

Sansan, Inc.

IR Day 2024 Part 1

February 15, 2024

Event Summary

[Company Name]	Sansan, Inc.	
[Company ID]	4443-QCODE	
[Event Language]	ENG	
[Event Type]	Investor Conference	
[Event Name]	IR Day 2024 Part 1	
[Fiscal Period]		
[Date]	February 15, 2024	
[Number of Pages]	32	
[Time]	07:00 – 07:44 (Total: 44 minutes, Presentation: 25 minutes, Q&A: 19 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Chika Terada	Representative Director, CEO, CPO
	Muneyuki Hashimoto	Director, Executive Officer, CFO
[Analyst Names]*	David Gibson	MST Financial Services

*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.

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Presentation

Moderator: Ladies and gentlemen, it's time to commence the Sansan IR Day 2024. We sincerely appreciate your participation in our IR event today. The schedule for today is shown on the screen. Further details will be provided during the initial CEO session.

Without further ado, let's begin with the remarks from Mr. Terada, the CEO, and it will be followed by a presentation of Mr. Hashimoto, the CFO, about our financial strategies.

CEO Remarks

Terada: Thank you very much for attending and viewing Sansan's IR day.



Chika Terada

Representative Director, CEO, CPO

Chika began his career with Mitsui & Co., Ltd. During that time, he relocated to Silicon Valley to help local venture firms develop their Japan-focused efforts. In 2007, he founded Sansan, Inc., providing digital transformation (DX) solutions that reshape how people work, including the namesake Sansan sales DX solution. In 2021, Sansan, Inc. was listed on the First Section of the Tokyo Stock Exchange (now TSE Prime Market Index). In 2023, Chika was appointed as Chairperson of the newly opened Kamiyama Marugoto College of Design, Technology, and Entrepreneurship.

I'm Chika Terada, the CEO of Sansan. We've been able to introduce each of our businesses during financial results briefings in the past, but this is the first time we've held an IR Day to give a focused explanation of each business.

I deeply appreciate your taking an interest in and deepening your understanding of our company through this opportunity. The opening session, which I'll lead, gives an overview of the Sansan group. Then we'll be hearing details from individual leaders.

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Mission

**Turning encounters
into innovation**

Vision

**Become business
infrastructure**



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First, I would like to outline the Sansan Group's mission and vision.

Our mission is, “Turning encounters into innovation.”

Looking back on the world up to the present day, we see it’s been built on a chain of encounters – person-to-person encounters and company-to-company encounters.

These encounters play an extremely important role in how society evolves and transforms.

We hope to create these encounters, which lead to innovation.

And through the power of encounters, we’ll resolve issues that are challenges in society and business.

We’ve adopted “Become business infrastructure” as our vision.

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This is because we aim for our solutions to be widely recognized by society and widely used in the business world, as infrastructure.

Cloud-based solutions that promote digital transformation and reshape how we work



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I'd like to give an overview of our main services and our business model.

We're a company that provides digital transformation – simply, DX – solutions that reshape how people work and help to resolve diverse challenges that companies and individuals are facing.

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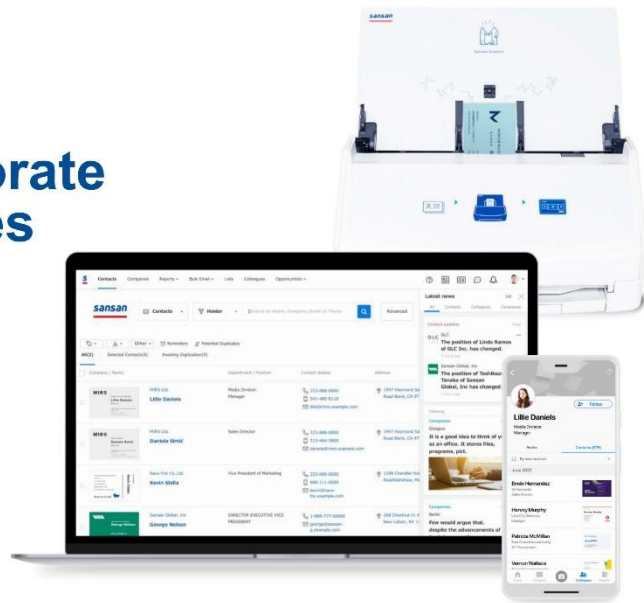
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The sales DX solution

Solutions for corporate sales-related issues

sansan



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Specifically, we provide cloud-based software in a range of fields.

First, Sansan, the product and service, is a sales DX solution that mainly resolves corporate sales activity-related issues.

Sansan enables efficient use of multiple data sources, including a range of company information, personal information, and information on contact points between and among companies and people.

We can say it performs like a customer database.

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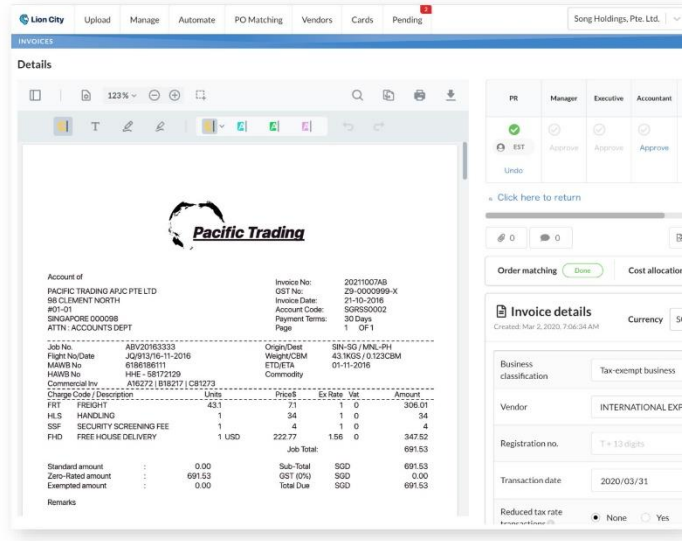
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Cloud-based invoice management solution

Solutions for issues relating to corporate invoicing processes

Bill One

powered by Sansan



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Bill One is a cloud-based invoice management solutions that streamlines invoice-related operations, such as receiving and issuing invoices and expense reimbursement, and speeding up monthly closing.

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The contract database

Solutions for issues relating to corporate contract document operations

Contract One

powered by Sansan

The screenshot shows the 'Ledger Management' interface in Contract One. It features a search bar at the top with the placeholder text 'Name of contracting party, name of contracting party's contact person, title of contract, and file name'. Below the search bar are three action buttons: 'PDF Import', 'batch update', and 'Contracts before preservation'. The main content is a table with columns for 'Details', 'Share', 'Company Name', 'Title', 'Date', 'Start Date', and 'End date'. The table contains several rows of contract data, including entries for 'PROVISIONS OF OFFICE S...', 'SPONSORSHIP AGREEMENT', 'Agreement', 'ORDER FORM DETAILS', 'MUTUAL NONDISCLOSUR...', 'License Agreement', 'Agency Agreement', 'Individual Sale and Purchase...', 'Basic Sale and Purchase Agr...', and 'Mutual Non-Disclosure Agr...'.

Details	Share	Company Name	Title	Date	Start Date	End date
<input type="checkbox"/>		ALL Digitang	PROVISIONS OF OFFICE S...	2021/11/16		
<input type="checkbox"/>		ALL Digitang Yonyon, Inc.	SPONSORSHIP AGREEMENT			
<input type="checkbox"/>		ALL Green Apple Inc	Agreement	2021/11/16	2021/11/16	2022/11
<input type="checkbox"/>		ALL Sansan, Inc.	ORDER FORM DETAILS	2021/11/16	2022/06/01	
<input type="checkbox"/>		MIRS Ltd.	MUTUAL NONDISCLOSUR...	2022/06/01	2022/06/01	2024/06
<input type="checkbox"/>		SSSL Ltd.	License Agreement	2022/06/01	2022/06/01	
<input type="checkbox"/>		ALL United Electronics Cat Ltd.	Agency Agreement	2022/11/16	2022/05/01	2023/04
<input type="checkbox"/>		Navy Fox Co.,Ltd.	Individual Sale and Purchase...	2022/05/01	2022/05/01	2024/04
<input type="checkbox"/>		ALL Navy Fox Co.,Ltd.	Basic Sale and Purchase Agr...	2022/05/01	2022/05/01	2023/04
<input type="checkbox"/>		Navy Fox Co.,Ltd.	Mutual Non-Disclosure Agr...	2023/02/15	2023/02/15	2024/04

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Then we have Contract One, which we call the contract database. Contract One resolves issues related to corporate contract operations.

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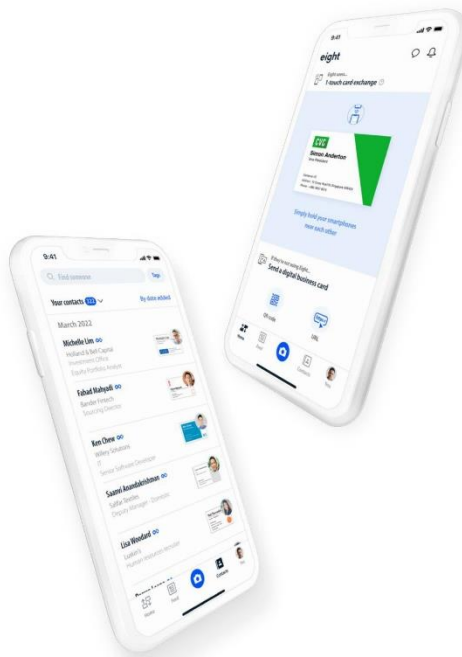
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Business card app

Solutions for issues relating to individual business activities



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We also provide a business card app that resolves issues related to individual business activities.

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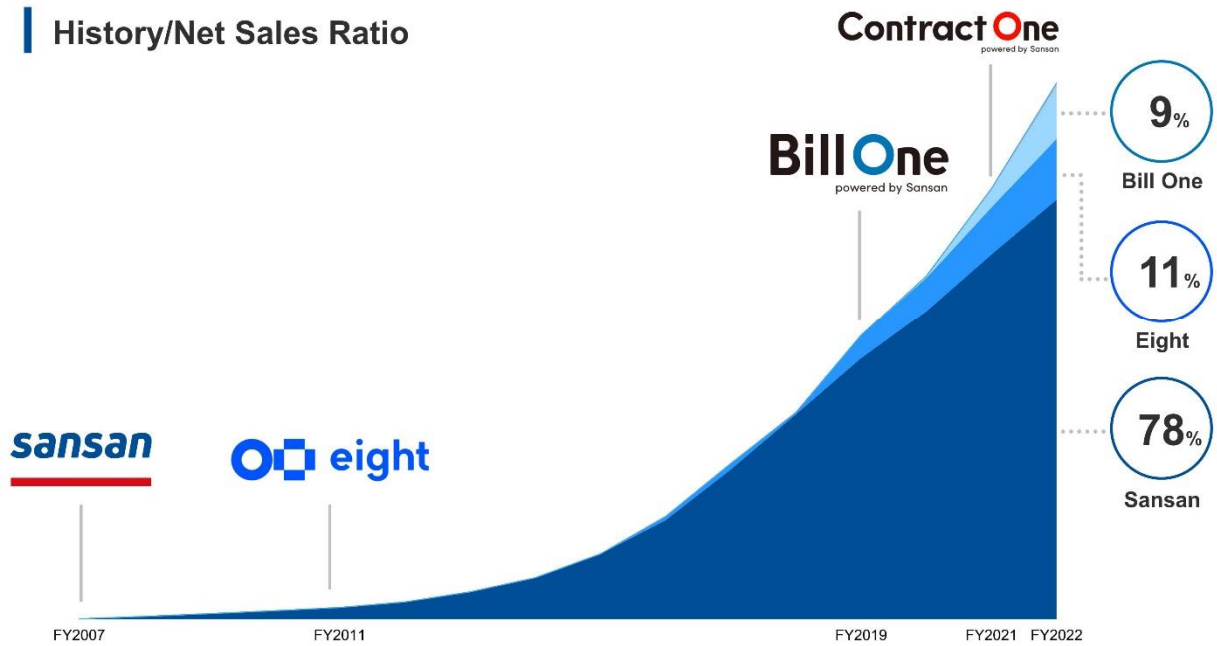
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History/Net Sales Ratio



First, we launched our namesake service, Sansan.

Sansan is our flagship solution, and it's continued to grow steadily since started offering it in 2007.

The Sansan solution had net sales of 19.7 billion yen in the most recent fiscal year, accounting for about 78% of consolidated net sales.

After Sansan, we launched Eight in 2012, Bill One in 2020, and Contract One in 2022.

Among these, Bill One's high growth continues and, with net sales of 2.4 billion yen for the most recent fiscal year, it's become a core pillar of our growth, accounting for about 9% of the consolidated total. Actually, Sansan, among other SaaS, Japanese SaaS, as a single software among other Japanese software has the biggest revenue, while Bill One is growing at a faster pace among others. Those two are very unique.

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Though each solution serves a different field, these solutions share a common philosophy and business model. There are two main points we focus on in developing our business.

First, as I mentioned regarding our mission, we focus on person-to-person and company-to-company encounters. For example, Sansan is a solution that utilizes contact points among people and among companies; in other words, the encounters themselves, as valuable and useful data. Bill One and Contract One are solutions that access the business flows that arise from the encounters, such as financial flows and commercial flows.

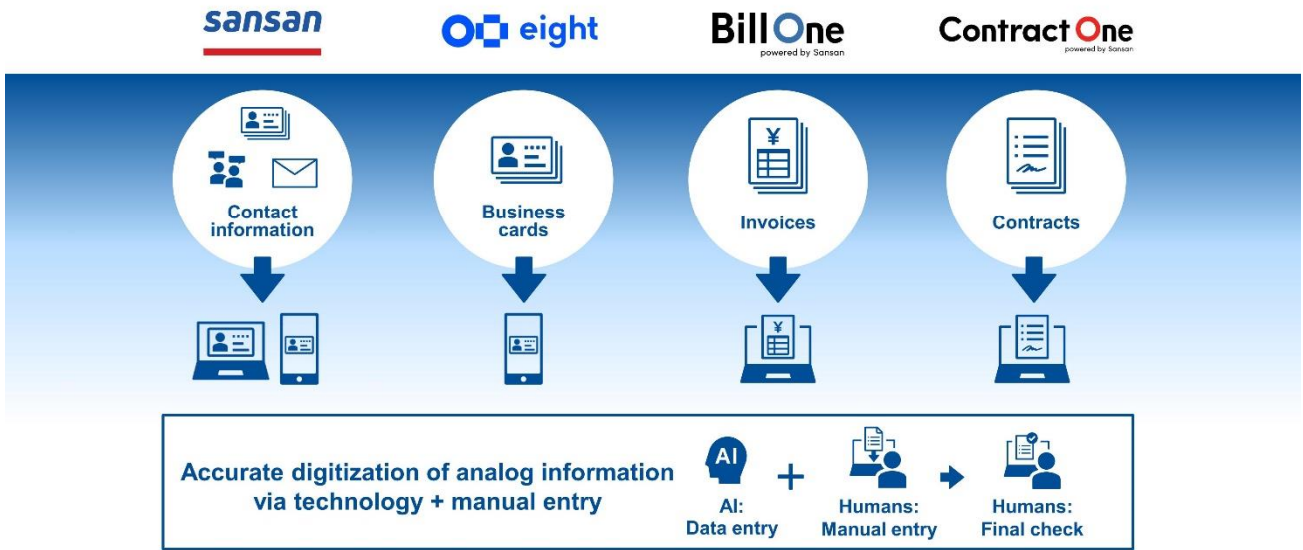
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Analog to digital

Including paper, analog business flows remain, and this leaves substantial room for optimization through digitization



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The other point is analog to digital.

Even though it's inefficient, analog media, like paper, is still being used in business.

And many business flows done entirely by human intervention still remain.

For instance, Sansan, deals with paper business cards and Bill One deals with paper invoices.

The DX solutions we provide are characterized by fast, accurate digitization of different types of analog information.

Through data utilization, they provide greater convenience and boost productivity.

We've been expanding our solutions by horizontally developing Sansan's technology.

In the COO's session, we'll outline the growth strategies and other key issues for Sansan and Bill One, our largest businesses.

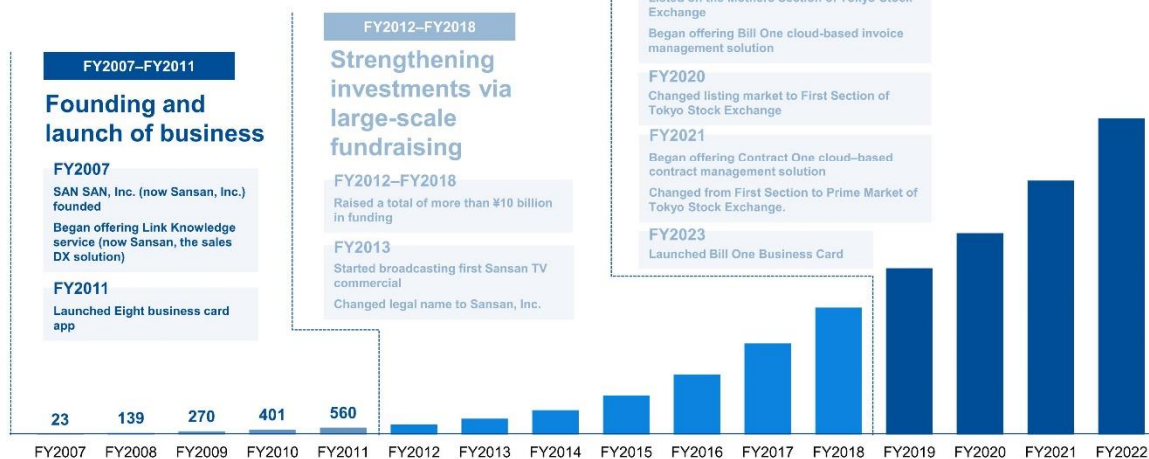
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Stage 1 | FY2007 - FY2011

Following our company founding in 2007, we focused on the launch of our Sansan solution until FY2011.



The graph indicates net sales for fiscal years ended in May (figures before the year ended May 2016 are non-consolidated, while subsequent figures are consolidated, millions of yen).

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Next, to explain the current stage of our company's growth, I'd like to take a brief look back at our history from our founding to the present.

Sansan was founded in 2007 and, broadly speaking, there have been three main stages since then.

Stage 1 was from when we began through to fiscal 2011.

During this period, we focused on launching Sansan, our namesake and founding business.

Since it was difficult for unlisted companies to raise large amounts of capital, we steadily progressed toward future growth while maintaining a small but profitable business.

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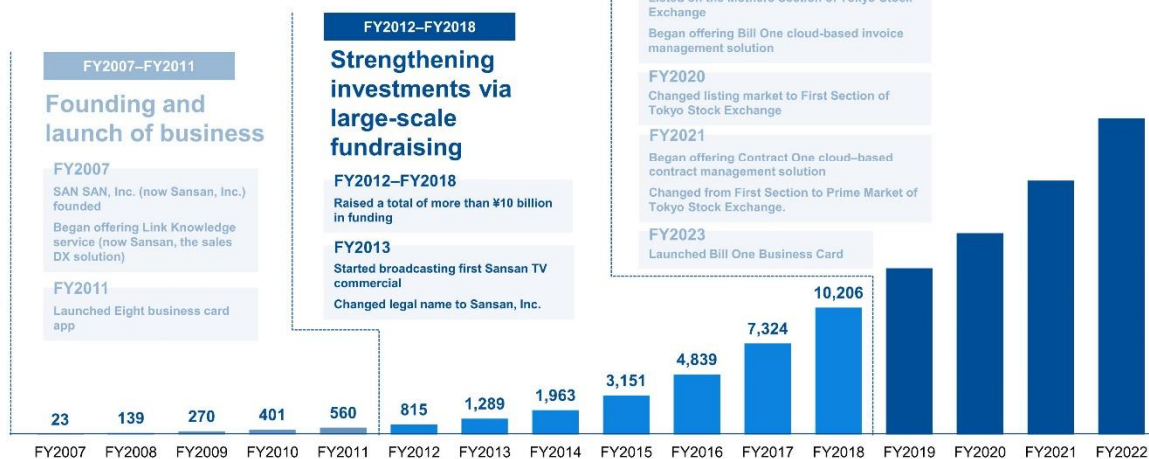
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Stage 2 | FY2012 - FY2018

From FY2012 to FY2018, implemented large-scale fundraising and strengthened our marketing activities



The graph indicates net sales for fiscal years ended in May (figures before the year ended May 2016 are non-consolidated, while subsequent figures are consolidated, millions of yen).

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From then, through the next stage up to fiscal 2018, when it became comparatively easier to raise funds from venture capital, we raised over 10 billion yen and expanded our business through aggressive marketing, centered on TV commercials.

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Stage 3 | FY2019 - FY2022

From FY2019, seeking diversified growth



The graph indicates net sales for fiscal years ended in May (figures before the year ended May 2016 are non-consolidated, while subsequent figures are consolidated, millions of yen).

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After going public in 2019, we entered the stage of creating new solutions, such as the Bill One for invoice management, while aiming for diversified business growth.

We also worked to remake our existing solutions in response to changes in the market environment brought about by the COVID-19 pandemic.

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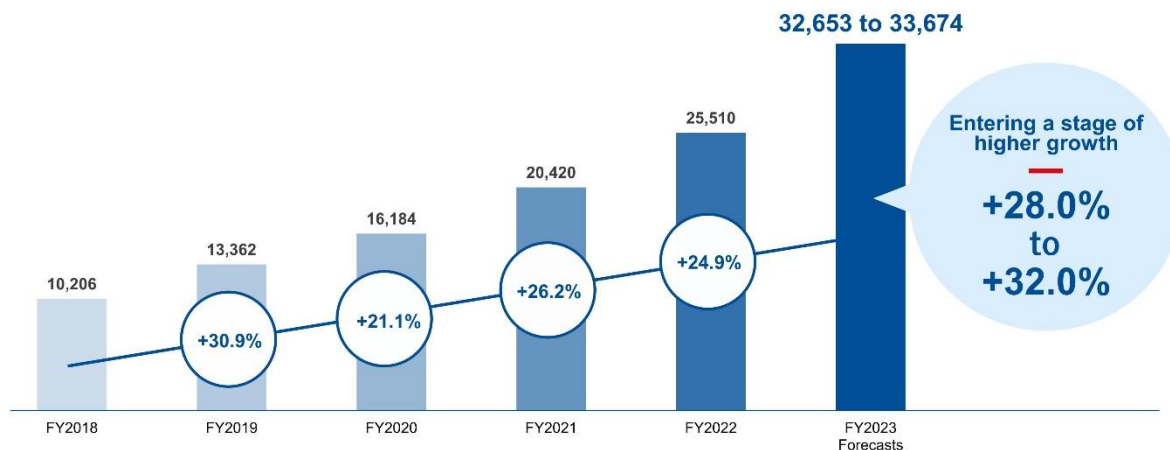
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Current Stage | FY2023 Onward

From FY2023, moving to a stage of higher growth stage with the aim of reigniting net sales expansion



The graph indicates consolidated net sales for fiscal years ended in May (millions of yen).

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This brings us to the present day.

We've entered a stage in which we'll aim for even higher growth.

Over the past four years, as net sales increased, and due to factors such as the negative impact from the pandemic, our growth rate fell below 30% and even dropped to 20–25%.

But this fiscal year, thanks in part to the results of our past initiatives, we've entered a stage in which we can reignite our sales expansion and once again aim for growth in the 30% range.

I want to see our growth continue steadily over the medium-to-long term.

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Medium-Term Financial Targets (FY2022–FY2024)

Aim to solid sales growth and stable profit growth.

Key management indicators

- Continued consolidated net sales growth of mid-20% range or higher**
- Improvement of adjusted consolidated profit margin in each fiscal year**
 - Sansan/Bill One Business**
Recording adjusted operating profit of ¥10 billion+ for Sansan and Bill One in FY2024 (excluding "Others" in Sansan/Bill One Business segment)
 - Eight Business**
Recording stable adjusted operating profit for full year

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Now I'll outline the management indicators we'll be focusing on to achieve future growth.

Our medium-term financial goal is to achieve growth in terms of both net sales and profit, and I hope that growing both of these in a well-balanced manner will help boost our corporate value.

The CFO's session later on will give details on our financial policies.

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Identification of Material Issues and Goal-Setting

In 2022, identified material issues in terms of the environment, society, and governance
 In 2023, set long-term quantitative targets for each material issue

1 Balance security and convenience



Director, Executive Officer, CISO, DPO, Engineering Division Head

Kenji Shiomi



2 Transform work through innovative DX solutions



Director, Executive Officer, COO

Kei Tomioka



3 Respect employee diversity and produce innovation



Director, Executive Officer, CHRO

Yuta Ohma



4 Establish a firm management structure to support rapid business growth



Director, Executive Officer, CFO

Muneyuki Hashimoto



5 Conserve the environment through business



Representative Director, CEO, CPO

Chika Terada



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Given the importance of sustainability-related measures in continuously increasing corporate value, I also want to touch on initiatives we've taken to date.

We have selected and evaluated materialities through discussions with our directors and institutional investors, and in 2022, we identified 10 materialities, organized into five areas, which our Board of Directors approved.

In 2023, we set quantitative targets for each of these issues for fiscal 2029, and we clarified the responsibility for resolving these issues by assigning an inside director as the material issue owner for each field.

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Material Issues

1 Balance Security and Convenience



Director, Executive Officer, CISO,
DPO, Engineering Division Head

Kenji Shiomi



**Material
Issues**

1. Provide safe and stable infrastructure services
2. Ensure robust protection of data privacy and information security

Metrics and targets for FY2029

- Major incidents: 0
- Members with personal information protection specialist qualification: Maintain at 80%+

Results for FY2022

- Major incidents: 0
- Members with personal information protection specialist qualification: 88.0%

Results and targets are for the Company on a non-consolidated basis.

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The first important area is “balancing security and convenience.” This is a crucial aspect of our business and is also set in the premise of our business operations.

Material Issues

2 Transform Work Through Innovative DX Services



Director, Executive Officer, COO

Kei Tomioka



**Material
Issues**

3. Promote DX solutions that improve productivity
4. Create innovative business infrastructure

Metrics and targets for FY2029

- Items converted from analog to digital information using our solutions: 500 million
- Users of our solutions: 20 million

Results for FY2022

- Items converted from analog to digital information using our solutions: 190 million
- Users of our solutions: 5.73 million

Results and targets are for the Company on a non-consolidated basis.
Results for the Company's services are aggregated for Sansan, Bill One, Contract One, and Eight.

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The second area is “transforming work through innovative DX services,” which is the precise value that our solutions provide.

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We aim to achieve our materiality-related goals by achieving business growth.

Material Issues

3 Respect Employee Diversity and Produce Innovation



Director, Executive Officer, CHRO

Yuta Ohma



Material Issues

- 5. Promote recruitment, development, and success of human resources
- 6. Promote diversity, equity and inclusion

Metrics and targets for FY2029

- Proportion of recruitment through referrals: 35%
- Unipos posting rate: 80%
- Ratio of female employees in management positions: 30%+
- Ratio of female employees: 45%+

Results for FY2022

- Proportion of recruitment through referrals: 12.0%
- Unipos posting rate: 59.6%
- Ratio of female employees in management positions: 17.8%
- Ratio of female employees: 34.9%

Results and targets are for the Company on a non-consolidated basis.
Unipos is a service centered on the peer bonus system provided by Unipos, Inc.

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“Respect employee diversity and produce innovation” is the third area. We hope to create an environment in which a diverse range of human resources, especially women, can play a more active role, which will help us create even greater innovations.

Material Issues

4 Establish a Firm Management Structure to Support Rapid Business Growth



Director, Executive Officer, CFO

Muneyuki Hashimoto



Material Issues

- 7. Strengthen corporate governance
- 8. Ensure compliance

Metrics and targets for FY2029

- Ratio of female Directors: 30% or higher
- Significant compliance violations: 0
- Proportion of employees receiving compliance-related training: 100%

Results for FY2022

- Ratio of female Directors: 22.2%
- Significant compliance violations: 0
- Proportion of employees receiving compliance-related training: 100%

Results and targets are for the Company on a non-consolidated basis.

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The fourth area concerns governance. Given that, as a listed company, this is an extremely important area for us, we’re moving forward with a variety of initiatives, including setting a target for the ratio of female

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directors.

Material Issues

5 Conserve the Environment Through Business



Representative Director, CEO, CPO

Chika Terada



Material Issues

- 9. Address climate change issues
- 10. Use natural capital efficiently

Metrics and targets for FY2029

- Scope 1+2: carbon neutral
- Uses of paperless functions in our solutions: 120 million

Results for FY2022

- Scope 1+2: 851 t-CO₂
- Uses of paperless functions in our solutions: 10 million

Results and targets are for the Company on a non-consolidated basis. Results for the Company's services are aggregated for Sansan, Bill One, Contract One, and Eight. Scope 1 is calculated by aggregating direct GHG emissions from our own offices and facilities. Scope 2 is calculated by aggregating by indirect GHG emissions from the use of purchased electricity and thermal energy in each office.

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The fifth and final area, for which I am the owner, concerns conservation of the natural environment, including measures to combat climate change.

In addition to reducing greenhouse gas emissions, we hope to contribute in this area through the solutions we provide.

You can see the sustainability information on our website for more details.

Program

Time (JST)	Session	Contents/Speaker
07:00–07:50 (2nd half 20-minute Q&A)	Session 1	CEO Remarks Representative Director, CEO, CPO Chika Terada
	Session 2	Financial Strategies Director, Executive Officer, CFO Muneyuki Hashimoto
07:50–08:00	Break	
08:00–08:50 (2nd half 20-minute Q&A)	Session 3	Sansan, Bill One Growth Strategies Director, Executive Officer, COO Kei Tomioka
	Break	
09:00–09:50 (2nd half 20-minute Q&A)	Session 4	Business Data Strategy Director, Executive Officer, CISO, DPO, Engineering Division Head Kenji Shiomi

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So, with that an overview, let me tell you about the upcoming sessions. In session two, coming up next, our CFO will talk about financial policy and other topics. We'll then have a Q&A session. Please feel free to ask me any questions then. In session three, our COO will talk about the growth strategy for our main Sansan and Bill One solutions. This will be followed by another Q&A session. In the final session four, the head of the engineering division will speak about topics, including our business data utilization strategies, after which we will have time for more Q&A. I definitely hope you'll be able to attend all the sessions.

That's all for me for now. Again, I'd like to thank you very much for taking the time to join us today.

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Financial Strategies

Hashimoto: Hello, everyone. My name is Muneyuki Hashimoto. I'm Sansan's CFO.



Muneyuki Hashimoto

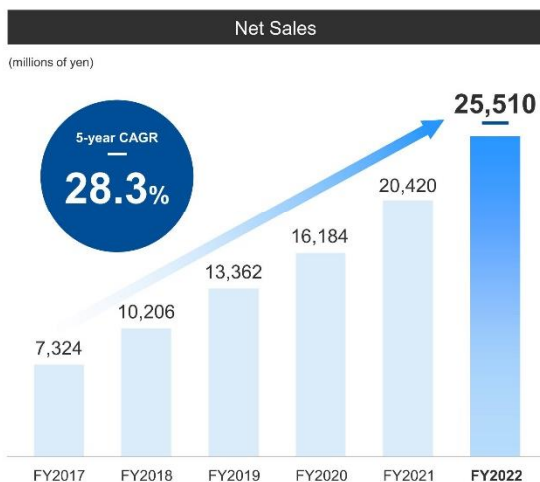
Director, Executive Officer, CFO

Muneyuki worked for investment banks in Tokyo and New York for nearly 9 years, providing M&A and financing advisory services. He then moved to a group company of the Development Bank of Japan to work in private equity. He joined Sansan, Inc. in 2017, and was appointed CFO in 2018 to lead the company's financial strategy.

1

I will be talking about medium-term financial targets and giving my thoughts on future growth investments.

Net Sales/ARR (1)



(1) Annual recurring revenue

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First, I'd like to review our consolidated financial results.

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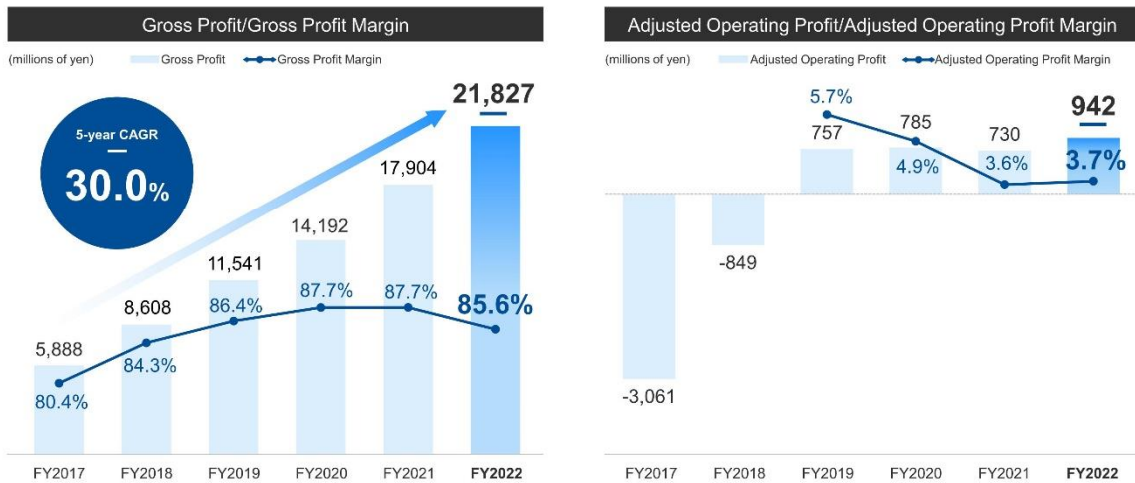
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In managing our business with an emphasis on net sales growth, we've been achieving steady growth, at an average rate of 28.3% over the past five years.

The same growth can be seen in ARR, and this scale of growth is among the highest of any SaaS companies in Japan.

Gross Profit/Adjusted Operating Profit (1)



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

In terms of profit, we have achieved a high gross margin of 80%+ because of the nature of our SaaS business and the strong competitive advantages we've built up in our main solutions.

We've also decided on adjusted operating profit, which excludes share-based payment expenses and expenses arising from M&A, as a management indicator.

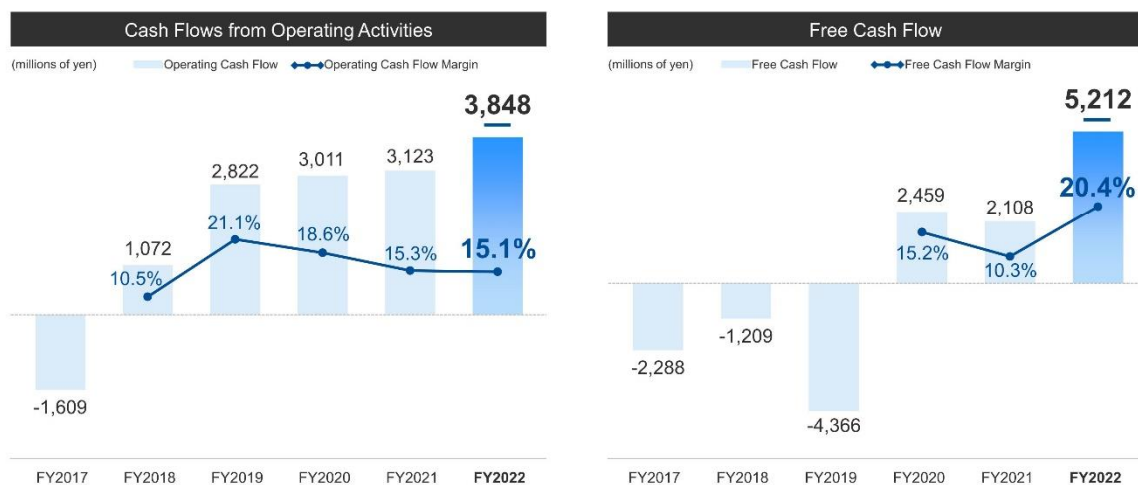
Excluding five to six fiscal years ago, when Sansan net sales were still small and we weren't yet listed on the Tokyo Stock Exchange, over the last four fiscal years, we've steadily posted positive profits even while continuing to make growth investments.

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Cash Flows from Operating Activities/Free Cash Flow ⁽¹⁾



(1) Cash flows from operating activities + cash flows from investing activities

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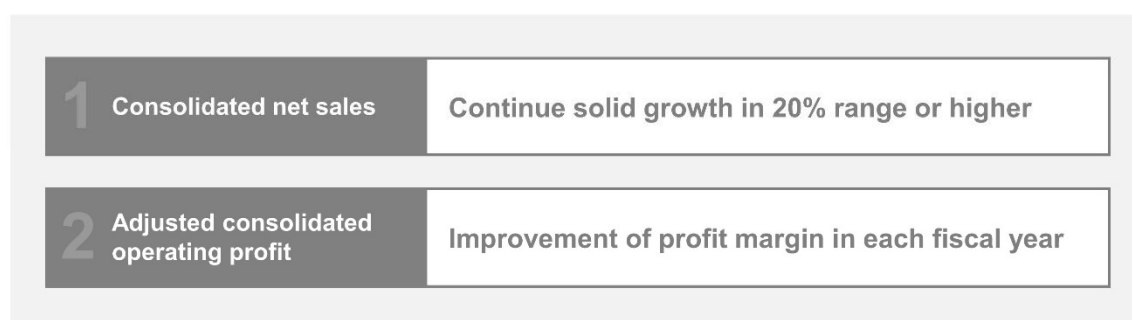
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Even when looking at cash indicators, operating cash flow has been steadily growing, and we've recorded positive results for the past five fiscal years.

Free cash flow has also remained positive for the past three fiscal years, and I believe we're able to secure sufficient capacity to now consider, for example, future growth investments and medium- to long-term shareholder returns.

Medium-Term Financial Goals Adopted for FY2022

Key management indicators (FY2022–FY2024)



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I'd also like to take a closer look back on our recent performance in terms of progress toward our medium-term financial targets.

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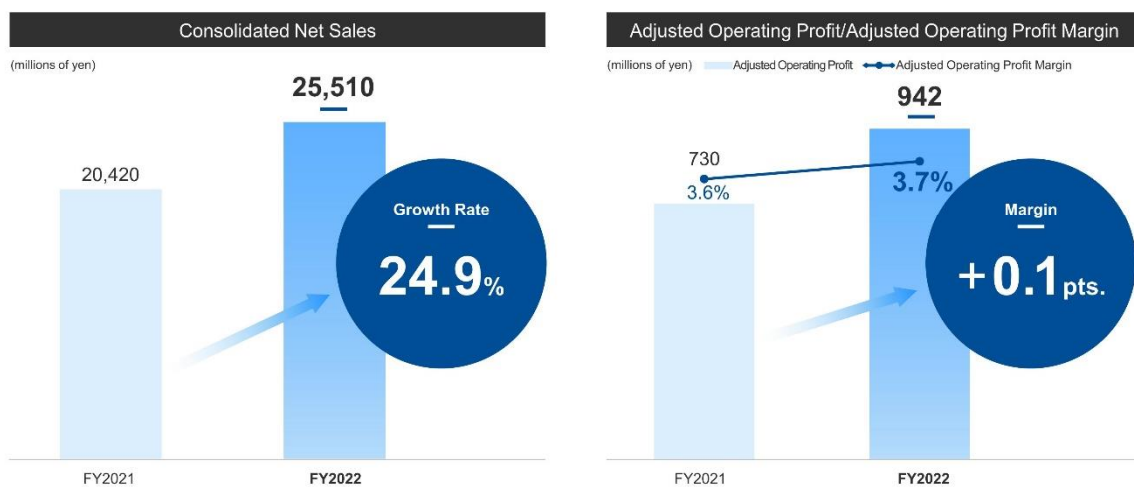
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At the start of the previous fiscal year, ended May 2023, we established medium-term financial targets for the fiscal year ending May 2025.

We're currently in a phase in which we're making certain growth investments to achieve medium- to long-term growth but, going forward, this will involve achieving growth not only in terms of net sales but also profit.

Specifically, while maintaining consolidated net sales growth of 20%+, we aim to improve our adjusted consolidated operating profit margin every fiscal year; in other words, achieve profit growth that exceeds net sales growth.

Results in First Year (FY2022)



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In the first fiscal year, net sales grew 24.9% year on year, and the adjusted operating profit margin improved by 0.1 percentage points, achieving the targets.

In the fiscal year ended May 2023, the Bill One cloud-based invoice management solution, which will be covered in the next session, continued to experience high growth.

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The net sales growth rate of the Sansan sales DX solution also gradually recovered because of business reopening after COVID-19 and because of a product redesign.

Upward Revision of Medium-Term Financial Targets for FY2023

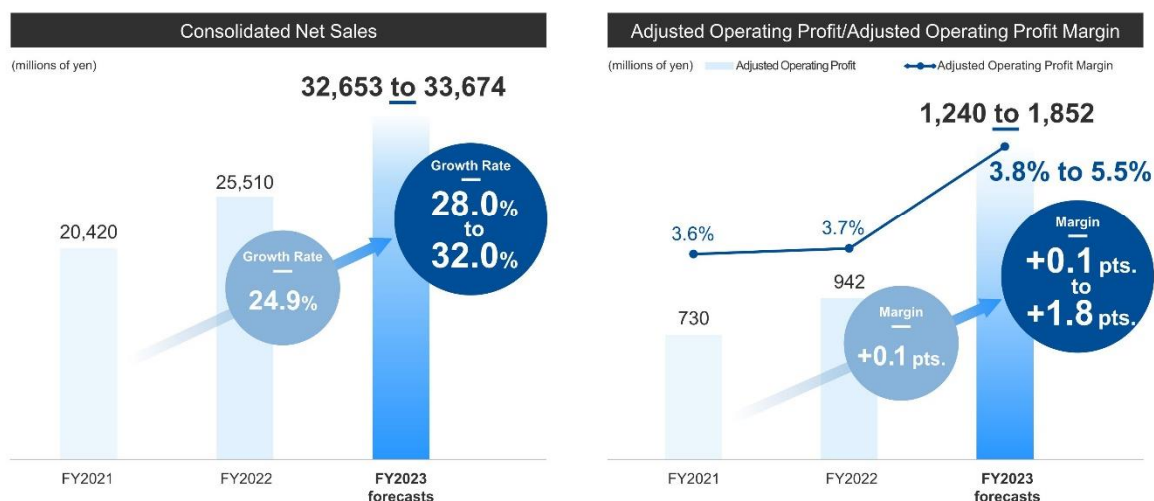


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Following on from this steady business progress, at the start of the current fiscal year, ending May 2024, we made upward revisions to some of our medium-term financial targets, increasing the consolidated net sales growth rate from 20%+ to the mid-20% range.

Full-Year Forecasts for Second Year (FY2023)



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The full-year performance forecast for this fiscal year, the second year of the plan, is for net sales to grow by 28% to 32% year on year, and the growth rate to accelerate year on year.

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The adjusted operating profit margin is also expected to improve by 0.1 percentage points to 1.8 percentage points year on year, and both net sales and profit are in line with the medium-term financial targets.

Overview of Consolidated Financial Results

Net sales up 33.0% YoY.

Adjusted operating profit significantly up 704.2% YoY owing to lower ratio of advertising expenses to net sales, and increased net sales.

	(millions of yen)	FY2022	FY2023	
		Q2YTD Results	Q2YTD Results	YoY
Consolidated Results	Net Sales	11,824	15,726	+33.0%
	Gross Profit	10,200	13,423	+31.6%
	Gross Profit Margin	86.3%	85.4%	-0.9 pts.
	Adjusted Operating Profit	65	522	+704.2%
	Adjusted Operating Profit Margin	0.5%	3.3%	+2.8 pts.
	Ordinary Profit	-113	268	—
	Profit Attributable to Owners of Parent	151	143	-5.1%
	EPS	1.21 yen	1.14 yen	-5.5%

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Let me briefly explain the main points regarding the latest cumulative financial results, covering the second quarter of the fiscal year ending May 2024.

First, regarding the consolidated results, net sales were strong, up 33% year on year.

And adjusted operating profit increased about eightfold year on year, mainly owing to net sales growth and a lower ratio of advertising expenses to net sales.

The gross profit margin decreased slightly because the composition ratio of Bill One, which has a relatively low profit margin, increased.

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Results by Segment

Increased net sales and adjusted operating profit (turned positive) in both Sansan/Bill One and Eight businesses. Negative YoY increase in adjustment amount (adjusted operating profit) mainly reflects increased headcount associated with growth investments.

		FY2022		FY2023	
		(millions of yen)		Q2YTD Results	Q2YTD Results
Net Sales	Consolidated		11,824	15,726	+33.0%
	Sansan/Bill One Business		10,516	14,023	+33.3%
	Eight Business		1,235	1,509	+22.1%
	Others		101	257	+154.8%
	Adjustments		-29	-64	–
Adjusted Operating Profit	Consolidated		65	522	+704.2%
	Sansan/Bill One Business		2,964	3,907	+31.8%
	Eight Business		-149	4	–
	Others		-11	-36	–
	Adjustments		-2,739	-3,353	–

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By segment, both the Sansan/Bill One and Eight businesses posted increased sales and adjusted operating profit.

Note that common expenses not allocated to segments – such as office-related expenses including office rent and personnel expenses for back office – are recorded under the adjustment amount for profit items.

The negative year-on-year increase in the adjustment amount mainly reflects factors such as the increased headcount associated with growth strategies.

Sansan/Bill One Business Overview

Net sales up 33.3% YoY backed by solid growth of Sansan and strong growth of Bill One. Adjusted operating profit up 31.8% YoY while implementing growth investments for Sansan and Bill One.

		FY2022		FY2023	
		(millions of yen)		Q2YTD Results	Q2YTD Results
Sansan/ Bill One Business	Net Sales		10,516	14,023	+33.3%
	Sansan		9,532	11,012	+15.5%
	Sansan Recurring Sales		9,039	10,401	+15.1%
	Sansan Other Sales		492	610	+24.0%
	Bill One		898	2,588	+188.2%
	Others		86	422	+391.0%
	Adjusted Operating Profit		2,964	3,907	+31.8%
	Adjusted Operating Profit Margin		28.2%	27.9%	-0.3 pts.

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Net sales in the Sansan/Bill One Business were up 33.3% year on year owing to the solid growth of Sansan and the continued strong growth of Bill One.

Despite growth investments, the adjusted operating income increased 31.8% because of the segment's strong net sales performance.

I'll leave out the details of Sansan/Bill One KPIs here because they'll be covered in a later session.

Eight Business Overview

Net sales up 22.1% YoY owing to steady growth of B2B services and solid growth of B2C services.
Adjusted operating profit turned positive owing to sales growth and the profitability-focused business operation.

		FY2022	FY2023	
		Q2YTD Results	Q2YTD Results	YoY
	(millions of yen)			
Eight Business	Net Sales	1,235	1,509	+22.1%
	B2C Services	146	166	+13.6%
	B2B Services	1,088	1,342	+23.3%
	Adjusted Operating Profit	-149	4	—
	Adjusted Operating Profit Margin	—	0.3%	—

Eight business net sales increased 22.1% year on year, owing to strong performances in both B2B and B2C services.

Adjusted operating profit was in the black for the first time in the second quarter because of increased net sales and a shift to business operations focused on improving profitability.

So, even in terms of the respective consolidated and by-segment results, the second quarter results show we're making steady progress against the earnings forecasts announced at the start of the fiscal year.

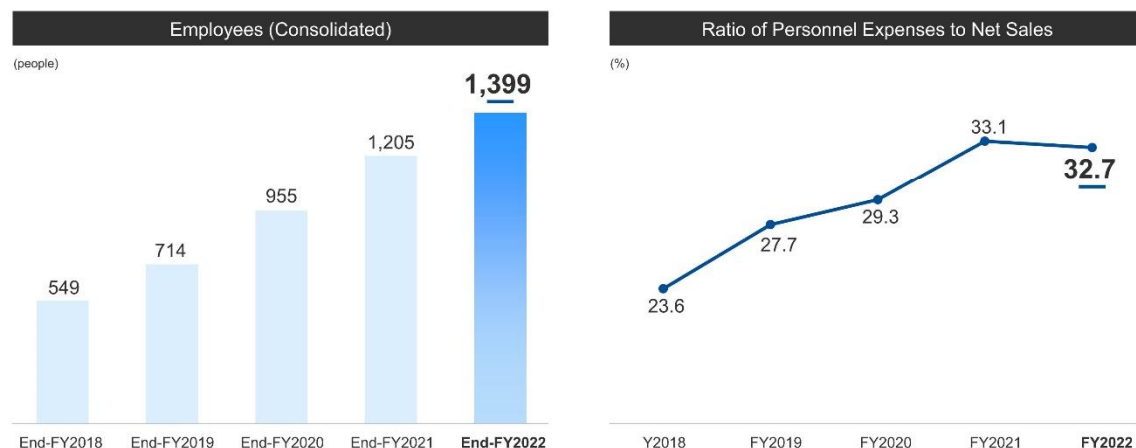
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Strengthening of Recruitment

Strengthening recruitment expected to continue over the medium term while taking into consideration balance with profit growth.



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Lastly, I will explain our approach to future growth investments.

Recruiting and marketing are among areas that will be the focus of cash investments for growth over the medium term.

First, with recruiting, the trends in the number of consolidated employees and the ratio of personnel expenses to net sales over the past five years look like this.

Strengthening recruitment mainly involves sales personnel.

Assuming we can maintain and improve per-person productivity, strengthening recruitment will greatly contribute to future net sales growth and, ultimately, profit growth.

As there are currently no major concerns about productivity, we'll continue to strengthen recruitment in the current fiscal year, and the ratio of personnel expenses to net sales is expected to increase slightly year on year.

Even while continuing to bolster recruitment, from next fiscal year onward, I'd like to determine the amount of investment while at the same time taking a closer look at more of a balance with profit growth.

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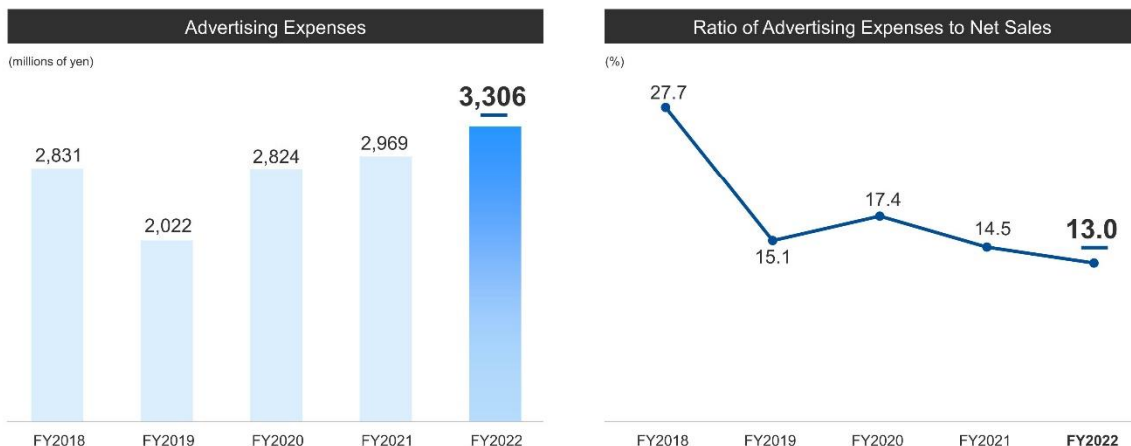
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Marketing Activities

Although a certain scale of marketing activities will continue, ratio of advertising expenses to net sales expected to gradually decline.



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I'd also like to touch on marketing activities, especially advertising.

Advertising expenses themselves have been increasing slowly each year, and the net sales ratio has been trending downward.

Marketing will remain an important growth strategy going forward, so the investment amount itself should increase gradually.

But, as we've already reached a certain level of investment, we don't currently recognize a need for large-scale additional investments that would cause a decline in profit margins.

Utilize M&A

Actively utilize M&A opportunities to achieve discontinuous growth.



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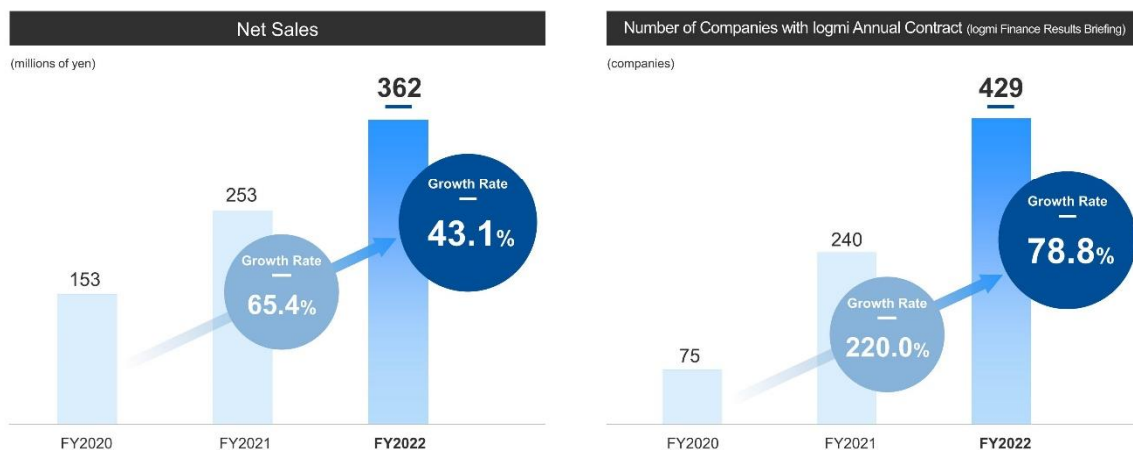
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Finally, I'd like to cover M&A, which we position as an important growth strategy.

To date, we have not made any large-scale acquisitions, but we have done M&A in areas that have direct synergies with existing businesses and areas that will strengthen our technology and data infrastructure, and the four companies shown have joined our group.

logmi, Inc. Results

After joining the group, net sales and number of contracted companies have steadily grown



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I'll briefly outline one of these companies, logmi, after it joined our group.

This company operates a media outlet that transcribes full texts of speeches, dialogues, press conferences, and other events, logs them, and delivers this information to many people.

Since logmi became a group company, we've been supporting its growth strategies with our brand and human resources and other expertise.

The continual progress of these strategies has led to steady growth in the company's net sales, driven primarily by the growth of logmi Finance, which delivers information, such as financial results briefings for analysts and institutional investors, to a wide range of stakeholders, mainly individual investors.

We will continue to actively take advantage of M&A opportunities and work to achieve further growth.

That's all from me.

Thank you for your attention.

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Question & Answer

Moderator [M]: Now, we will proceed with the Q&A session.

Allow me to explain how to ask questions. Please click on the raise hand button at the bottom of the screen. I will guide you in order. When your name is called, please unmute your mic. We are transcribing the Q&A session. If you wish to remain anonymous regarding your name and the company, you have the option to choose four random letter characters to use for the name to be anonymous. We welcome questions from everyone and appreciate it if each participant could limit their questions to two per turn. If you have more than two questions, please click the raise hand button again after your initial questions have been answered. Please click the raise hand button if you have any questions.

We have a question from David Gibson. Please go ahead.

Gibson [Q]: Maybe primarily to Terada-san, could you explain for us a little bit of background on why you decided to take on the CPO role as well as being CEO? What happened that drove that decision? Then, what are the benefits from here on in of doing both? That's the first one.

The second is, can you talk about the share price? Why do you think it's not performing in the last six, 12 months? What do you think you will be doing that will actually help improve the share price performance in the coming several years.

Thank you.

Terada [A]: Okay. Thank you for your question.

First, why I became a CPO, in addition to the CEO role. Well, I have been a CPO since we started this company. I didn't claim that I was CPO at the time. I spent more time on product development. In recent days, we have multiple products so that we need to balance more and more carefully about the product side and the business side. Then, we have more new products coming up, so someone has to take care of the balance between development and the business side. I think I am the best person to deal with it, so now, I spend more time on developing new products like related to Bill One, for example. We are going to add more modules to build on. These are things that I took lead on. All in all, that way, I can contribute more to the growth of this company, so I decided to become CPO.

Second is about valuation of stock price of this company. Maybe Mune Hashimoto will follow up on it. What I can do is to grow this company. For us to grow, we need to have steady growth on Sansan side and fast growth on Bill One side so that, like I mentioned, I became CPO to make that happen.

Maybe, Mune, you can follow up on that.

Hashimoto [A]: Yes. We are not in a position to specifically talk about the share price target right now. Now, we understand there is a mixed fear among the investors, financial investors. We are listening carefully to them, and we are making efforts to maximize the share price by talking with a lot of investors and let them understand the company. Our target is not much near-term share price, but we are looking at the long-term share price, and we will make every effort to make it happen.

Gibson [M]: Okay, thanks so much.

Moderator [M]: Are there any other questions?

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We have a question. Please go ahead.

Participant [Q]: Yes, hi. Thanks for the time today.

One question is on profitability, and I think that there's an increasing focus in the marketplace now around profitability. I guess, on a multiyear basis, I'm curious on how you guys are thinking about the evolution of your margins and consolidated operating profit growth maybe on a three-year basis?

Hashimoto [A]: Thank you very much for your question.

We are, as I mentioned, we are trying to increase the profitability margin going forward over the next two years. By looking at business by business, Sansan, our core service, is achieving very high profitability right now. For Bill One, which is significantly growing, it is the right time to invest a lot of money for the recruiting and marketing.

Going forward, we will be reaching to the break-even level, not this fiscal year, maybe next fiscal year or two years later. By reaching that target, as a consolidated basis, we will be able to expand our profit margin going forward. From now and maybe the next fiscal year, that margin expansion itself is not that significant to the consolidated basis. For the next three-year time frame, we have confidence in expanding our margin based on existing business model and existing business environment.

Participant [Q]: Bill One, obviously, is growing very quickly, and you're having a lot of success there, but the idea is that the operating losses in Bill One, at least in absolute terms, are likely to be declining next year, even though it will still be in a loss mode.

Hashimoto [A]: Next fiscal year, we are trying to get it to break-even or maybe a little bit of a loss. One year later, which is ending May 2026, we will be making a profit.

Participant [Q]: Okay. All right, so it will still be loss-making, but it will be a pretty significant improvement in the absolute level of loss. Okay.

Then, I think there's been some concern in the market in the last few days, one of your competitors of Bill One talked about having peak levels of demand and it was shown on their January sales results. Can you just maybe give us some general comments about the demand environment for Bill One?

Terada [A]: All right. Thank you.

It's fair to say there was a big boost from regulatory changes like invoice regulation and electric bookkeeping law. We expected high growth in the first quarter, followed by a slowdown in the second and third quarters, and then high growth again, and the current situation is in line with our expectations. Well, we are pretty sure that we can increase the new MRR itself going forward because we added a lot of salespeople for the first six months, and they are turning to be productive. Then, they're going to contribute to the growth itself.

The point is, there are so many companies that don't use build-like system to operate invoices yet. They are a huge market. Bill One is more about lifting productivity in accounting division, not only about complying with regulation. We can still say that you need it for regulatory compliance, but at the same time, it's all about productivity. We are pretty sure that the new MRR coming in Q4 is going to be the highest in the past.

That's all that I can say now.

Participant [M]: Thank you so much.

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Moderator [M]: Now, we have a question from the chat box, and I will read it.

Participant [Q]: Some invoices acts to cloud software companies have been negatively impacted recently on the back end of positive impacts from invoice system setup. Similar things might happen to Bill One this year?

Terada [A]: The question is like the previous one. I mean, so yes, there is some negative impact about the environmental changes. At the same time, we are pretty sure that we can still increase the new MRR per month and per quarter by adding more salespeople because there is a huge market still there. We say we have about 2,300 more clients of Bill One users, but there are a million companies in Japanese market. Invoices like business cards are the things that every company deals with. Every company needs to encounter the labor shortage coming up, especially in accounting division. I mean there is less and less labor, and they still need to close their monthly reporting. That's another thing. That's a thing that we can say that you need this Bill One like system. It's more about sales-driven market now. Now, we have more and more salespeople. We are pretty sure that we can increase the new MRR growth.

Moderator [M]: Do you have any other questions?

We have a question from David Gibson again. Please go ahead.

Gibson [Q]: Thanks. It's David Gibson from MST.

Could you talk about more on the Sansan sales DX plans going forward? In particular, if you've invested a lot of time and effort in the adding on services to turning into a sales DX tool, how do you view that business going forward from a competitive point of view? Also, how do you gain customers in long term?

Terada [A]: Thank you. Thank you for the question again.

Well, the thing is that the business cards come back, I mean, in Japanese business environment, more than expected. There are a lot of business cards exchanged in the current situation. We can come back again to the point about business card capability. We actually changed the pricing package again to light edition, standard edition, enterprise edition structure, but light edition is solely for business card management. The standard edition is for database. The enterprise edition is for more security thing. Only we are trying to increase the price itself by 30%. I don't know how it's going to deliver the results yet, but it's starting now. It started this month, very fast.

The database itself is really strong now, competitive enough to say that it's a database itself. I'm pretty sure to at least to keep the steady growth of around 15% going forward. It's fair to say that 20% is challenging yet. For me, as a CEO and CPO, I try to reach the 20% level.

Maybe the key might be in the area of digital business cards itself. I mean, while business cards are coming back, we believe it should be replaced anyway by some digital way. We've been pushing this business cards capability for the last, say, five years, and also how [inaudible] during the COVID-19 era, but it's not happening yet. But technology is coming up and catching up.

For example, in Eight applications, we enhanced the digital business card function. In Eight business, we organized a business event utilizing this function. The recent one we held was solely for Eight users so that in the exhibition hall, there are no paper business costs. That's a sign of new business exchange culture, we believe. If we can apply that thing to Sansan business, we probably gain more opportunities. Right now, it's fair to say it's not happening yet, so these things are something that I'm more excited about as CPO and CEO.

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Gibson [M]: Okay, thanks.

Moderator [M]: Now, we have questions from the chat box.

Participant [Q]: You're hiring a lot of salespeople. What is the signpost that you are seeing to increase hiring? Is productivity per salesperson at all levels that you think more investment is needed?

Hashimoto [A]: Okay. Let me answer the questions.

Yes, we are pretty much aggressively hiring the sales talent for this fiscal year. Looking back for the past three fiscal years, we hired a lot of people for the Bill One sales team, but not for the Sansan sales team during COVID-19. Now, we are in a position to hire many people in sales and also keep the profitability on the operating level, so we are making a lot of investment. At the same time, we are balancing costs and revenue increase and make the consolidated operating profit margin sustainable.

Our main indicator to maintain the productivity is net sales increase, monthly recurring revenue increase per sales person. As long as we see that number, our productivity is making progress, and we maintain a certain level of the productivity for sales count. As long as we maintain that productivity, it makes sense for us to keep investing in human resources and keep hiring many talents in sales. For the next two years or maybe next fiscal year, two years later, we have to make a sort of judgment to keep hiring aggressively or moderate the hiring speed. Toward the end of this fiscal year, we will closely monitor the productivity KPI, and we will make a judgment for the next fiscal year.

Moderator [M]: The next question is about Bill One.

Participant [Q]: I heard the list price by invoice was optimized. Why is this the right move? Is this price competitive, good value for money against competitors?

Terada [A]: Okay. We did price optimization. Well, competition rate itself, we monitored is about 40% around. For the rest of the 60%, we would have no competitors at all. It's about how we sell, not about competing with others.

Moderator [M]: Thank you. Are there any other questions? It seems there are no further questions at the moment, so we will conclude here.

That concludes the CEO and CFO sessions. Thank you very much.

Company Representative [M]: Thank you.

[END]

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