

## CFO Message

# Seizing business opportunities and realizing growth in sales and profits

Director, Executive Officer, CFO, Managing Executive (Corporate Division)

## Muneyuki Hashimoto

### Review of Fiscal 2021

For the fiscal year ended May 2022, our consolidated net sales increased 26.2% year on year, to 20,420 million yen. However, our operating profit was 631 million yen, down 14.2%, because of intensified hiring efforts, part of our growth strategy. Ordinary profit and net income attributable to owners of the parent company increased significantly owing to gains on sales of investment securities and other factors.

Sales and operating profit were generally in line with our plans, and the results were near the median of the guidance we announced at the period's outset. Reflecting on the fiscal year ended May 2022, a prolonged state of emergency was in effect in Japan, which limited business activities and negatively impacted the number of users' business cards

exchanged. It was a challenging year for Sansan, but we remain optimistic, as orders are steady and sales are increasing. Meanwhile, Bill One grew more rapidly than we expected. We acquired more new contracts with medium- and large-sized companies than we foresaw at the start of the year. By flexibly shifting internal resources from Sansan to Bill One at the time when the unit price per customer started to increase, we achieved an approximately sixfold increase in monthly recurring revenue compared with the same period last year. Our annual recurring revenue also reached 1.39 billion yen, far exceeding our initial target of 1 billion yen. Bill One was only launched two years ago but has continued to steadily expand, reaffirming our ability to launch SaaS-based businesses. For Eight, we indicated at the time of our listing on the Tokyo Stock Exchange that we would eventually achieve a return to profitability. We have

now done exactly that on a per-month and quarterly basis. In the current phase, we aim to return to full-year profitability. The way to make an impact is to exceed market expectations. For this reason, we must continue to take measures to maintain high sales growth over the medium- to long-term. We need to advance even more quickly with our next measures and create new businesses that follow on from Bill One.

### Overview of Consolidated Financial Results for FY2021

(millions of yen)

	FY2020		FY2021	
	Full-year Results	Full-year Results	Full-year Results	YoY
Consolidated Results				
Net Sales	16,184	20,420	+26.2%	
Gross Profit	14,192	17,904	+26.2%	
Gross Profit Margin	87.7%	87.7%	-	
Operating Profit	736	631	-14.2%	
Operating Profit Margin	4.6%	3.1%	-1.5pt.	
Ordinary Profit	375	968	+158.3%	
Profit Attributable to Owners of Parent	182	857	+369.7%	
EPS <sup>*1</sup>	1.47 yen	6.87 yen	+368.8%	

### Results by Segment for FY2021

(millions of yen)

	FY2020		FY2021	
	Full-year Results	Full-year Results	Full-year Results	YoY
Consolidated	16,184	20,420	+26.2%	
Sansan/Bill One Business	14,605	18,105	+24.0%	
Eight Business	1,582	2,213	+39.9%	
Others	-	126	-	
Adjustments	-3	-25	-	
Consolidated	736	631	-14.2%	
Sansan/Bill One Business	5,278	5,725	+8.5%	
Eight Business	-754	-386	-	
Others	-	-28	-	
Adjustments	-3,787	-4,678	-	

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

### Outlook for Fiscal 2022

For the fiscal year ending May 2023, we expect sales to increase 23.0%, to 26.2%, owing to improvements to Sansan and Eight, as well as Bill One's high growth. We also expect that adjusted operating profit, which we set as a key management indicator from the prior period, will increase from 25.5% to 76.3%. We expect increased selling, general, and administrative expenses as we continue to execute investments for growth. However, we also expect increased profits, owing to our steady sales growth.

For this guidance, we have once again disclosed a range of projections. If customers accept Sansan, which has evolved into a sales DX solution, more quickly than expected, we anticipate upside in our performance. Our strength lies in our ability to remain a step ahead of

market needs, offering clients products with discernible value and stimulating latent needs. We therefore conservatively assume it will take some time for the market to understand our product's value. We are also closely monitoring impacts on our business caused by macro-trends such as the pandemic outlook and economic conditions.

### Consolidated Financial Forecasts for FY2022

(millions of yen)

	FY2021		FY2022 <sup>*2</sup>	
	Full-year Results	Full-year Results	Full-year Results	YoY
Consolidated Forecasts				
Sales	20,420	25,117	+23%	
Sansan/Bill One Business	18,105	21,998	+21.5%	
Eight Business	2,213	2,900	+31.0%	
Adjusted Operating Profit <sup>*3</sup>	730	917	+25.5%	
Adjusted Operating Profit Margin	3.6%	3.7%	+0.1pt.	
		~25,764	~+26%	
		~22,632	~+25.0%	
		~3,010	~+36.0%	
		~1,288	~+76.3%	
		~5.0%	~+1.4pt.	

\*2 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.

\*3 Operating Profit + Share-Based Payment Expenses + Expenses Arising from Business Combinations (amortization of Goodwill and amortization of Intangible Assets)

### Medium-Term Financial Goals

We are still in the first stage of our growth as a company, so it is vital to continue growing our net sales. From the fiscal year ending May 2023 to that ending May 2025, we aim to maintain a solid sales growth rate in the 20% range or higher. We will execute investments in the necessary areas to achieve this growth over the medium-term.

To date, our growth strategy has involved personnel recruitment, as well as advertising initiatives aimed at raising brand recognition and increasing user numbers aggressively. These are necessary investments that will contribute to growing our net sales. We have no intention of changing our policy of allocating maximum budget to these investments. However, while investing in this growth, we are also seeking to improve our adjusted operating profit rates each fiscal year, aiming to achieve both solid sales growth and stable profit growth. We recognize we have already established a solid revenue base that can generate profits even if we continue to make the necessary investments. This medium-term financial goal also demonstrates our strong determination to maintain profit growth rates even as we continue to invest.

## Investing in Growth and Fundraising

As part of our growth investments, besides advertising and recruitment activities, we also consider M&A and minority investments whenever the opportunities arise. In terms of fundraising, as of the end of May 2022, we had approximately 15 billion yen in cash on hand and have the funds required to operate our business. We intend to maintain a sound balance sheet from a capital efficiency standpoint. However, when funding is needed for M&A, etc., in addition to using our own funds, we will flexibly determine the most appropriate method for procuring the required amount, choosing from various financing methods, including borrowing from financial institutions and equity financing.

For M&A and investment, our Investment Strategy Team is central in advancing each project based on careful assessment of various scenarios. Specifically, focusing on the medium- to long-term, the team examines qualitative aspects, such as how the target company will contribute to our business, and quantitative aspects, such as the impact on our financial statements if the company were to become part of our group. While the scale of the target and the size of our balance sheet may provide insight into what we can and cannot do, when we consider adding a company to our group, we pay particular attention to our future direction and that of the target company. That's because it is important that the addition helps to form a coherent narrative. There are times when, even if the M&A does not produce immediate synergies, it is still an investment in future potential. Assuming a target meets these conditions, we then decide whether to invest based on comprehensive assessment of factors that also include the acquisition price, and the target's management team and organizational structure.

In August 2020, logmi, Inc. became one of our group companies. In May 2021, we entered into a capital and business alliance with Unipos Inc., hoping to make it a group company in the future. After executing an M&A decision, we maintain a close relationship through the dispatch of executives, and business alliances and collaborations. We also promote measures that help make the target company more efficient, such as partially integrating back-office operations.

## Returns for Shareholders

We are aware of the importance of appropriately

returning profits to shareholders, though we are currently in a growth phase. We therefore believe that the greatest return to our shareholders will be achieved by further strengthening our financial position, increasing internal reserves for business expansion, and ensuring solid results. This is why we have decided not to pay a dividend at this point. However, we will consider doing so over the medium- to long-term.

## Non-Financial Information for Emphasis

Although it is not readily apparent from our financial statements, we closely monitor order value and churn rate as important indicators. The value of orders received is an indicator directly linked to subsequent trends in our net sales. Churn rate indicates how consistently our services are used, so it is vital to maintain a low level. In the fiscal year ended May 2022, Sansan's monthly churn rate averaged 0.62%<sup>\*1</sup> over the prior 12 months, maintaining a low level below 1%. From this same year, we began disclosing the average monthly churn rate for Bill One, which also maintained a low level of 0.49%.<sup>\*1</sup> Our maintaining a low churn rate indicates our services are becoming an important business infrastructure for our users. For individual services such as contact management and online receipt of invoices, some competitors offer services at lower prices. However, we believe that our services, which autonomously accumulate data, offers a competitive advantage, whereby the longer customers use the services, the greater the value of their data. This increases customer satisfaction and makes customers less likely to cancel their subscriptions.

<sup>\*1</sup> Ratio of decrease in monthly fees associated with contract cancellations to total monthly fees from existing subscriptions for each service

## Emphasizing Dialogue with Stakeholders

After graduating from college, I worked at a foreign financial institution before joining our company in November 2017. As we grow, I find it rewarding to be entrusted with important duties in my area of expertise. At the same time, I recognize the role and importance of our financial functions and the weight of my role's responsibility. As CFO, I am constantly aware of the need to keep finances from delaying business growth, and to maintain a base that enables appropriate risk-taking. To ensure that financial constraints, such as a lack of funds, don't prevent us from making the investments we

need to grow, we are making a concerted effort to focus our financial resources on necessary investments while holding back where we can, even if we have finances to spare.

When communicating with our shareholders and investors, we are always mindful of the importance of engaging in sincere dialogue. The market determines a company's evaluation, and there are times when people expect more from us than we can deliver, or we are not well understood. We hold around 100 IR meetings each quarter and strive to maintain down-to-earth communication at all times. We regularly report the valuable opinions in these meetings to our Board of Directors for managerial decision-making, and we share them with the company's business side.

As well as institutional investors, we also want

individual investors to take an interest in our company, so we strive to disclose information that is easy to understand. In December 2021, we implemented a share split, which lowered the price per unit of investment and improved our shares' liquidity.

We are proud to be one of the largest SaaS companies in Japan. Our most significant advantage over other SaaS companies is our five assets of data (contact and invoice databases), technologies (for digitization), products, sales, and brands. The SaaS space is filled with business opportunities. Moving forward, we will continue to combine these five assets to make the most of business opportunities and achieve vigorous growth.

Muneyuki Hashimoto, Director, Executive Officer, CFO, Managing Executive (Corporate Division)

## Our Participation in logmi, Inc.

logmi, Inc. was established in August 2013. Its primary service involves operating media sources to deliver information that initially only offered limited access to broader audiences. This service is enabled by transcribing and recording the entirety of performances, discussions, financial results briefings, etc., as text. It has 3 million monthly users for the media sources provided, high brand recognition and power, and a unique business model. We made logmi part of our group in August 2020, aiming to further increase the value of both our companies' services due to logmi's latent potential and the expectation of producing synergistic effects between our businesses. Since then, we have been working on expanding the company's business performance further and increasing the

value of our collaborative services. Specifically, we are strengthening logmi's management base by dispatching management personnel and supporting its management operations while also providing growth capital. At the same time, we are developing new services and strengthening existing ones by sharing our technical capabilities and knowledge. We are also working to develop products that tie in with the various business event and advertising services we offer through Eight Business.



## The logmi Series Event Transcription Services

The logmi Series consists of three services, logmi Biz, Finance, and Tech, that transcribe and log excellent speeches, dialogs, press conferences, etc., in full, delivering valuable event information to a broader audience. Their accurate transcription helps corporate users deliver event content to those who are unavailable to attend or uninterested in watching archived videos. logmi Biz provides IT, innovation, and

entrepreneurship-related event information to highly information-sensitive business leaders. logmi Finance provides information on financial results briefings aimed at analysts and institutional investors to a broader range of stakeholders, particularly individual investors. logmi Tech provides information on everything from the latest technologies to engineering skills and career development.