

CEO's Message

---

# Continuing to Create New Value That Will Change the World

Representative Director, CEO, CPO

**Chika Terada**

We will continue to offer value that only we can create, achieving strong growth in our new stage.

## Business Environment in FY2023

In May 2023, COVID-19 was downgraded to a Class 5 disease under Japan's Infectious Disease Control Law, and this past year did indeed mark the beginning of the post-COVID business environment. Two years ago, in our Annual Report 2022, I reflected on FY2021, a year when face-to-face encounters nearly vanished. I stated that I was responsible for ensuring we shifted gears and turned COVID-19 into a growth opportunity. I believed that, looking back, our efforts during the pandemic would prove to be a major turning point. We proceeded to overhaul Sansan, Bill One, and Eight. In FY2022, we returned to our pre-pandemic divisional system and focused on maximizing sales in each business to break through to a higher growth stage.

Looking back on the business environment this past year, as the overall economy recovered from the pandemic, we see Sansan experience a substantial change with the return of business card use. The same was true for Eight. For Bill One, which had been enjoying a strong tailwind leading up to the launch of Japan's invoice system in October 2023, we experienced considerable environmental changes, including the end of the last-minute surge in demand that coincided with the launch.

Moreover, businesspeople have become much better at knowing how best to use online or offline interactions, after their various attempts to use online platforms for different purposes, from meetings to social gatherings, during the pandemic. Compared with then, companies have become more genuinely enthusiastic and proactive about digital transformation (DX). At Sansan, our mission is "Turning encounters into innovation," and we have focused on the fundamental value of leading our customers' DX efforts in their business operations.

## Review of FY2023

In FY2023, both net sales and adjusted operating profit<sup>[1]</sup> showed strong performance. The growth rate of net sales is our most important management indicator, and in FY2023, net sales exceeded the upper limit of the initial forecast range (28–32% year-on-year increase), accelerating to 33.8 billion yen, a 32.8% YoY increase. Adjusted operating profit reached 1.7 billion yen, an 81.5% YoY increase, surpassing the midpoint of our initial forecast range.

Sansan bolstered its sales system while recruiting new talent to reignite growth in the post-COVID era. Looking at the past two years, we see that Sansan's sales productivity<sup>[2]</sup> has improved by about 13% and the number of subscriptions shows robust growth, leading to solid sales increases.

Bill One continued to show high growth, with ARR<sup>[3]</sup> surpassing the initial target of 7 billion yen, going beyond 7.6 billion yen. Even after the new invoice system came into effect and orders driven by external factors decreased, we continued to achieve high sales growth by promoting Bill One's fundamental value as an accounting DX solution that facilitates fast monthly closing.

Eight achieved quarterly profitability in FY2022, and we aimed to achieve full-year profitability in FY2023. Strong performance of B2B solutions, supported by more subscriptions, price revisions, and steady growth in B2C, led to increased revenue. By shifting to business operations focused on profitability, we achieved full-year profitability

for the first time since the service's launch, meeting our goal. Eight's next target is to achieve profitability when including allocated corporate expenses, while continuing sales growth.

While our overseas business has yet to reach a scale where its status warrants a full explanation, we have still made progress. We opened Sansan Global Development Center, Inc. in Cebu, Philippines, we are recruiting engineers, and we established an office in Bangkok, Thailand, to strengthen sales. We are gradually increasing our new customer base.

With Eight achieving profitability and Bill One showing strong growth as a new pillar of our business, our strategic focus is on creating the next growth driver for the medium-to-long term. We already have several new solutions, including those from group companies such as CREATIVE SURVEY. Now, we need to focus on whether we can genuinely set these on a growth trajectory. If we determine that we can develop them as a third pillar alongside Sansan and Bill One, we will actively invest management resources in them. We are currently at the stage of nurturing these solutions to prepare them for such an investment mode.

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

[2] Orders per field salesperson

[3] ARR: Annual recurring revenue

## Seizing Environmental Changes as Opportunities to Strengthen Our Business Foundation



## Growth Strategies for Sansan and Bill One

While strengthening our solutions and improving sales productivity, in FY2023, we focused on recruiting talent to strengthen Sansan's sales system. We increased our field sales personnel by about 29% and are making progress in developing these new hires into effective team members. In addition to acquiring new customers, we've made steady progress upselling to existing customers, consistently achieving negative churn.<sup>[1]</sup> Although Sansan's business growth has accelerated again after the pandemic, usage is still limited in many companies. Sansan's user base currently represents only about 4% of Japan's total working population. Even within Japan alone, there is potential for several dozen-fold expansion. We will focus on both new customer acquisition and upselling to existing customers to

[1] A state where the increase in revenue from existing subscriptions exceeds the decrease in revenue due to service cancellations

continue maximizing business growth.

To grow the Bill One Business further, we will continue strengthening its sales system while adding new features to expand its applicable domains. Since launching Bill One in May 2020, this solution has mainly grown around its invoice-receiving function. In February 2022, we added an invoice-issuing function, and in June 2023, we entered the FinTech domain by introducing a corporate credit card. From June 2024, we began offering Bill One Expense, an expense settlement function using the Bill One Business Card. And from September 2024, we started providing a payment reconciliation function that covers the entire process from invoice issuance to reconciliation. In our sales

activities for Bill One Expense, we've been greatly encouraged by the positive feedback, with customers expressing strong support for its concept of "Eliminate reimbursed expenses for fast monthly closing." By the end of FY2023, Bill One had acquired more than 2,800 paid subscriptions, and the number of companies in the invoice network connected to Bill One reached about 182,000. However, as there are approximately two million companies in Japan, Bill One's rapidly expanding network is still small compared with the total potential market. Like Sansan, Bill One has ample room for growth, facing a target market that could be several dozen times larger than its client base.

**Focusing on the Fundamental Value  
of Our Solutions  
to Reignite Strong Growth**





## Medium-Term Financial Policy Through FY2026

Until recently, we aimed for a sustained growth rate in the mid-20% range or higher for our medium-term sales outlook. At the beginning of FY2024, we announced our medium-term financial policy for the three years through FY2026, projecting a sales compound annual growth rate (CAGR) of 22–27% over the three years and an adjusted operating profit margin of 18–23% for FY2026. We formulated and announced these figures with confidence in our ability to achieve them. At the same time, this financial policy should not hinder our essential business growth, investments, and management initiatives.

The capital markets have received our financial policy positively, and we're often asked what our business portfolio might look like in three years. However, rather than imagining medium-term figures as the sum of individual businesses such as Sansan, Bill One, and Eight, I think of them in terms of what we can achieve by constantly directing management resources to our most productive solutions. Our past experience informs this approach. During the pandemic, when Sansan's sales struggled and productivity declined, we achieved growth by flexibly shifting sales resources to Bill One and optimizing their allocation. In publishing our medium-term financial policy, we decided to provide some underlying guidance on our growth potential simulations, given the increased communication opportunities with the capital markets through strengthened IR activities.

Regarding the outlook for FY2026, we are confident that, as long as we can continue our current practices, we can even exceed these projections. These practices are about producing innovation. We pride ourselves on proposing unique added value to society that only we can provide and turning it into successful businesses. Even now, we continue to take on innovative challenges one by one, asking ourselves, "Can we create a solution from a different angle

with Sansan?" and "Can we develop a solution with Bill One to solve these issues?" Products drive innovation. I am deeply committed to solution development and also serve as Chief Product Officer (CPO), which gives me confidence in our medium-term outlook.

First, we will strive to exceed the performance forecast we've set for FY2024, aiming to deliver solid results. Based on these results, when formulating the outlook for the following fiscal year, we will develop our solutions with the goal of providing an even more optimistic outlook than that in the figures shown in this financial policy. In FY2024, we will focus on strengthening our solutions and creating innovation by expanding Bill One's functions, in what we call Model 4, and through new solutions now being developed for Sansan.



## Embracing the Challenge of Creative Destruction of Products

Serving the dual roles of CEO and CPO can bring unique aspects, but there are also drawbacks from being unable to dedicate myself full-time to CPO duties, which can be frustrating. Innovation stems from products, and I recognize the importance of developing a suitable CPO, including from a succession-planning perspective.

However, as CPO, in addition to reaching Model 4 with Bill One, I've recently found myself wanting to devote all my available time to revisiting the concept of Virtual Cards. Currently, Virtual Card Exchange is possible between Sansan users and between Eight users. However, it's not yet a societal standard. With physical business cards, you don't need to ask if someone uses them before the exchange, but with digital ones, you need to ask, "Do you use Sansan or Eight?" This gets in the way of widespread adoption. My highest priority now as CPO is creating an experience where even those who don't use Sansan or Eight can receive Virtual Cards smoothly. Our users should be able to give out Virtual Cards as a "quasi-business card," alternative to paper ones. I believe we can start moving mountains once we refine this experience and clarify the reasons for companies to promote Virtual Cards.

Our company has been digitizing paper business cards, but looked at another way, you could say we're digitizing information that was originally data and then printed on paper. Paper business cards are certainly convenient and have underpinned our business, and with the end of the pandemic and the return of paper business cards, our business environment has recovered. Nevertheless, I want to achieve complete digitization of business cards. Paper business cards also fall within the scope of our creative destruction, and we are striving to develop a product for that.

## Passing on Our Corporate Culture

We have disclosed our medium-term financial policy, but if there is anything that could hinder our business growth, it would be when innovation stopped at our company. We continue to work toward creating innovation and investing resources in highly productive solutions. Corporate culture is crucial to keeping innovation going.

We have actively expanded our workforce over the past few years, with about half of our current employees joining within the last three years. Maintaining and strengthening our innovation-driven corporate culture while quickly developing these new colleagues into effective team

members is our immediate management challenge.

We have always valued being a mission-driven company. Our mission is "Turning encounters into innovation." We also have the "Katachi of Sansan," which includes our vision (the ideal we aim for), values (code of conduct), and premise (the basic assumption in our work). We conduct comprehensive training to ensure that all new members understand and share these elements of our corporate philosophy. During this training, I personally take the opportunity to engage in dialogue with members who are two to three months into their employment. While it's difficult to gauge whether the

culture is being maintained and strengthened from these interactions alone, at company-wide events such as our all-hands meetings held several times a year, I can see our members united as one and confirm that our mission-driven corporate culture is indeed being firmly upheld.

As CEO, my opportunities for direct dialogue with all employees within the organization are limited. However, since founding the company, I've consistently strived to fully engage with anything happening within a 5-meter radius around me. I say what needs to be said and step to the front lines when I feel something isn't right.

## What presence do we want to have, and should we have, in society?

### Embracing our purpose and passing on a strong culture



## Looking Ahead to the Next 100 Years

Over the past year, we've had company-wide discussions about our purpose, envisioning where we should be 100 years from now. While we typically prioritize fast decision-making, we are deliberately taking our time to discuss this purpose.

In the 17 years since our establishment, we've valued being a mission-driven company, constantly pursuing growth without stopping innovation. This direction will not change, but the word "mission" carries a nuance of

something to be completed. Looking 100 years ahead, we wanted to consider a purpose with a more abstract, lasting connotation, which is why we initiated these discussions.

As with previous revisions to our mission and values, we are involving as many employees as possible, regardless of their tenure, in these purpose discussions. We are debating various aspects: the role of our purpose, how it differs from our mission, how to interpret it, and the specific language to use in describing it. We have just entered the third phase of

these discussions. While all employees are involved, this isn't a democratic decision; ultimately, it will be a management decision based on everyone's input. We might solidify our direction by the end of 2024, but we have not set a strict deadline. We are open to continuing discussions into next year, and if our deliberations lead us there, we might even decide not to establish a formal purpose.

## Fanning the Flame of Innovation

Having emerged from the COVID-19 pandemic with reignited business growth, we have entered what could be called our fourth phase, clearly distinct from the third phase we entered with our stock market listing in FY2019.

Last year, I mentioned in the Annual Report our vision for 100 years from now: to be a company with overwhelming originality and a definite presence in our field while maintaining our relative position as a listed company and IT company. This vision remains unchanged, and to realize it, we aim to continuously create new value that will change the world.

We see numerous opportunities for innovation, and our focus is simply to keep expanding on these. Innovation is not dependent on M&A or similar strategies. What may appear as discontinuous change is actually the result of continuous efforts, becoming visible only when the value we have created reaches a level that changes society. Therefore, it is crucial to accumulate innovations one after another.

For 17 years, I have approached digitization of business cards with the belief that “once a flame is lit, it can surely be made bigger. After all, it’s already burning.” At the core of this thinking is the conviction that companies fundamentally need innovation, which is why the continuous innovation of improving our solutions will make us who we are 100 years from now.

As the CEO, I recognize my responsibility as a catalyst for innovation. However, considering the company’s evolution over a 100-year period, it’s crucial to ensure that this catalytic role does not overly rely on any one individual.

## Fostering an Organization with a Growth Mindset

We continue to demand that our talent achieve results, which I firmly believe means providing them with growth opportunities. This year, I have been conveying to our staff that a growth mindset is a necessary attitude for achieving results.

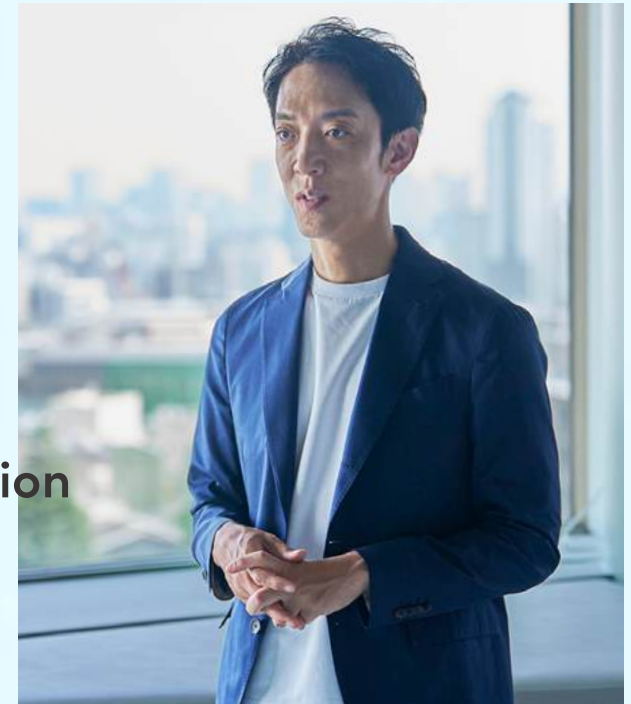
A growth mindset is generally explained as the belief that a person’s abilities can be developed through experience and effort. It might also be described as self-transformation ability or self-growth ability. All people, including me, have different facets to their personalities. Within me, there is a growth mindset side and its counterpart, a fixed mindset

side. When a diverse group of individuals are placed in the Sansan organization and space, which side of themselves is more likely to be stimulated? I want us to be an organization where the growth mindset is stimulated and activated.

Articulating this concept of a growth mindset was a significant evolution in fostering such a corporate culture.

If this culture becomes sustainable, taking also into consideration our succession planning for 100 years from now, it could be a substitute for the growth leadership that I have maintained so far.

## Shaping Our Future 100 Years Ahead Through Continuous Innovation



## Sustainability Initiatives

Regarding sustainability, I am also the material issue owner for the key area “Conserve the Environment Through Business.” Achieving carbon neutrality for Scope 1+2<sup>[1]</sup> emissions and reaching 120 million uses of paperless functions in our solutions are our long-term goals until FY2029 for addressing climate change issues and efficiently using natural resources. While our current business growth for Sansan and Bill One is sufficiently fast, as a human being, when I consider issues that could determine humanity's survival, such as climate change and the environment, I constantly wonder whether our efforts are enough. I continue to push our initiatives forward while reflecting on our efforts, because it's so difficult to feel like we are making enough of an impact.

[1] Scope 1 is calculated by aggregating direct GHG emissions from our own office and facilities. Scope 2 is calculated by aggregating by indirect GHG emissions from the use of purchased electricity and thermal energy in each office



## To Our Stakeholders

Having thought about our stakeholders for the five years we have been a listed company, I feel the most fundamental way to increase corporate value is to grow our business—nothing more, nothing less. We announced our medium-term financial policy and share buyback program partly because we wanted capital markets to factor in our future growth potential correctly. Admittedly, we also felt our stock was undervalued.

As CEO, I have actively engaged in IR meetings with

Japanese and overseas investors. Particularly for overseas institutional investors, as there are no SaaS companies like ours outside Japan, I have explained our business environment and initiatives carefully and in detail, which I feel has broadened understanding and appreciation of our company.

We aim to continue creating innovations that produce new value and change the world. The value we have accumulated has reignited our business growth. While there

is substantial room for growth in Japan alone, we want to be more ambitious and fan the flame of innovation globally, and we are willing to try any approach to achieve this. I invite all our stakeholders to watch as we move ahead, and I look forward to your continued support.

Representative Director, CEO, CPO

**Chika Terada**