Sansan, Inc.

Sansan IR Day 2024 Part 3

February 15, 2024

Event Summary

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[Participants]	
[Number of Speakers]	1 Kenji Shiomi — Director, Executive Officer, CISO, DPO, Engineering Division Head

Presentation

Moderator*: Let's commence the concluding session of Sansan IR Day 2024. Our esteemed CISO will offer an insightful 30-minute presentation on our business data strategy. Following the presentation, we will open the floor for Q&A until 9:50 AM Japan time.

Now, let's welcome the CISO, Mr. Shiomi, for his presentation.

Shiomi*: I'm Kenji Shiomi, a Sansan director. While I head the engineering division, I also serve as Chief Information Security Officer with overall responsibility for information security, and as data protection officer responsible for personal data privacy protection.

In my work before I joined Sansan, I designed and developed mailing systems for major mobile carriers. I then co-founded Sansan in 2007, where my responsibility included being in charge of the Company's development. Now, as the Head of the Engineering division, I am mainly responsible for overseeing technology strategy and strengthening the organization.

Today, I want to talk about our development system, business data strategy, and other matters.

Vision slide

First off, I'll talk about what we're aiming for in terms of development, and how we've made it our goal to be an engineering team that can change the world's business.

Sansan has mainly been helping solve business issues in Japan. We do this by developing unique solutions that leverage the technologies we've cultivated and the business data we've accumulated.

From here forward, we intend to gradually shift our main arena to the world and bring about change using business data to address business issues worldwide.

Now I'll move to our development system.

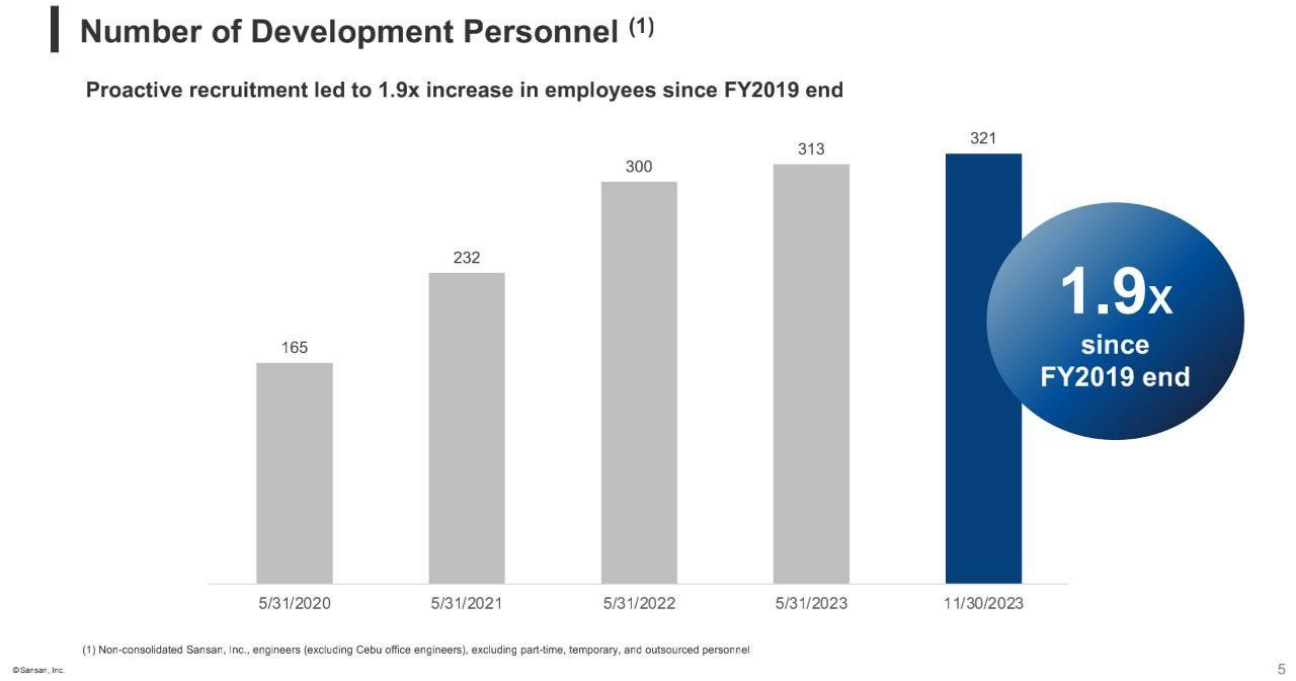
The development departments for each of our solutions, such as Sansan and Bill One, are now consolidated under one large organization called the Engineering Division.

The system used to comprise independent organizations for each service. In July 2021, we consolidated our solutions under one organization and increased the mobility of human resources between our solutions.

This has enabled agile and flexible human resource deployments in line with factors such as development priorities, along with improving development speed; so, this move has also given our developers new growth opportunities.

For example, from 2022 to 2023, Sansan took on a large-scale product redesign.

Bill One also began offering the Bill One Business Card, a corporate credit card, in June 2023, but we're basically responding to these tasks by flexibly deploying personnel from the Engineering Division and in-house production.



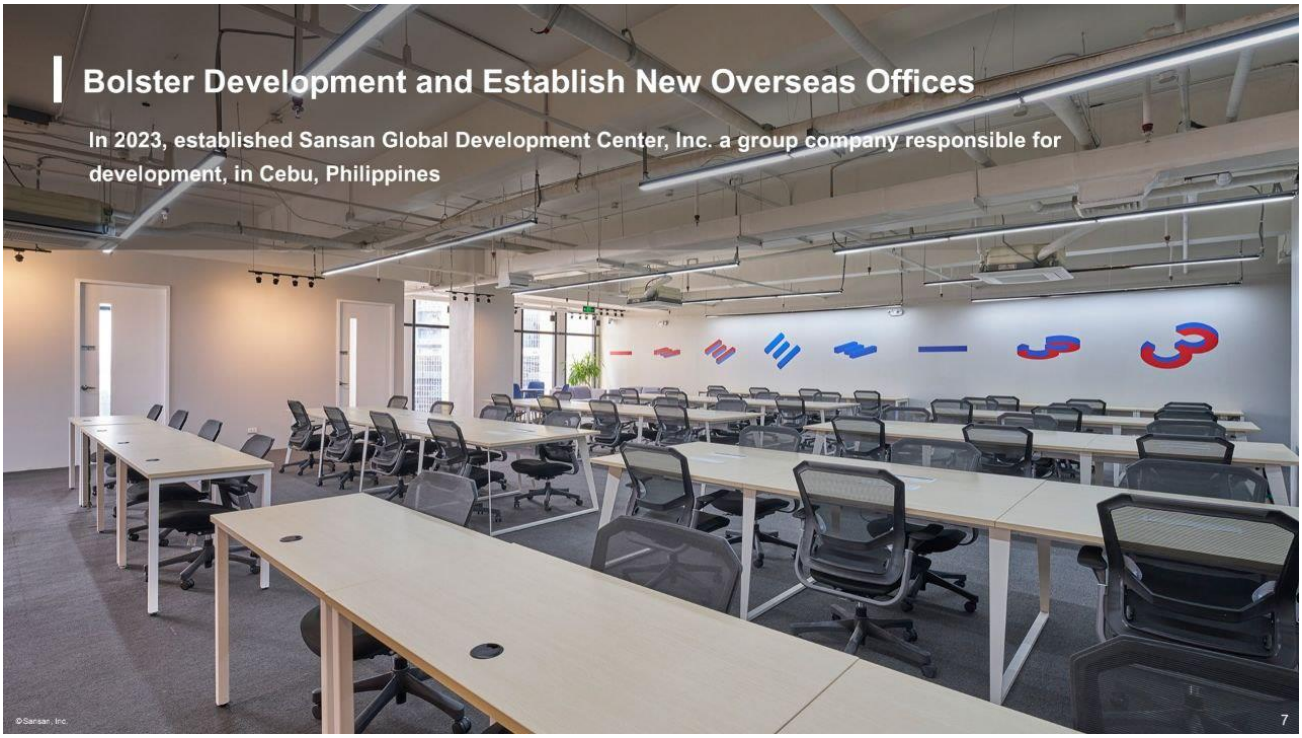
As of November 2023, we had 321 development staff in Japan.

Our efforts to strengthen our development system through more proactive recruitment have led to a 1.9-fold increase in employees since the end of fiscal 2019.

Of those, around 50 are researching areas such as natural language processing, machine learning, and data science, and we've established a system to generate new seeds of business.

We've been recognized for our current development capabilities, our results up to now, and the business growth that's resulted from them. But when small issues are included, I feel a sense of urgency in having only been able to respond to about 60% of the development issues we've wanted to address.

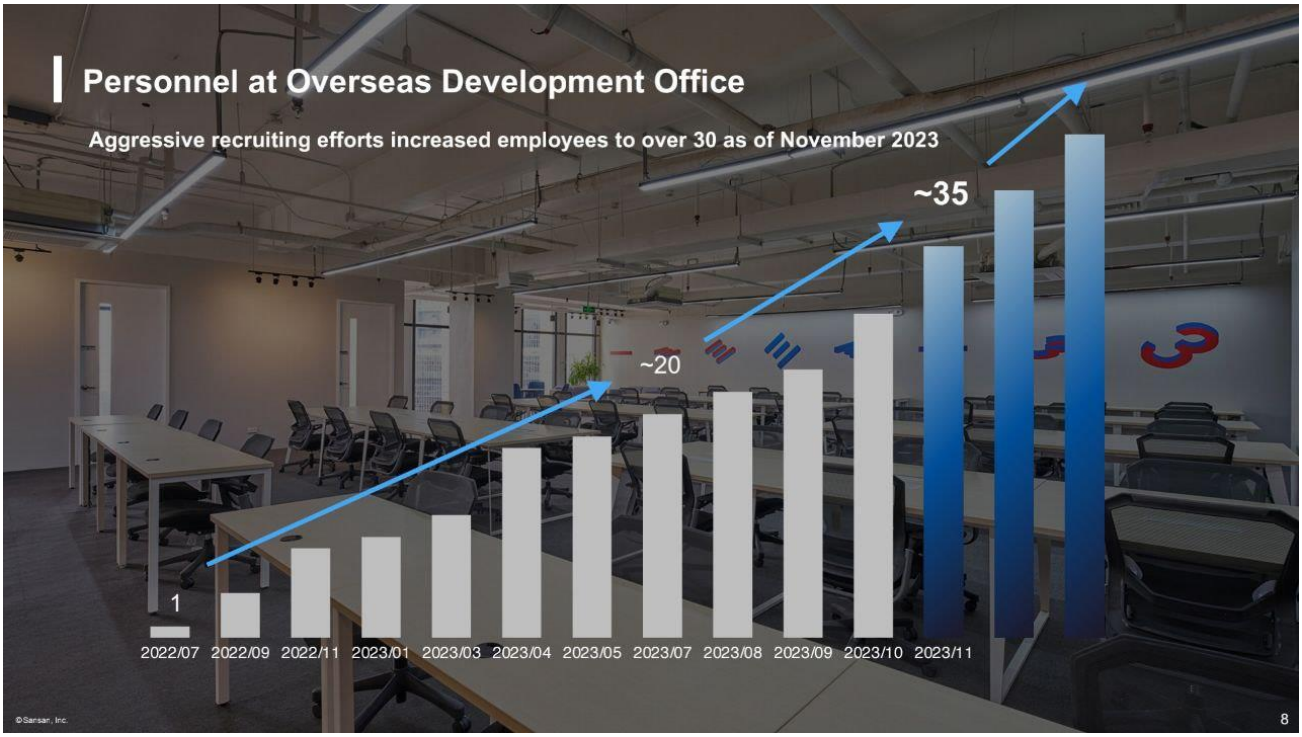
We're therefore strengthening our recruitment of engineers and enhancing their training while steadily hiring talent from a range of backgrounds.



We're also working to strengthen our development system overseas.

Although Japan is still the primary market for our main solutions, we're gradually expanding overseas. But because legal systems and business practices differ from country to country and region to region, overseas expansion means we have to customize some solutions to best suit local business.

Specifically, in 2023, we established the Sansan Global Development Center, a group company responsible for development, in Cebu in the Philippines.



With the progress we've already made with proactive recruitment, from the Center's establishment in April 2023 to November 2023, the number of employees expanded from one to more than 30.

We will continue to actively recruit personnel and hope to expand to 200 employees by 2025.

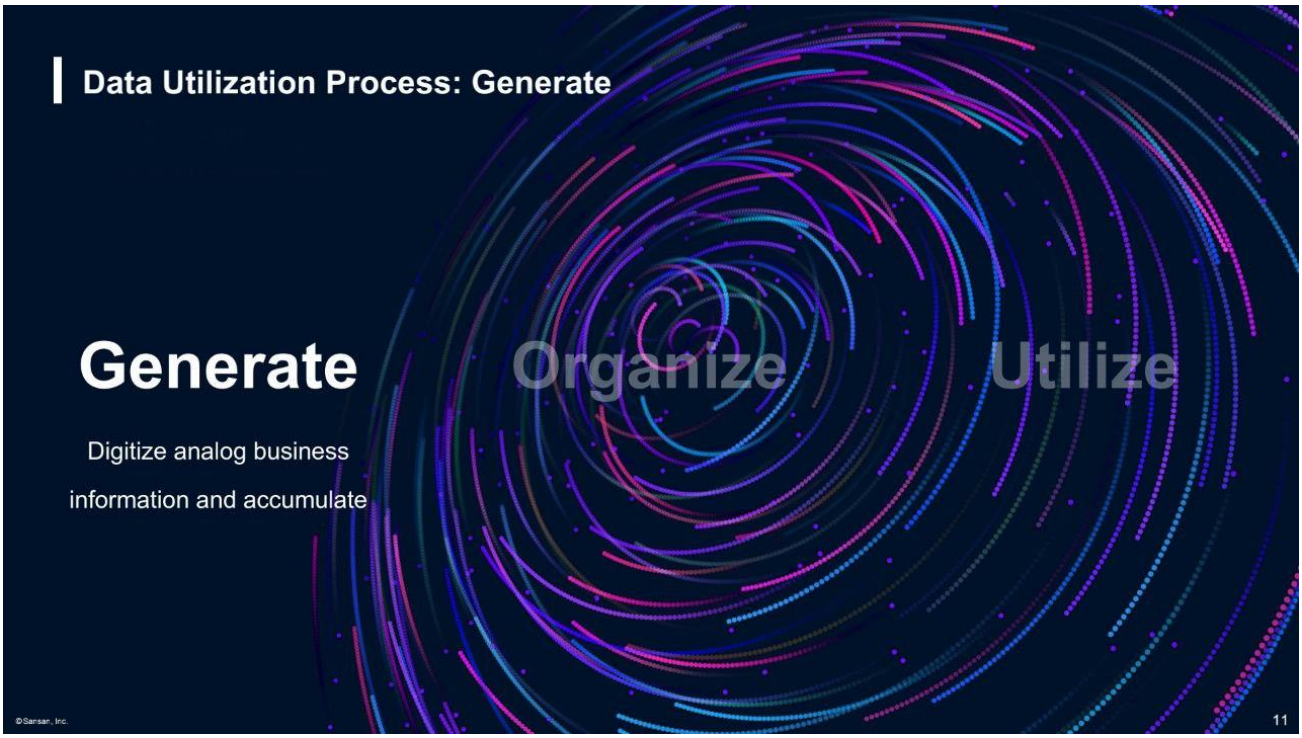
Now I'll move to key strategies that leverage these development capabilities and that Sansan will be turning more toward in the coming years.

スライド

The amount and types of business data that we handle have been expanding significantly with our business expansion.

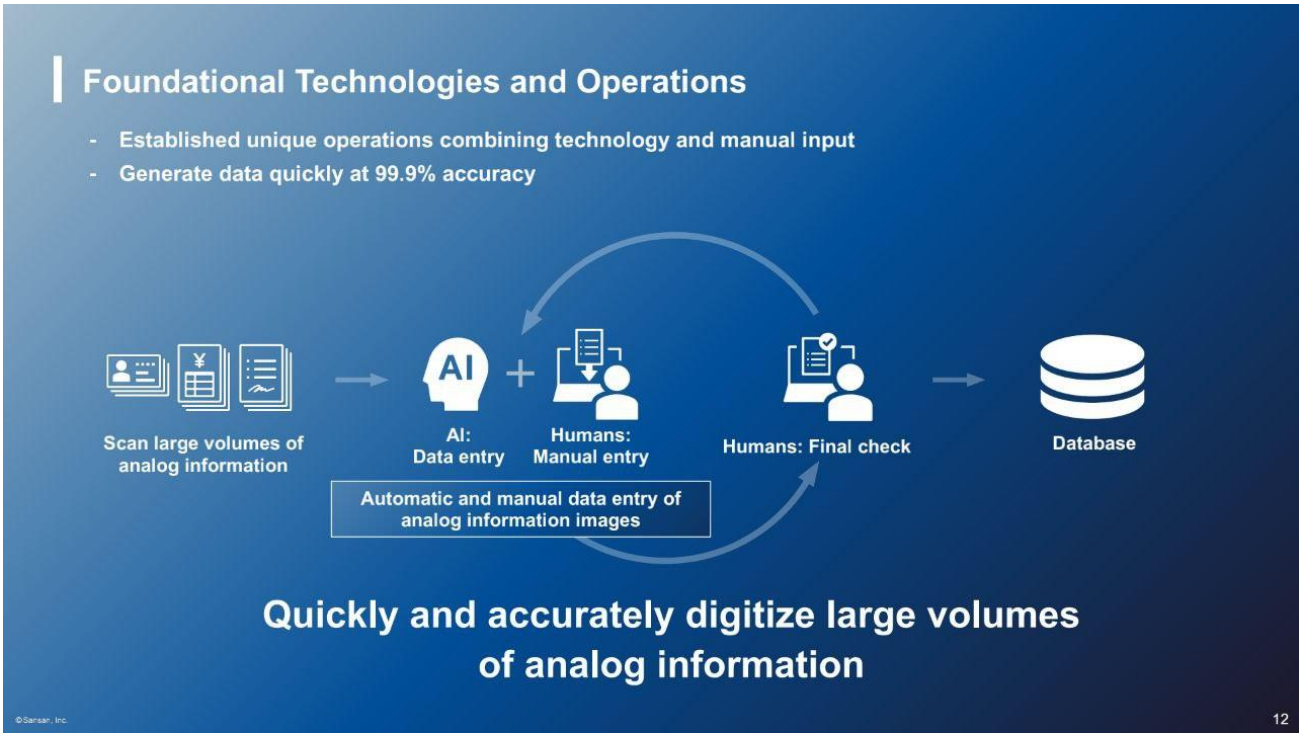
So how will we be able to effectively use a wide variety and huge amounts of business data and provide such solutions and opportunities in the years to come? The answers to these questions are critical to Sansan's future development.

In considering the utilization of business data, it's very important to generate and organize this data. These are the preceding stages and I'd like to explain them.



First, when we talk about data generation, we literally mean data creation.

At Sansan, we've primarily been addressing this issue by digitizing analog information across our solutions.

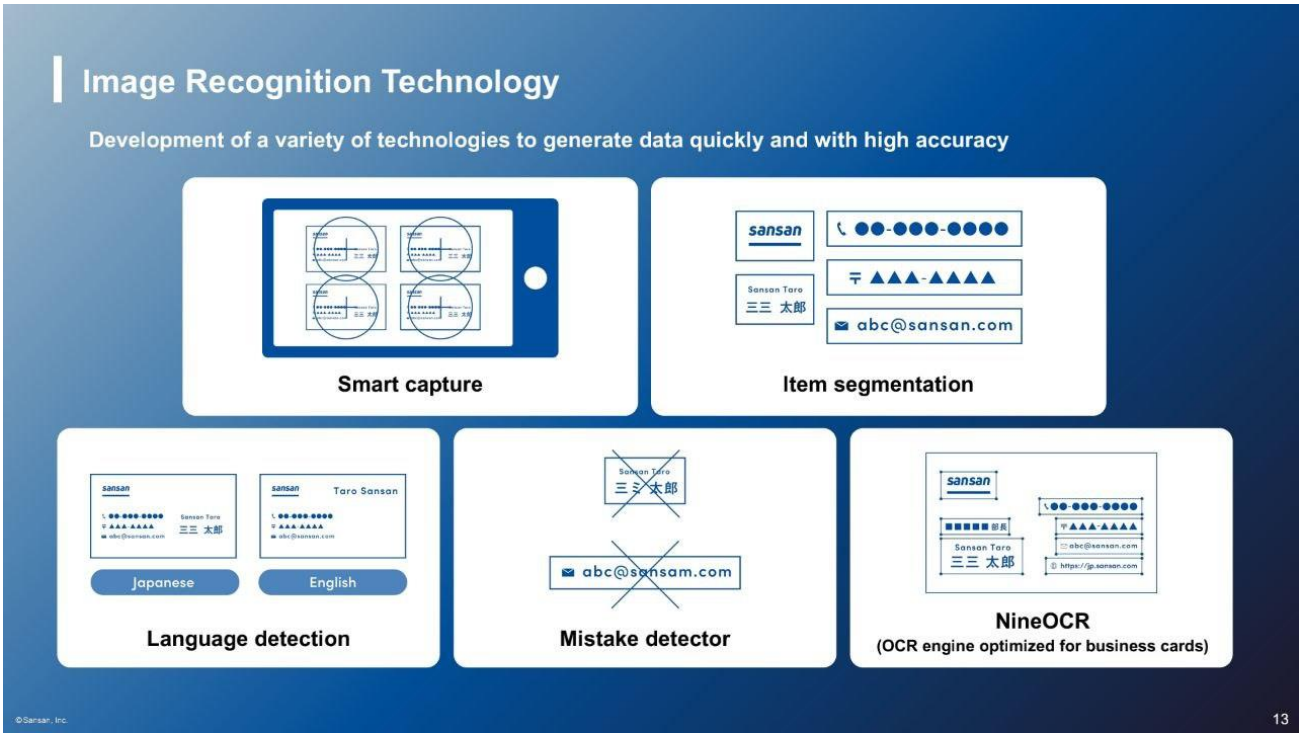


For example, as you know, we digitize paper business cards through Sansan and paper invoices through Bill One. This digitization means that we've established a unique operation combining technology and manual input, which represents a major competitive advantage for our company.

There are various optical character recognition, or OCR, technologies on the market, but no matter what kind of OCR is used, OCR alone cannot automatically achieve 100% digitization accuracy.

If even 1% of information within business data from sources such as business cards and invoices is incorrect, the data's overall reliability will be greatly impaired and rendered useless.

It's therefore important that we're able to generate data quickly and with high 99.9% accuracy. In this respect, Sansan has a competitive advantage in addition to having established operations that incorporate manual human input.



This is its range of technologies.

For example, smart capture recognizes business cards and delivers data to users within seconds, item segmentation identifies fields such as first and last names and company names from business card images, and Sansan's unique OCR digitizes email addresses with 99.7% accuracy.

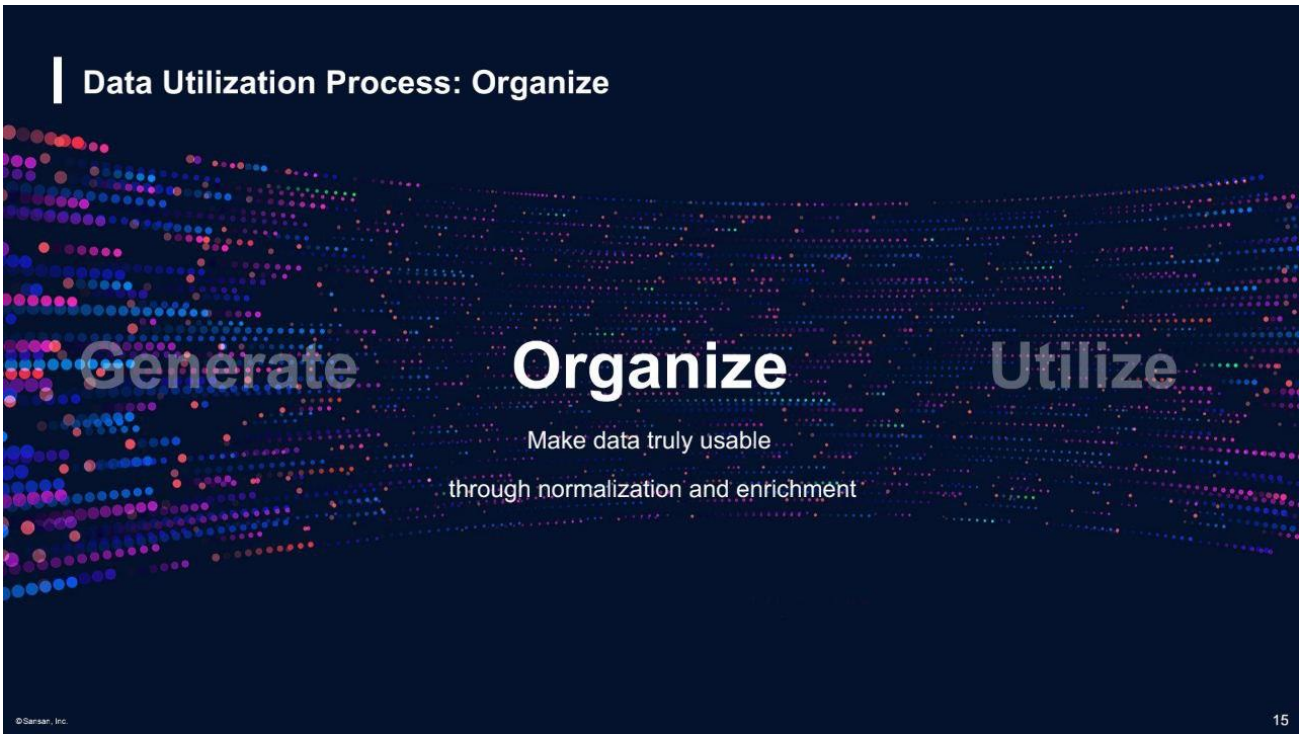
We're also working to improve data accuracy by using AI to analyze digitization errors identified through means such as manual checks, and to deliver greater consistency.

Business data generation requires labor-intensive operations through human input, so the digitization cost when technological abilities weren't so advanced was a lot higher than it is now.

Today, for example, the digitization cost per business card with Sansan is less than 1/20th of what it was when we launched the service. And the process has become around 14 times faster over the past nine years.

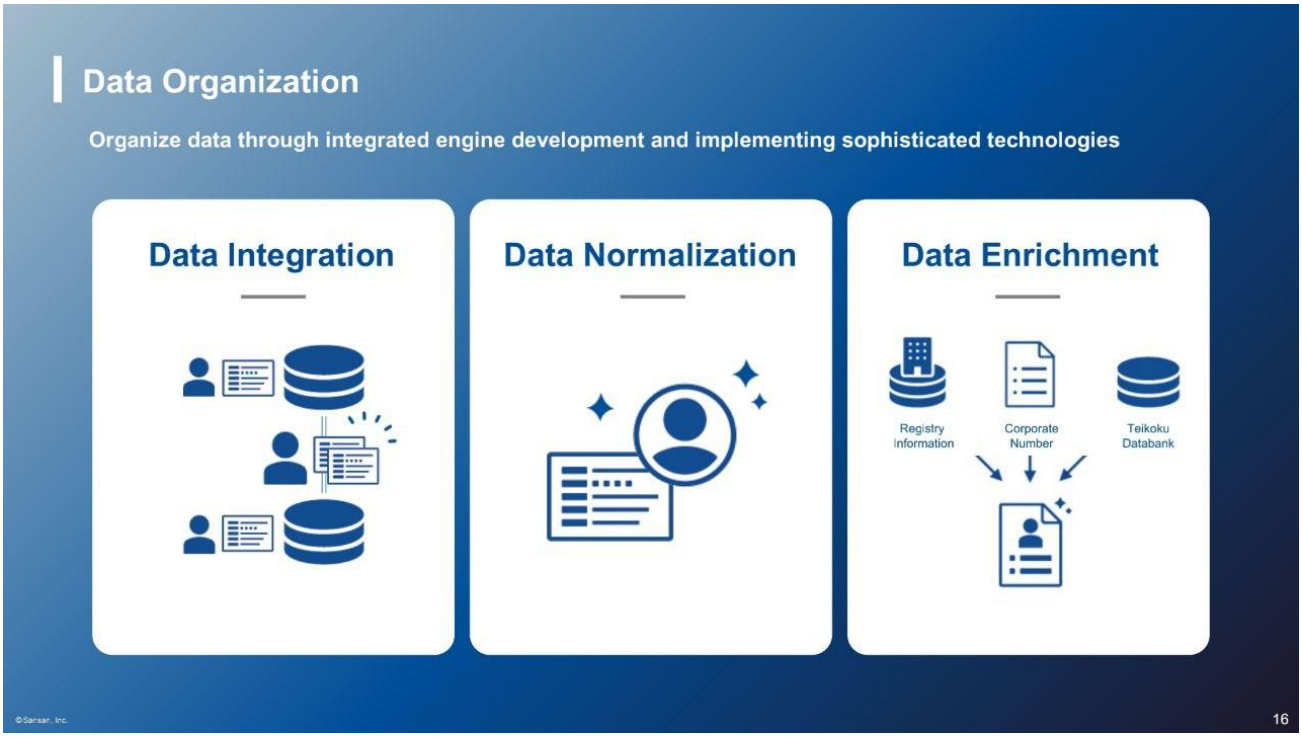
This has been going on over the 16 years since our founding and it's been achieved by digitizing billions of items and accumulating huge amounts of correct answer data and error correction data through human input. Only by doing this have advances been made with AI-based machine learning, reducing the proportion of manual input, and increasing the rate of automated digitization.

If we continue to fine tune these operations – for example, we can reduce the digitization costs for Bill One, which are relatively high because the service was only recently launched – then I believe this will lead to higher gross profit margins.



Next, making more effective use of the data generated in this way means it must be organized.

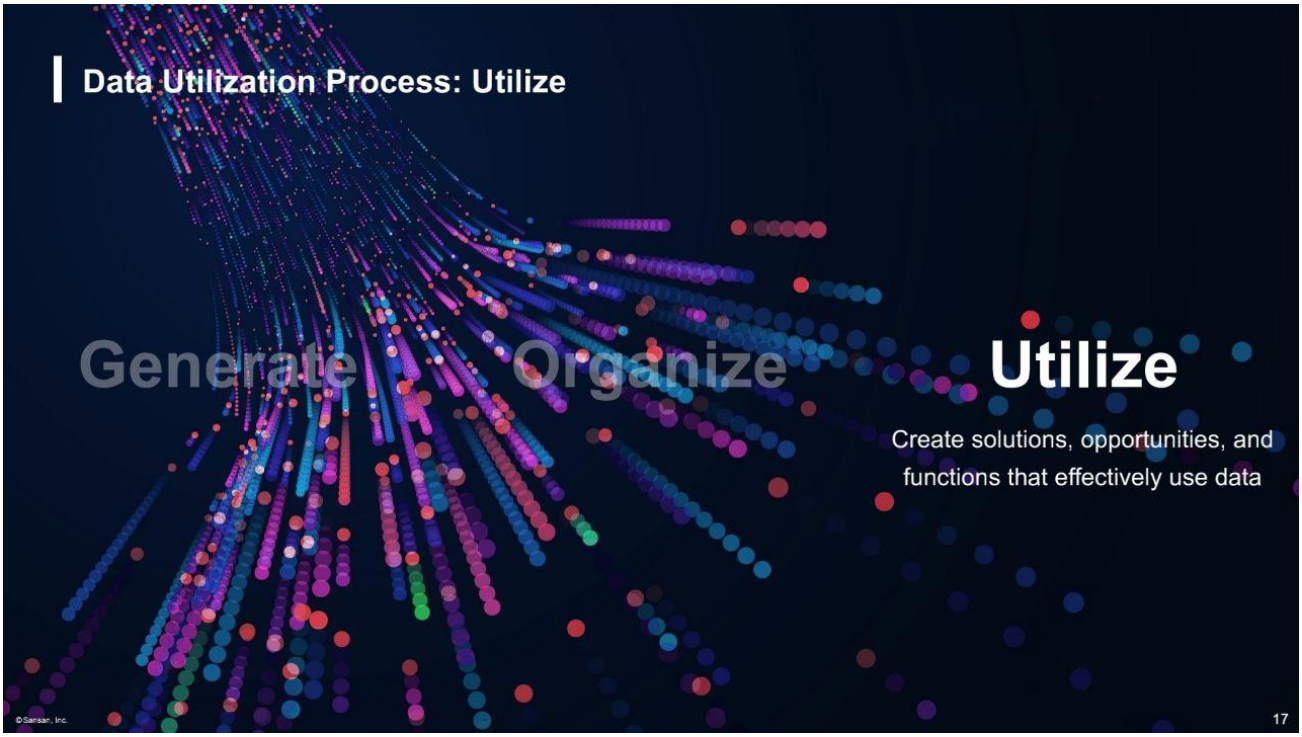
We aim to make data truly usable through normalization and enrichment, and this is where our development abilities come into play.



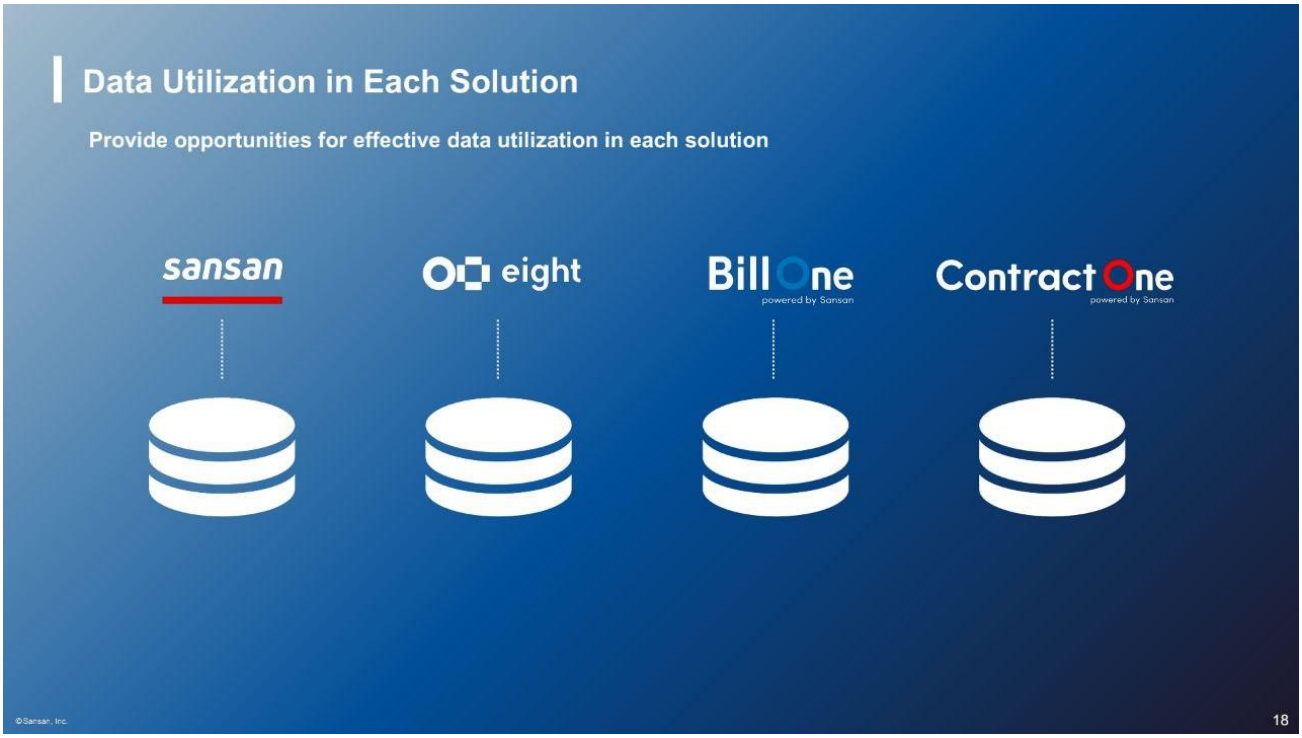
For example, Sansan digitizes and accumulates various items of contact information such as business cards. In some cases, the information is only partially digitized, making it difficult to use as is, or it may seem to be different data. But in reality, when you consider changes in company name or department, the data is in many cases from the same company or person.

In such cases, the data can be used more effectively through data integration and information enrichment, but these require sophisticated technologies.

In addition to having developed an integrated engine for this purpose, we use the data generation expertise I spoke about earlier to build an operation that combines technology with manual input to organize data.



The final stage is data utilization, for which we work to create solutions, opportunities, and functions that effectively use data organized in this way.



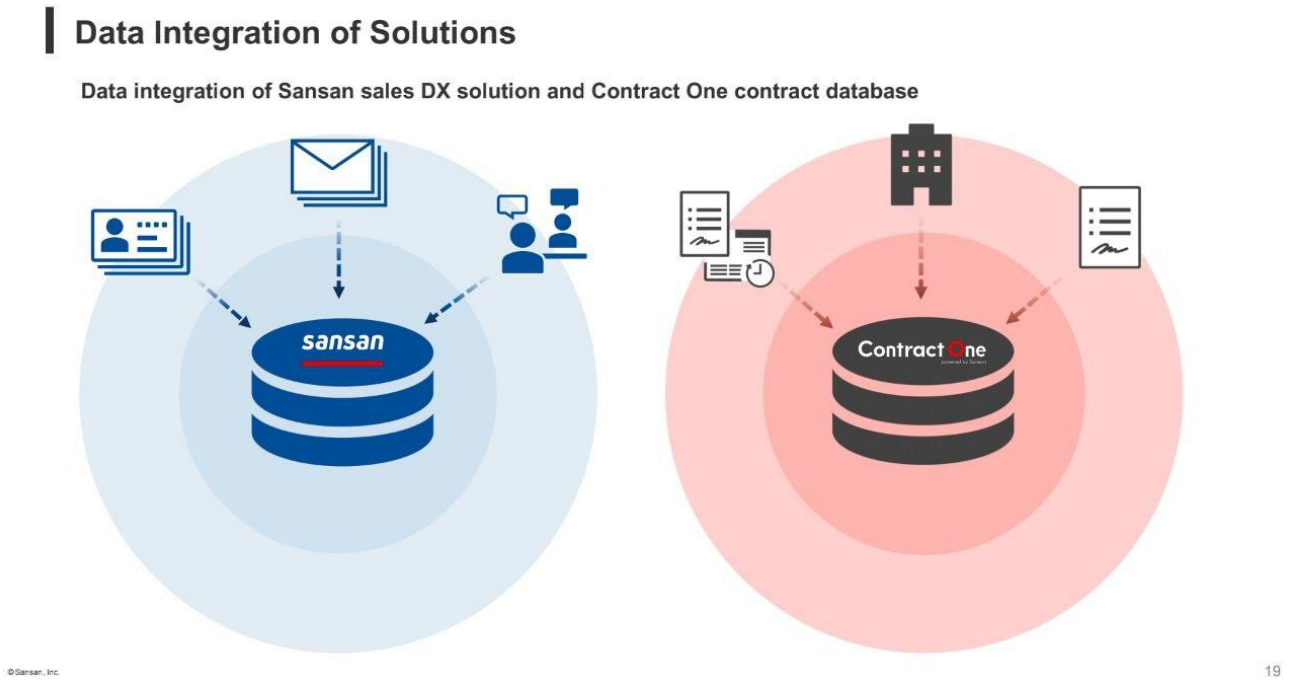
For example, Sansan provides features that enable effective use of various information on companies and people, as well as information on contact activity with their company, helping user companies improve sales productivity and maximize profits.

Meanwhile, Bill One generates and organizes data that can be used in a series of accounting operations, making complicated and tedious tasks more efficient.

We also provide Contract One, the contract database.

This solution accurately digitizes contract information and provides features that enable the entire company to utilize the details of transactions, transaction histories, and relationships with partner companies that can be extracted from the data.

In this way, we've been working to provide opportunities for effective data utilization in a form seemingly confined to each solution. Going forward, we can further improve the value of our solutions and the data we possess by providing opportunities that go beyond the solutions, that is, by solution integration to utilize data.



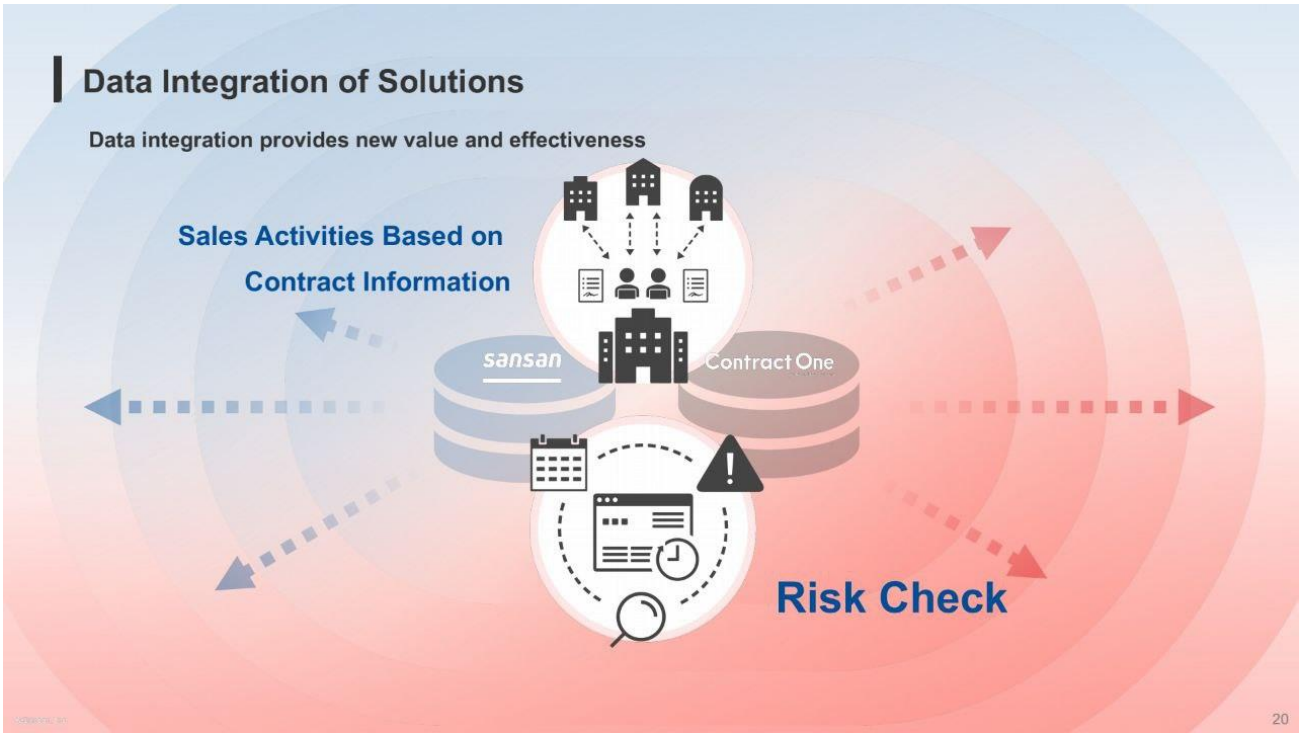
Some of our solutions have already achieved this goal.

An example is the integration of our Sansan sales DX solution and Contract One contract database.

So, Sansan lets users use contact information such as business cards and emails, as well as various company and personal information.

Meanwhile, Contract One lets users use information that's within contracts, such as the contracting parties, contract periods, and contents.

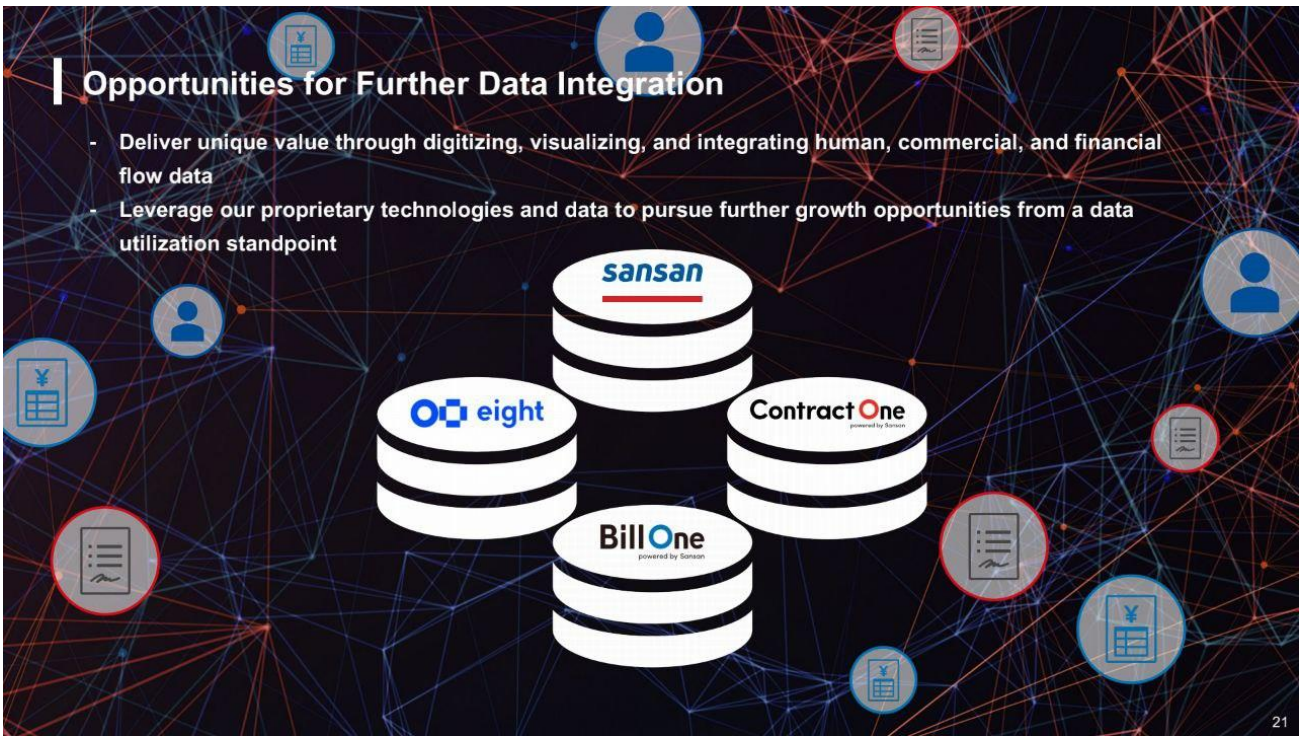
Although a variety of effects can be obtained from using each solution individually, those effects are even greater when these information items are combined.



For example, from the Sansan perspective, contract information is added as new contact information.

Sansan serves not only as a point of contact but also lets users check what kind of business they've done with that company under what contracts, so they can use the system for sales activities.

With Contract One, utilizing Sansan's corporate information and risk check features lets users efficiently inspect contracts before concluding them.



What I've just outlined is just one example. But while even individual business data alone is valuable, if we reach the stage where we can integrate and use each data item, that data's value will increase dramatically.

If we can promote such data integration and eventually integrate all our solutions in a meaningful way, we'll be able to provide exactly the value as business infrastructure that we've adopted as the Sansan vision.

More specifically, the flow of people, such as customer contacts and sales activities, the flow of business as seen in contracts with customers, and the flow of money generated from business are often managed separately or understood by only a few of the parties involved.

Each solution that Sansan offers will digitize and visualize human, commercial, and financial flow data and convert them into assets that can be effectively utilized. If we can advance to the point of integrating all that data, we'll be able to provide our customers with unprecedented, truly unique value.

Also, the business data we handle has greatly expanded over the past few years, and it's quite possible that we'll be able to acquire new data by creating new solutions in the future.

A platform built in this way, which can organically use business data from multiple fields, will provide great value both domestically and internationally. We will leverage our unique technologies and data to pursue new growth opportunities from the perspective of utilizing business data.

I'll finish by addressing our security initiatives.

Balance Security and Convenience

Security recognized as our company's lifeline and identified as a material issue

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

Metrics	Targets for FY2029 (1)	Results for FY2022 (1)
Number of major incidents	**0**	**0**
Proportion of those with personal information protection specialist qualification	**Maintained at 80+%**	**88.0%**

(1) Results and targets presented here are for the Company on a non-consolidated basis.

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The nature of the services we provide means security is recognized as our company's lifeline and identified as one of our material issues.

As CISO and DPO, I'm making efforts as the person responsible for addressing this.

With security, we can't simply have goals like, "do this and be safe." Rather, it's important to be constantly prepared to respond to cyber-risks that change on a daily basis.

We've therefore set it as one of its objectives and are implementing initiatives designed to prevent major incidents from occurring.

To raise each employee's security awareness and raise the level of response throughout Sansan, we're requiring all employees to obtain a personal information protection specialist qualification. As of the end of May 2023, 88% of all employees were qualified.

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We've also received various third-party certifications on security matters. Along with PrivacyMark certification, we've obtained the international ISO/IEC 27001 security standard for Sansan and Bill One.

These efforts have led to high marks in external evaluations of our security measures. For example, we've rated significantly higher than the industry and corporate averages in the MSCI and S&P evaluations.

That concludes my talk.

Thank you.

Question & Answer

Moderator [M]*: Now, we will proceed with the Q&A session. For the benefit of those who just joined, 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 all that. So, when your name is called, please unmute your mic or you can type your questions on the Q&A box. Again, we are transcribing the Q&A session. If you wish to remain anonymous regarding your name and the company, you have option to choose for [inaudible] to your Zoom name to be anonymous.

We still welcome questions from everyone and would 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.

Now, we have questions on the chat box.

Participant [Q]*: How is the engineering team utilizing generative AI in R&D? How is this impacting product activity? What would be the percentage increase in productivity, if you had to estimate?

Shiomi [A]:

Thank you for the question. It is quite a difficult question to answer. However, we are conducting research into AI technology, including ChatGPT technology. As mentioned before, we have 50 people in our R&D team who are working on researching this technology from various angles every day. So, I cannot give a specific estimate of how much or what is the percentage of productivity improvement that we can realize with AI technology. However, we believe that we will be able to improve productivity by quite a bit. That said, we already have a highly accurate recognition technology and automated digitization available, so the areas where we believe that the AI technology will help would be in the language area and also for overseas development. That is where we think GPT technology will be quite useful.

Moderator [M]*: We have two questions in the Q&A box.

Participant [Q]*: First is about Bill One. Please talk about what other services will be added to Bill One. How will you work with the financial services companies?

Shiomi [A]: Thank you for the question. This is also quite a difficult question on how well with financial institutions and companies and how can Bill One be incorporated to help out in these services. So, it all depends on how we will be building the peripheral services around Bill One. What we are doing is we have lodged to Bill One Business Card.. Currently, we do not have any services that collaborate with financial institutions, but we would like to develop "Bill One" financial-related services in the fintech area.

Moderator [M]*: We have another question about Bill One.

Participant [Q]*: Please talk about Bill One expanding into Asia.

Shiomi [A]: Thank you for the question. We are expanding our Bill One services to APAC. The reason we first focus on APAC is because there's still a lot of paper around in this region, and also the business practices in APAC are quite similar to the business practices in Japan. So, we thought there was room for customers to appreciate the services that we can offer with Bill One. We are not only looking to stay inside of APAC. We do want to be expanding to Europe and US in the future.

Moderator [M]*: We have another question in the Q&A box about competition.

Participant [Q]*: Is there any risk your competitors can catch up with your company quickly by heavy usage of generative AI, both for Sansan and Bill One?

Shiomi [A]: Thank you for the question. Technology will keep on evolving, and so I would say we may face some threats from competition in the future. However, we are also doing our own research and we believe this is quite important. The advantage in digitization that we have over competitors is that we have already accumulated a lot of corrected data in the past. We also know that GPT technology can be quite costly. And so, we believe this is another advantage that we also have. That said, we are continuing to strengthen our R&D efforts, and we will continue to do so in future.

Moderator [M]*: We have another question in the Q&A box.

Participant [Q]*: How does Japan's Privacy Act throw or stop the offering of data service to users?

Shiomi [A]: We have been already providing services in compliance with the Privacy Act in Japan. We believe that as long as we make the correct decision between what is personal information that is okay to use in services and what information that should not be used based on the law, we will be making careful decisions on what is acceptable and what is not acceptable. But we believe that as long as we make the right decisions about which piece of private information can be used, then we will be able to offer products and information to our customers. So rather than being prevented or constrained by the law, we are working inside of the legal constraints to provide good services to our customers.

Moderator [M]*: Are there any other questions?

It seems there are no further questions at the moment, so we will conclude here. We are concluding the IR Day 2024. Thank you very much for attending our IR event today.

[END]

*The statements made by the questioner and respondents in this document have been edited by the

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