. What is the background behind the increase in ARPU? I am sure there are various reasons for this, whether it is due to the expansion of functions and such, but I would appreciate if you could explain this again.

The second point is also very basic, but I think Mr. Hashimoto, the CFO might have already explained that personnel expenses would increase this year. How much will do you expect increase in personnel costs and what is the expected number of net increases in hiring? It would be very helpful if you could give us a range for this area as well. Thank you very much.

Terada [A]: I would like to answer the first point. Although ARPU is disclosed as an important indicator in external disclosures such as financial results, we are rarely aware of it in our internal operations.

The result of an increase in sales productivity, which, when broken down by subtracting it backwards, resulted in an increase in ARPU. I think what we can analyze from this is that the introduction of our product in large companies has progressed rapidly.

On the other hand, as implementing of the invoicing system approaches, large companies tend to hire more quickly, so I think there is a possibility that growth will come from an increase in the number of cases rather than a sharp increase in ARPU.

In the case of the really large companies, we have seen some results that they use Bill One for really big unit prices, and I think that this has pulled the ARPU up.

Hashimoto [A]: Regarding your second question, we currently have about 1,400 employees on a consolidated basis, and our hiring plan for this fiscal year includes 420 employees. This 420 includes new graduates and mid-career workers hires.

However, during the term, I think that a certain number of employees will inevitably leave the Company. Based on actual results, I feel that 10% or so of our employees will have left the Company by the end of this fiscal year. So we hope to have a net workforce of over 1,600 by the end of this fiscal year.

So the number of employees will increase by more than 10% and we would also like to increase the salaries of our employees. We are now looking at a certain amount of increase in labor costs as a result of the multiplication of the two.

NAGAO [Q]: May I follow up on one point? Quick and easy.

I am sorry to be so basic. Is there any difference between Bill One's client portfolio and the one for Sansan in the first place, in terms of company size? That is all.

Terada [A]: I haven't analyzed the size of companies, but Bill One has been targeting medium and large companies by offering free services to companies with less than 100 employees and less than 100 bill transactions per month from the beginning. I think the range is a little bit closer from middle to large companies comparing to the existing Sansan's clients range which we have built up over 10 years or more.

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

Moderator [M]: Next, Mr. Takizawa from FIL Investments, please.

Takizawa [Q]: Thank you for the opportunity to ask questions.

This may overlap a bit with the previous question, but I see a relationship between Sansan's product renewal and the recent acquisition of large corporate clients, as well as a further acceleration in ARPU improvement. If so, could you comment on whether there is a relationship among those?

Terada [A]: Thank you very much. Yes, I think there is. That is the reason we switched to this measurement. However, it is true that there is the resumption of the post-COVID-19 economy, increases in interaction of people and exchanges of business cards and these have also contributed to it. Although we are not able to break this down at this time, we believe that productivity is increasing and the growth rate is rising, including the resumption of the economy, under the new concept. We are disclosing our strategy for the current fiscal year based on the assumption that this trend will be maintained.

Takizawa [Q]: Thank you. I know that you have added a variety of additional features, especially those that have been revamped, but do you have a sense of which features have been a hit or a trigger (of growth) for large companies?

Terada [A]: This is not limited to large companies, but I think that having database in Sansan is very easy to understand in the first place, and customers can easily perceive its value. In the past, most of the data in Sansan came from after the exchange of business cards, but now it contains a variety of data from the beginning, including more than 1 million corporate information. For example, we can propose the use of Sansan from the point of truly developing a sales strategy, and in addition, expanding contact point information. In other words, I think they appreciate the fact that we not only offer business cards, but also the expectations for the ever-improving and ever-expanding coverage we provide in this area.

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

Moderator [M]: Are there any other questions? Mr. Oyama of Mizuho Securities, please.

Oyama [Q]: This is my second time, but my name is Oyama from Mizuho Securities. I would like to ask one quick question.

Regarding the monetization of Bill One's corporate card business, you mentioned earlier that it mainly consists of revenues from data processing and revenues from settlement fees. Which revenue is bigger in portion? Another question is the percentage of Bill One's ARR of JPY7 billion or more. I wonder how you are looking at it, for example, you are not looking much or looking at more medium to long term time frame? Or do you see that it would be added on to the JPY7 billion and more. How do you look at this?

Terada [A]: Hashimoto will answer the second point. Regarding the first point, Bill One itself sets a certain limit at the time of contract by using credit cards. The frame will be set to cover the number of invoices currently expected. In the case of using the Bill One card in this frame, if there are extra room available, they are digested from there. If it exceeded the limit, it will go in to a ladder up, or rather, the unit price will increase in this structure. So in a sense, since we don't make a business plan to include it as sales for Bill One card, like apple to apple, my answer will be the settlement fee would add and contribute to on-going Bill One's growth and we make a plan and figure out figure according on this assumption.

Hashimoto [A]: Regarding the latter, we do not consider the settlement fee as recurring sales, so it is not included in the JPY7 billion mentioned earlier. In addition, Bill One business card sales are expected to be generated, but since this is the first year, we do not expect an impact on the Company's performance to be that large.

Oyama [Q]: Thank you very much. Is my understanding correct that the data conversion part will come into play as ARPU in the Bill One area?

Terada [A]: Yes.

Oyama [M]: I understood very well. Thank you very much.

Moderator [M]: Since we have very little time left, I would like to end with the next question. Does anyone have any other questions?

There seem no more questions, we will now end today's financial results briefing. Thank you very much for your time today.

[END]

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