

Sansan, Inc.

Earnings Results Briefing for FY2022 Q3

April 14, 2023

Event Summary

[Company Name]	Sansan, Inc.	
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[Event Name]	Earnings Results Briefing for FY2022 Q3	
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[Date]	April 14, 2023	
[Number of Pages]	23	
[Time]	10:00 – 10:33 (Total: 33 minutes, Presentation: 21 minutes, Q&A: 12 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]	96	
[Number of Speakers]	1 Muneyuki Hashimoto Director, Executive Officer, CFO	
[Analyst Names]*	Norihiro Miyazaki Goldman Sachs David Gibson MST Financial Services Naoki Hiraoka Nomura Securities	

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

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Presentation

Moderator: Now that the time has come, I would like to start the financial results briefing. We will be using the financial results presentation materials for today's meeting. We will be sharing screens via Zoom, but if you are joining us by phone, please visit our IR website to view the materials.

Then, today's time schedule. CFO Hashimoto will give a 20-minute presentation, followed by Q&A period until 11:00 AM. Now, Mr. Hashimoto will give a presentation.

Hashimoto: Thank you very much for attending our earnings presentation today. I am CFO Hashimoto. Today, I will explain three chapters, including the Q3 results and the rollout of Sansan, Inc.

1 Consolidated Financial Results for FY2022 Q3

Highlights of FY2022 Q3YTD Results

| Solid progress in consolidated net sales

Consolidated net sales up 23.6% YoY
ARR ⁽¹⁾ up 24.0%, to ¥23,314 million

| Adjusted consolidated operating profit ⁽²⁾ significantly increased YoY

Even while implementing growth investments such as enhanced personnel hiring, adjusted consolidated operating profit up 148.4% YoY to ¥760 million owing to net sales growth, etc.

| Quarterly net increase in MRR ⁽³⁾ for Bill One, the cloud-based invoice management solution, hit record high

Bill One net sales up 209.5% YoY, to ¥1,543 million
Bill One MRR for February 2023 increased 153.0% YoY to ¥229 million, up ¥52 million from end of Q2

(1) Annual recurring revenue

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

(3) Monthly recurring revenue

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See page four. The following are the highlights of the cumulative the Q3 results for the fiscal year ending May 31, 2023. Sales progressed steadily, increasing 23.6%YoY.

Consolidated operating income on an adjusted basis increased substantially, approximately 2.5 times that of the same period last year, mainly from the growth in net sales.

Furthermore, in MRR for Bill One, the cloud-based invoice management solution, net quarterly growth reached a new record high. Net sales were approximately 3 times higher YoY.

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Overview of Consolidated Financial Results

Net sales up 23.9% YoY, accelerating growth rate by 1.2 points vs. Q2.
Profit at each stage increased significantly owing to net sales growth, etc.

	(millions of yen)	FY2021	FY2022		(For Reference) FY2022	
		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
Consolidated Results	Net Sales	5,128	6,353	+23.9%	18,177	+23.6%
	Gross Profit	4,527	5,546	+22.5%	15,746	+21.4%
	Gross Profit Margin	88.3%	87.3%	-1.0 pt.	86.6%	-1.6 pt.
	Adjusted Operating Profit	395	694	+75.7%	760	+148.4%
	Adjusted Operating Profit Margin	7.7%	10.9%	+3.2 pt.	4.2%	+2.1 pt.
	Ordinary Profit	107	615	+472.9%	501	-33.2%
	Profit Attributable to Parent's Owners	1	587	+38,608.3%	738	+28.4%
	EPS ⁽¹⁾	¥0.01	¥4.70	+38,710.8%	¥5.91	+28.1%

(1) As the Company conducted a four-for-one common stock split effective December 1, 2021, EPS was calculated on the assumption that the stock split was conducted at the beginning of FY2021.

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Three-month results for Q3 are shown on page five. Consolidated net sales grew 23.9% YoY, accelerating the growth rate by 1.2 percentage points compared to Q2.

Adjusted operating profit increased significantly, up 75.7% YoY, mainly due to higher sales, and the adjusted consolidated operating profit margin increased 3.2 percentage points YoY to 10.9%.

In addition, ordinary profit and below increased significantly YoY. This is mainly because a decrease in equity in losses of affiliates due to the sale of shares in some equity-method affiliates and a gain on sales of shares in affiliates.

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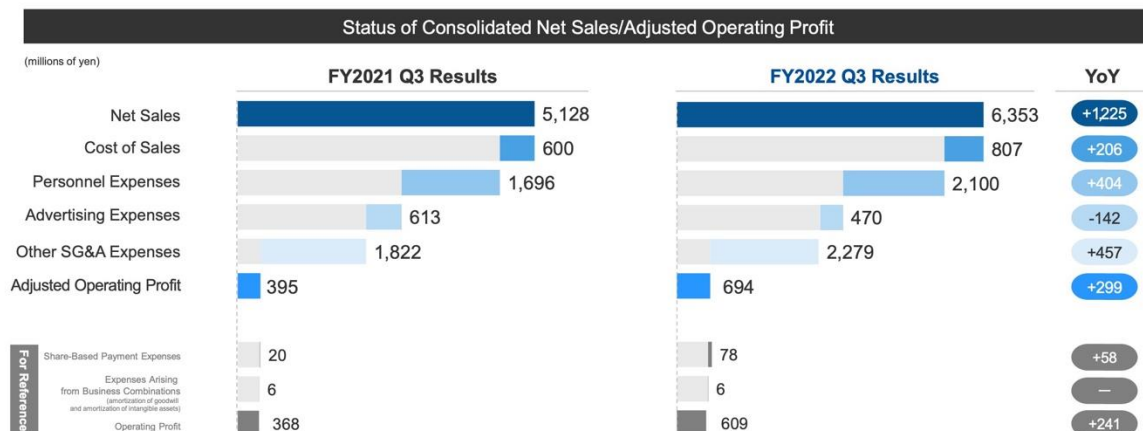
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Factors Contributing to Changes in Adjusted Consolidated Operating Profit

Personnel expenses up ¥404 million (23.8%) YoY because of stronger personnel recruiting.
Advertising expenses were down ¥142 million (-23.3%) YoY.



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

As a result of the continued strengthening of personnel recruitment from the previous period, the number of consolidated employees increased by 140 from the end of the same period last year to 1,261, and personnel expenses increased by JPY404 million YoY.

On the other hand, regarding advertising expenses, the Q3 expenses decreased by JPY142 million YoY. As a result, adjusted operating profit increased JPY299 million compared with the same period last year.

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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) down because of increased back-office headcount, etc.

		FY2021	FY2022		(For Reference) FY2022	
		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
(millions of yen)						
Net Sales	Consolidated	5,128	6,353	+23.9%	18,177	+23.6%
	Sansan/Bill One Business	4,650	5,715	+22.9%	16,232	+23.0%
	Eight Business	454	613	+34.9%	1,848	+29.2%
	Others	25	44	+71.6%	145	+81.0%
	Adjustments	-3	-19	—	-48	—
Adjusted Operating Profit	Consolidated	395	694	+75.7%	760	+148.4%
	Sansan/Bill One Business	1,670	2,232	+33.7%	5,197	+28.3%
	Eight Business	-96	-57	—	-206	—
	Others	-16	-17	—	-28	—
	Adjustments	-1,161	-1,463	—	-4,202	—

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Page seven is a summary by segment. Both the Sansan/Bill One and Eight businesses reported increases in both net sales and adjusted operating profit.

The negative adjustment amount expanded by JPY302 million YoY, but more than half of this increase was due to various costs associated with the expansion of personnel, mainly in the back office.

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Sansan/Bill One Business Overview

Net sales increased by 22.9% YoY, accelerating growth rate by 0.5 points vs. Q2.
Adjusted operating profit up 33.7% YoY owing to net sales growth, etc.

		FY2021	FY2022		(For Reference) FY2022	
		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
(millions of yen)						
Sansan/ Bill One Business	Net Sales	4,650	5,715	+22.9%	16,232	+23.0%
	Sansan	4,366	5,015	+14.9%	14,548	+14.9%
	Sansan Recurring Sales	4,136	4,741	+14.6%	13,781	+14.3%
	Sansan Other Sales	230	273	+18.7%	766	+27.7%
	Bill One	259	645	+148.3%	1,543	+209.5%
	Others	24	54	+123.8%	140	+265.9%
	Adjusted Operating Profit	1,670	2,232	+33.7%	5,197	+28.3%
	Adjusted Operating Profit Margin	35.9%	39.1%	+3.2 pt.	32.0%	+1.3 pt.

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Beginning on page eight, we will explain each project. First, an overview of the Sansan/Bill One business.

Net sales grew 22.9% YoY, accelerating the growth rate by 0.5 percentage points compared to Q2. As for the breakdown of sales, Sansan grew 14.9% YoY and Bill One grew 148.3% YoY. Other sales growth is attributable to Contract One and others. The number of Contract One contracts totaled 118 at the end of February 2023.

Adjusted operating profit increased 33.7% to JPY2,232 million due to higher sales and lower advertising expenses.

As a point of reference, the adjusted operating margin for Sansan alone was 60.5%.

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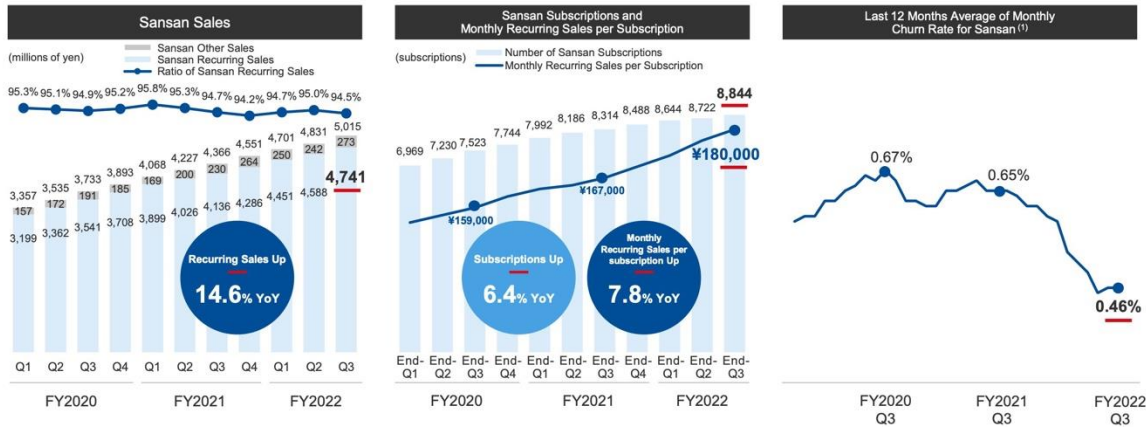
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Sansan/Bill One Business:**Sansan**Sales, Subscriptions and Monthly Recurring Sales per Subscriptions,
Last 12 Months Average of Monthly Churn Rate

Although subscription growth rate remained flat vs. Q2, monthly recurring sales per subscription accelerated owing to strengthening of sales to medium and large enterprises.

Churn rate decreased by 0.19 points YoY to 0.46%, continuing the improvement.



(1) Ratio of decreased monthly fees associated with contract cancellations to total monthly fees for existing contracts

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See page nine. Sansan's KPIs are explained below.

The graph on the left side of the slide shows Sansan's sales. Sansan's recurring sales growth was 14.6% YoY, a higher growth rate than in Q1 and Q2.

Other sales grew 18.7% YoY, a slower rate of growth than in Q2 as the initial cost recovery ran its course. Other sales include initial revenues generated at the time of new installations and revenues charged on a pay-as-you-go basis when the contracted data limit is exceeded. Because the amount and timing of initial revenues recorded varies depending on the size and form of new contracts acquired, other revenues have an uneven nature from QtoQ.

The graph in the center of the slide shows the number of Sansan subscriptions and monthly recurring sales per subscription. As a result of strengthening the sales structure for medium-sized and large companies, the growth rate of the number of subscriptions was flat compared to Q2, up 6.4% YoY. Meanwhile, monthly recurring sales per subscription rose 7.8% YoY, marking the third consecutive quarter of accelerated growth.

The right side of the slide shows Sansan's last 12 months average of monthly churn rate. The churn rate continued to improve, decreasing 0.19 percentage points YoY to 0.46%, which we attribute to the improved convenience of the service among existing customers as a result of product renewal.

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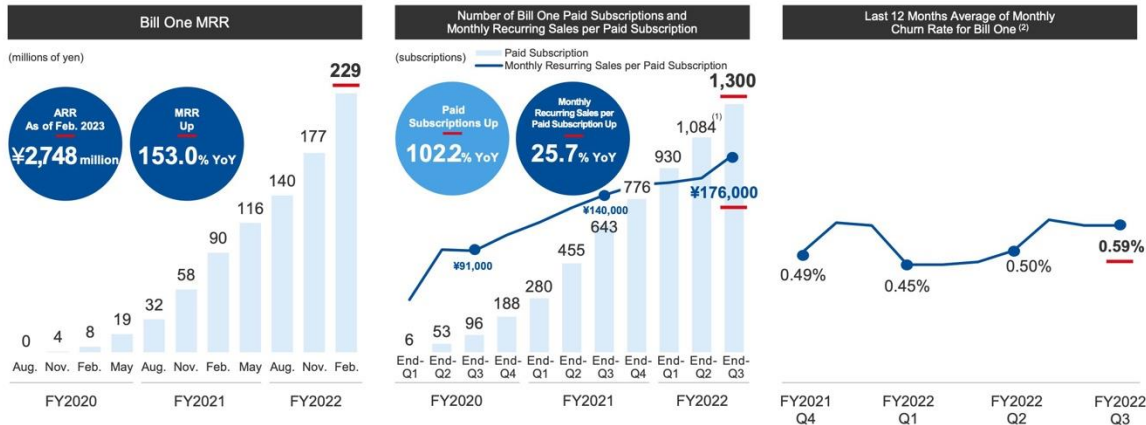
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Sansan/Bill One Business: **Bill One** MRR, Paid Subscriptions and Monthly Recurring Sales per Paid Subscription, Last 12 Months Average of Monthly Churn Rate

MRR up 153.0% YoY, and ARR exceeded ¥2,748 million as of February 2023.

Net increase in paid subscriptions and growth rate of monthly recurring sales per paid subscription continued high growth owing to new customer acquisition among medium and large enterprises.



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Next, we will explain Bill One's KPIs. See page 10.

The graph on the left side of the slide shows Bill One's MRR, which increased 153% in February YoY, setting a new quarterly record for net growth. As a result, ARR amounted to JPY2,748 million.

The graph in the center of the slide shows Bill One's number of paid subscriptions and monthly recurring sales per paid subscription. As a result of the acquisition of new medium-sized and large companies, the number of paid subscriptions nearly doubled YoY to 1,300, with a net increase of 62 during the quarter compared to Q2.

Monthly recurring sales per paid subscription continued to grow at a high rate, increasing 25.7% YoY to JPY176,000. February achieved a record monthly order amount with new orders exceeding JPY100 million in ARR. Since this large contract has not yet been booked as sales, there are high expectations for higher monthly recurring sales per paid subscription in the future.

As announced in yesterday's timely disclosure, the number of Bill One paid subscriptions and monthly recurring sales per paid subscription for Q2 were incorrect and have been corrected.

The right side of the slide shows the last 12 months average of monthly churn rate for Bill One. The churn rate remained low at 0.59%.

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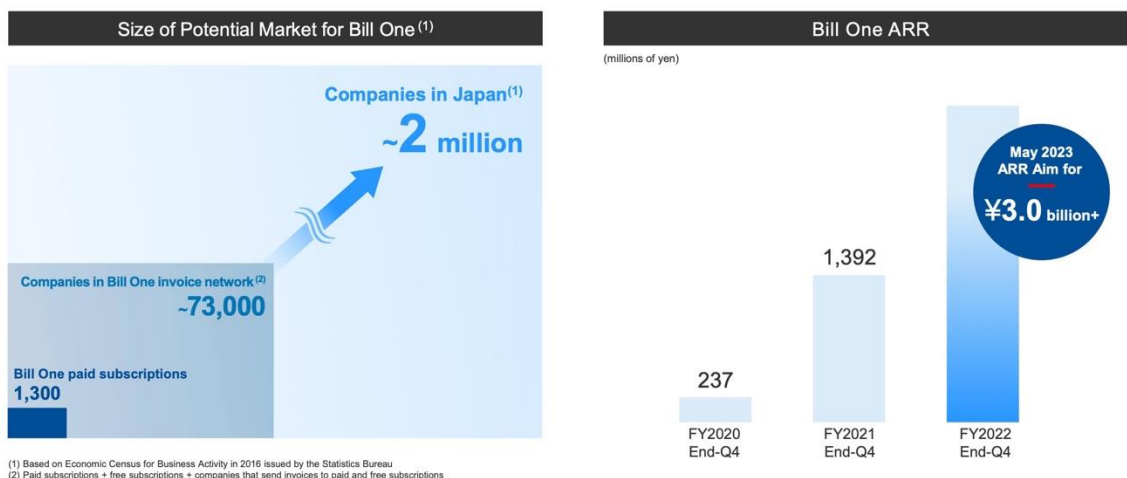
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Sansan/Bill One Business: **Bill One** Size of Potential Market in Japan and ARR

Since all companies are targeted, regardless of industry or size, vast room for development exists in Japan.
Aiming for ARR of ¥3 billion or more by the end of FY2022.



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See page 11. The market size and future prospects of Bill One is explained here.

Bill One is a service that targets all companies, regardless of industry or business type, but with only 1,300 paid subscriptions as of the end of February 2023, there is significant room for development in Japan alone.

The invoice network in Bill One, which consists of free users in addition to paid users, and companies that send invoices to contract users, totaled approximately 73,000 companies at the end of February 2023. By enabling quick and smooth communication between companies, we aim to further improve convenience and expand the invoice network.

The total amount of invoices exchanged between companies participating in the network exceeded JPY1 trillion in February 2023 alone, which is equivalent to approximately JPY12 trillion per year. Bill One is aiming for an ARR target of at least JPY3 billion at the end of the current fiscal year, and ARR was JPY2,748 million as of February, making steady progress against the target. By strengthening our sales structure and marketing activities to continue Bill One's high growth, we hope to achieve ARR of more than JPY6 billion at the end of the next fiscal year, which is a double the ARR of the current fiscal year, although this will depend on the landing of this fiscal year.

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Eight Business Overview

Although Q3 net sales increased by 34.9% YoY, cumulative results were below the lower range of the performance forecast growth rate.

Reduced deficit in adjusted operating profit by ¥39 million YoY.

		FY2021	FY2022		(For Reference) FY2022	
		Q3 Results	Q3 Results	YoY	Q3YTD Results	YoY
(millions of yen)						
Eight Business	Net Sales	454	613	+34.9%	1,848	+29.2%
	B2C Services	71	78	+10.2%	225	+5.5%
	B2B Services	383	534	+39.4%	1,623	+33.4%
	Adjusted Operating Profit	-96	-57	—	-206	—
	Eight Users ⁽¹⁾	3.05 million	3.24 million	+0.19 million		
	Eight Team Subscriptions	2,621	3,398	+29.6%		

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

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Next, I will explain the Eight business. See page 12.

Although net sales grew a robust 34.9% YoY due to the expansion of BtoC and BtoB services, the year-to-date results fell short of the growth rate at the lower end of the range set in the earnings forecast at the beginning of the period. The deficit in adjusted operating profit narrowed with the increase in net sales.

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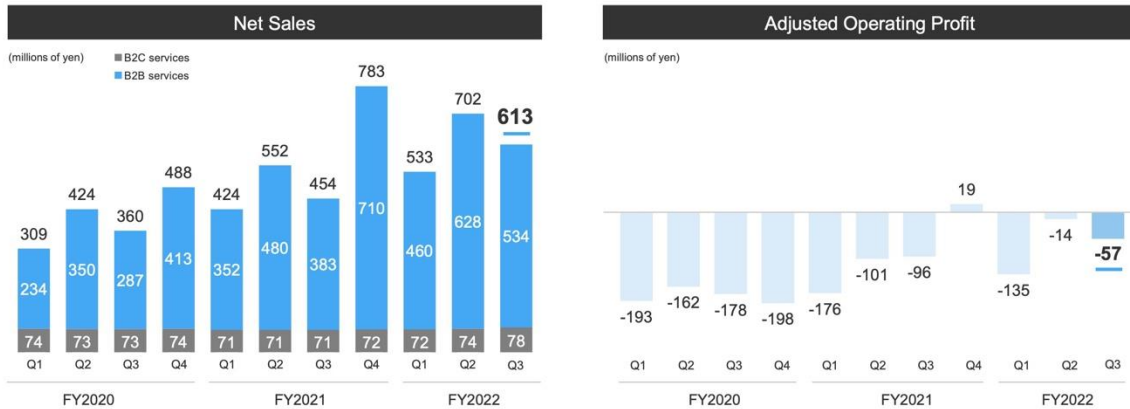
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Eight Business: Net Sales, Adjusted Operating Profit

Q3 net sales and adjusted operating profit down vs. Q2 as large-scale business events for FY2022 held in Q2 and Q4. Shift to profitability-focused business operations from Q4 onward.



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Page 13 shows the quarterly results of the Eight business.

Both sales and profits declined in Q3 compared to Q2, mainly due to the absence of major business events. In Q4, we are moving forward with initiatives such as holding large business events offline.

In the Eight business as a whole, as mentioned in the previous earnings announcement, we will shift to operations with a greater focus on profitability.

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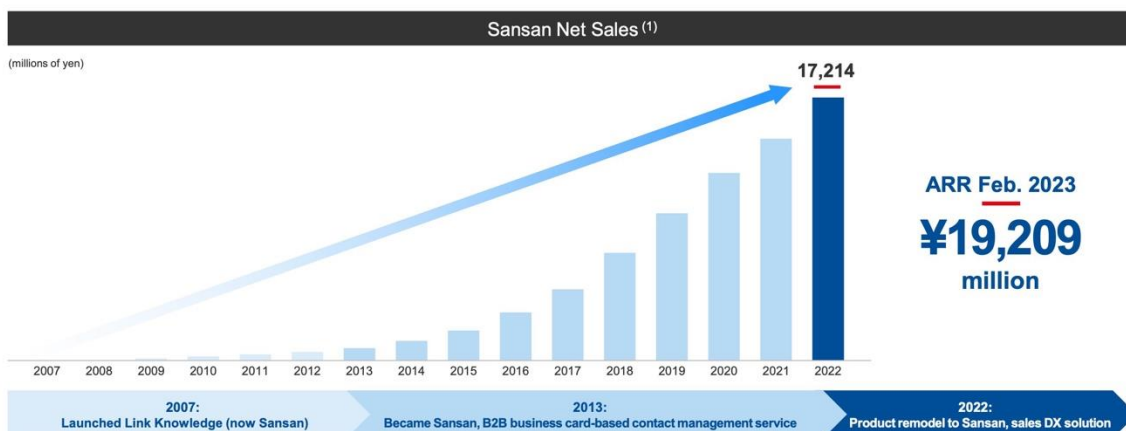
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Sansan Net Sales

Since service launched in 2007, it has continually evolved and grown to have the largest SaaS net sales in Japan. We remodeled it from a business card-based contact management service to the sales DX solution in 2022.



(1) Indicates net sales for fiscal years ended in May – figures prior to the year ended May 2016 are non-consolidated, while subsequent figures are consolidated.

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In the second section, we will explain the latest status of Sansan, which underwent a product renewal last year. First, on page 15, I will briefly talk about the Sansan steps again.

In 2007, we began offering Sansan services as our founding business. Through various evolutions while brushing up the name and concept, the service has grown to become one of the largest SaaS services in Japan in terms of sales.

In 2022, for the first time since the Company's founding, the word business card-based contact management was eliminated and the product was revamped as Sansan, a sales DX solution.

The catalyst for this renewal was a response to changes in the business environment brought about by the new coronavirus. The number of business cards exchange declined due to a decrease in direct face-to-face sales opportunities during the pandemic. As a result, many customers reported difficulty in obtaining correct customer information, leading to lost sales opportunities.

Although the negative impact of the pandemic has settled down in the recent past, we assume that the number of business cards exchange will not return to the pre-pandemic level as the online business meeting format will continue to take root. In addition to this challenge, we focused on universal issues in new sales with the aim of further enhancing our services.

When developing new customers, it is efficient to select and strategically approach targets that are likely to have a high need for our services, based on detailed company information and contact information. However, the company information available in the old Sansan system was based on companies with which business cards had been exchanged, so it was not possible to see detailed information on companies with which there was no contact.

We have renewed our products to address these issues, and there are two major points in the product renewal process.

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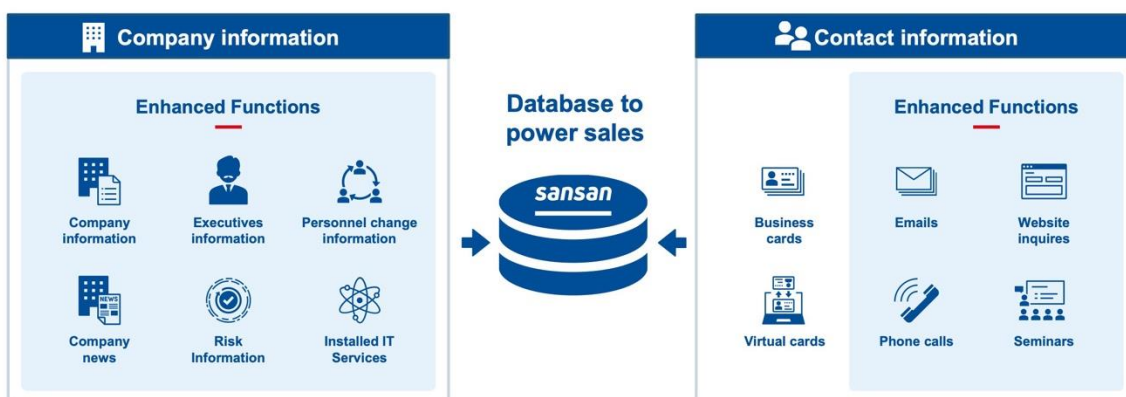
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Product Remodel to Sales DX Solution

Building databases unique to user companies by combining 1 million+ items of company information and various customer contact information.

Enhancing sales abilities for individuals and organizations by realizing strategic sales activities through data utilization.



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See page 16. The first is to enhance corporate information. In response to the fact that information on companies with which we have no contact could not be referenced and the increasing difficulty of obtaining accurate customer information in the course of business activities, we have made it possible to view a variety of company information.

The second is to strengthen various contact information beyond the business card. In response to the decline in business card exchange opportunities, contact point information, such as e-mail signature information, telephone calls, and website inquiries, can be accumulated and visualized.

This will enable the accumulation and visualization of not only business cards, but also information on all customer contact points. By combining this with corporate information, it is possible to build a database on Sansan that is unique to the client company, including information on companies with which the company has no contact.

As I explained the challenges in sales activities on the previous slide, it is very important to be able to combine corporate information with contact point information; one alone is not sufficient to be effective. Sansan has both of these features as a unique strength of our service.

One specific example. Suppose you get some positive feedback from a company you visit on a sales trip. Then, assuming that other companies in the same industry and of the same size may be able to successfully conduct business meetings, they search for the necessary information on Sansan. Let's say that there are Company A, Company B, and Company C as candidates. They can create new sales opportunities by noticing that Company A has already been e-mailed by a colleague in the next department, they have received inquiries from Company B via website, Company C has had no previous contact with them, and so on.

This unique database of customers allows for strategic sales activities, thus enhancing sales force strength while increasing productivity.

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Equipped with Corporate Information

Contains information on companies in the largest number of data categories in Japan.
Users can conduct diversified customer analyses, as data can be viewed and used in Sansan.

Data Category	Recorded Data
 Company information	Basic corporate data for 1 million companies (names/profiles, head office addresses, telephone numbers, URLs, numbers of employees, representative names, industries, corporate status/numbers, establishment dates, capital, sales, accounting periods, affiliated group information)
 Financial and performance information	Non-consolidated/consolidated total assets, capital, shareholders' equity, net sales, operating/ordinary/net income for most recent/up to two previous years
 Organizational Information	Organizational charts with structured department/job position layers, based on business cards collected by employees of Sansan user companies
 Executives information	Information on executives (names, titles, affiliations, assigned offices/addresses, information on honors/awards conferred)
 Personnel change and organizational update information	Latest personnel change/organizational update information, such as announcement dates, company names, first/last names, new/former affiliations/positions
 Company News	Company customer/competitor news collected from websites
 Antisocial force check data	Data on areas such as corporate antisocial forces, premises crime, economic sanctions lists, personal antisocial data (names, ages, anti-social classifications, organization names, etc.)
 Installed IT services	Data on corporate-use IT service categories/names (~1,600 detectable)
 Company trends (under development)	Visual-format data on latest situation at a company (companies can be extracted with tags relating to ~200 types of management/employment situations and focus areas)
 Base information (under development)	Business operator information such as branches/sales offices operated by a company

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We will explain on page 17 about specific data loaded.

The revamped Sansan contains more than 1 million corporate information, as well as information on many executives, and one of the largest number of data categories in Japan, including personnel transfer information and corporate news.

These data are kept accurate and up-to-date, allowing users to analyze customers from a variety of angles. For example, when listing new possible contacts, you can narrow down your target by categories such as industry, area, and company size. You can also easily track fiscal months, financial status, and news about the company. In addition, by referring to the executive's information, key persons at the target company can be identified in advance.

In addition, based on customer information such as business cards and e-mail signatures registered in Sansan, users can generate an organization chart structured by department, position, etc., enabling a list of who in the company has contact with whom in the target company.

Various other information is basically downloadable and can be used in conjunction with other sales marketing tools.

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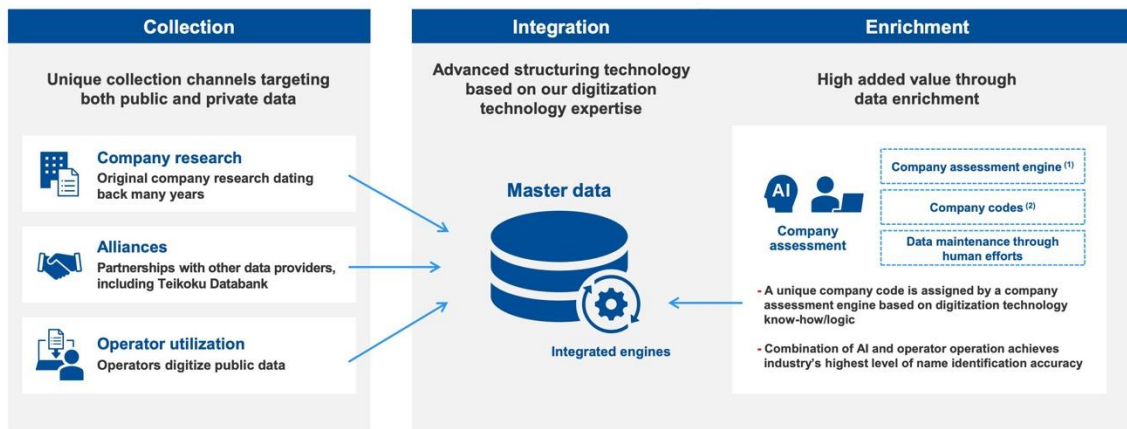
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System for Providing Vast Amount of Corporate Information

Build an integrated engine for which unique information collection channels, digitization technologies, etc. have been applied
In addition to accurately updating a vast amount of data, we add value through data enrichment.



(1) With our unique digitization process, common input error patterns, company name and address transcription variations, etc. are constructed as clues (a company assessment engine) by which to assess the same company and used for company name-matching assessment decisions.
(2) Sansan's unique company codes.

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The following is an explanation of the mechanism that enables us to provide such a vast amount of corporate information. See page 18.

The recording of corporate information can be divided into three main processes: collection, integration, and enrichment. First, data collection is performed using operators as well as our own company surveys, although we also have alliances with other companies' data providers. Among these, Sansan's unique strength is the value of the large amount of information it collects on job titles through questionnaires and other means.

Next, since it is difficult to utilize the collected information in various categories as it is, it is integrated into a single corporate information by the use of AI or manual input by operators and updated to be accurate and up-to-date. The integrated corporate information is then enriched by adding various types of information that we have accumulated to date and that can be utilized by the company, making it possible to utilize the data even more effectively.

For all of these processes, we apply the technologies and operations for digitizing analog information that we have honed over the 16 years since our founding, when we first began converting business cards into data. In addition to the technological approach using AI, our ability to build a human-powered operation system that can flexibly adjust processes to suit each process. This is a major competitive advantage of ours.

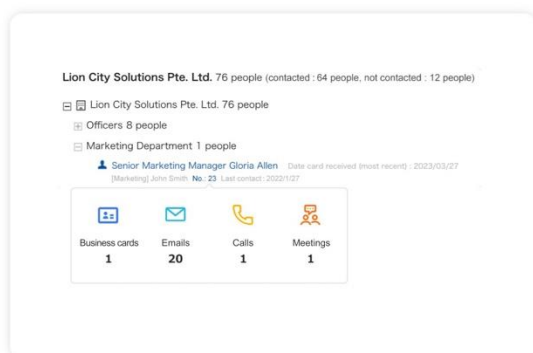
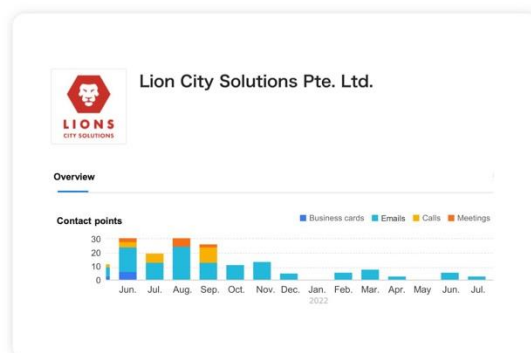
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Upcoming Function Enhancements

In the next fiscal year, to strengthen contact point information, we plan to add a contact point management function on Sansan for accumulating and visualizing contact point information via emails and transactions, while also enabling a list of various contact points with each company and person.

Number of Contacted People on Organization Tree ⁽¹⁾Contact Point Summary in Company Overview ⁽¹⁾

(1) Under development

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At the end of my explanation of Sansan, I will discuss future enhancements. See page 19.

In the next fiscal year, we will work primarily to strengthen contact point information. First, extend the cutoff point of contact, such as e-mail correspondence or transaction information. For e-mail, there has been the ability for users to arbitrarily register e-mail signature information. The new e-mail integration function will automatically store and visualize the number of e-mails received from outside the company on Sansan as a contact point.

While business cards and e-mail signatures only show the point of contact when the first contact is made, e-mail exchanges can be stored with a timeline that shows the initial contact and subsequent exchanges, making it possible to grasp the depth of communication and the freshness of the contact.

In addition, transaction information can be linked with Contract One, a contract DX service, to enable a list of transactions with companies to be viewed on Sansan. With this new function, Sansan will be able to cover a wide range of contacts, from business cards to phone calls to emails.

In addition, a contact management function will be provided to enable a list of the various points of contact with each company and person. The contact management function allows you to view a list of contact information, such as the form, extent, and when the last contact was made by a person in your company with the company or person on the other end of the line.

These new features are scheduled to be implemented in phases starting in Q1, and we expect to have most of the features we initially envisioned for the product renewal to be available. We will continue to promote value beyond business card management and aim for sales growth over the medium term.

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Consolidated Financial Forecasts for FY2022

Results for Q3 results progressing smoothly, no change in consolidated earnings forecasts.
In Q4, planning to make various investments for medium-term growth in net sales.

	(millions of yen)	FY2021	FY2022			
		Full-Year Results	Q3YTD Results	YoY	Full-Year Forecasts ⁽¹⁾	YoY
Consolidated Forecasts	Sales	20,420	18,177	+23.6%	25,117 ~25,764	+23.0% ~+26.2%
	Sansan/Bill One Business	18,105	16,232	+23.0%	21,998 ~22,632	+21.5% ~+25.0%
	Eight Business	2,213	1,848	+29.2%	2,900 ~3,010	+31.0% ~+36.0%
	Adjusted Operating Profit	730	760	+148.4%	917 ~1,288	+25.5% ~+76.3%
	Adjusted Operating Profit Margin	3.6%	4.2%	+2.1 pt.	3.7% ~5.0%	+0.1 pt. ~+1.4 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 stock-based compensation, which may vary significantly depending on the level of our stock price, and certain non-operating profit (loss) and other items.

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Finally, I would like to discuss the outlook for consolidated results. See page 21.

Consolidated results through Q3 have been progressing steadily in line with the forecast range, and there is no change to the full-year forecast announced at the beginning of the fiscal year.

Although adjusted consolidated operating profit is already near the low end of our forecast range, we plan to make various investments in Q4 to achieve sales growth over the medium term.

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Medium-Term Financial Targets (FY2022–FY2024)

Aiming for solid growth in net sales and stable profit growth

Important management indicators

1 Consolidated net sales	Continue solid growth in the 20%+ range or higher
2 Adjusted consolidated operating profit	Improvement of profit margin in each fiscal year <div> <div> Sansan/Bill One Business Recording adjusted operating profit of ¥10 billion+ for Sansan and Bill One in FY2024 (excluding Others, such as new services in Sansan/Bill One Business segment) </div> <div> Eight Business Recording stable adjusted operating profit for full year </div> </div>

In addition, as shown on page 22, there are no changes to the mid-term financial targets. In the three years through the fiscal year ending May 31, 2025, we aim to achieve both solid growth in consolidated sales and stable profit growth.

This concludes today's explanation. Thank you very much.

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Question & Answer

Moderator [M]: We will now begin the Question & Answer session. A written transcript of the Q&A session will be provided. If you wish to keep your company name and name anonymous when asking questions, please request so.

We would like to receive questions from each of you and will limit each person to two questions per raise of hand. I am sorry for the inconvenience, but if you would like to ask three questions, please raise your hand again.

Now, does anyone have any questions? Well, Mr. Miyazaki, thank you and please.

Miyazaki [Q]: Thank you for taking my questions. My name is Norihiro Miyazaki with Goldman Sachs Japan. I would like to ask you two questions.

First of all, regarding Bill One's projection of more than JPY6 billion ARR at the end of the next fiscal year, what do you envision the number of contracts or what do you envision the ARPU to look like when you break it down? In particular, I would like to ask you to explain how you view the sustainability of ARPU increases in the future.

Second, I would like to ask you to explain the top line of the Sansan business for the next year. I think Q3 was roughly 15% growth over the previous year. In the next fiscal year, since sales resources will be allocated to growing Bill One, is the base scenario that Sansan's top-line growth rate will be lower than 15%, or is there a possibility that the growth rate will accelerate due to the effect of the product renewal? I would like to know more about your enthusiasm in this area. Thank you.

Hashimoto [A]: Thank you for your questions. The first point is Bill One's outlook for the next fiscal year. As I have explained in the past, our internal KPI is not ARPU and the number of orders, but rather maximizing the overall order value and area as KPI, so we do not have individual plans for this or that. We expect ARPU growth rates to continue steady as a result of our continued focus on large and midsize companies.

However, one thing about Bill One that is different from Sansan is that there is not much of a concept of an upper edition, and it is relatively difficult to upsell. So I do not necessarily think that ARPU will show a much higher growth rate. So, while there will be continued growth, I'm not sure that the growth rate of ARPU will keep going up as it has been. As a result, we believe that we will achieve the ARR of JPY6 billion that I mentioned earlier in conjunction with the number of contracts.

As for the second point, Sansan's top line, as you mentioned, I am not so sure if the growth rate of a shy of 15% this fiscal year will be very different in the next fiscal year. At least looking at the figures for Q3 of this fiscal year, there is a sense of acceleration compared to last season, and we are receiving orders comparatively well. I think it is fair to say that we will be able to achieve the same growth rate as this fiscal year and look at how we can get closer to 20%.

Miyazaki [M]: Thank you very much.

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

Gibson [Q]*: Thank you for your help. I am David Gibson of MST Financial. Now, I would like to ask two questions. First, can you tell us about Bill One's profitability in Q3?

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Second, regarding the recently announced collaboration between Ricoh and SCSK in Bill One, how important is it to your company, and how much of a contribution do you expect it to make? Can you then tell us how this makes a difference in the so-called economic model? Thank you.

Hashimoto [A]: Regarding the first point, Bill One continues to dig deep into the red, or rather, is in investment mode. We are spending a large amount of money on advertising and have allocated a considerable number of personnel.

Therefore, in terms of gross profit margin, Bill One is already quite profitable, but in terms of operating profit, Bill One alone is digging up a considerable deficit on an approximate basis. Therefore, I think that the profits from Sansan will be invested in Bill One. If we combine the SaaS operation know-how we have built up so far, I think that Bill One will be profitable enough in the next two or three years.

The second point is about cooperation with other companies. We are very excited about this initiative and have high expectations for it, but we are not so sure if it will drive sales growth to a great extent.

In this way, they are able to cover areas that our sales staff cannot, so I think it is very significant to make the most of the products we have.

I think that our main focus will be on direct sales, and while I have high expectations for this, I do not feel that it will result in a major change in the Company's business model.

Gibson [M]*: Thank you.

Moderator [M]: Now, Mr. Hiraoka, please go ahead.

Hiraoka [Q]: Thank you for taking my questions. I am Hiraoka of Nomura Securities. I would like to ask you two questions. First of all, can you tell us how you plan to use the expenses in the next fiscal year and beyond? In the next fiscal year, will the SG&A expenses accelerate to achieve JPY6 billion ARR for the Bill One business and the growth potential of the Sansan business, or will expenses increase at the same level as this fiscal year?

Second, please tell us what Bill One needs to do to achieve an ARR of JPY6 billion for the next fiscal year. Can you achieve this goal by increasing sales personnel and SG&A expenses as an extension of the current fiscal year, or will you need to take some other measures?

Hashimoto [A]: Thank you. I cannot give you details on how we will use the expenses for the next fiscal year, as we are just about to make plans for the next fiscal year. I think it will basically be an extension of the current fiscal year and in-line with it.

We have already announced our mid to long-term financial guidance, and I believe that the expenses will be used in a way to meet that guidance.

As a rough breakdown, I think labor costs will continue to grow roughly in-line with sales, including continued acceleration of hiring. On the other hand, our current view of advertising expenses is not necessarily increase at the same rate as sales and may not increase that much.

Therefore, our current feeling, or rather view, is that we would like to combine these expenses to generate a solid profit.

Regarding the achievement of JPY6 billion ARR for Bill One, in terms of products or services, one of the major measures we are taking is to add more and more new services to Bill One.

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We have been studying Bill One, operations after receiving invoices, invoicing functions, and various other things in the past, and we think that the next fiscal year will be the one in which we will flesh these things out.

Hiraoka [M]: Thank you. I understood very well.

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

Gibson [Q]*: Thank you. One more question. Can you please tell us the level of total amount processed for Bill One at this time?

Hashimoto [M]: When you say total amount processed, do you mean like the total amount billed?

Gibson [Q]*: Yes, that's right. It is the sum of the amounts you are processing in Bill One, so it means the total amount billed.

Hashimoto [A]: It amounts to about JPY1 trillion per month.

Gibson [M]*: Thank you.

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

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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