

FY2022 (period ending March, 2022)

Financial Results

And

Medium-term Management Plan

PAYROL

Payroll.Inc (4489)
May 12,2022

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Appendix

ARR from new orders

660 million yen

Up from the previous term
(For details, see page 6)

ARR from new operations

Declined from the previous term, but remained little below an expected level, standing at

550 million yen

•Due to the prolongation of the installation period amid the coronavirus pandemic.

(For details, see page 7)

ARR from backlog of orders

As of the end of the 4th quarter,

**operations for
946 million yen are
waiting to be conducted**

(For details, see page 7)

Churn rate

**Ave. monthly churn rate is 0.2%
which is very low
but is as expected**

(For details, see page 8)

Sales revenue

grew 9.7%

year on year

(For details, see page 9)

*Sales grew
for five
consecutive
terms*

Operating income

Up 15.7%

year on year

(For details, see page 10)

*Profit grew for
five consecutive
terms, hitting a
record*

Financial Results of FY2022

PAYROLL

(millions of yen,%)

Revenues: 8.2 billion yen, up
9.7%

Sales grew for five consecutive
terms.

Operating Income: 1.4 billion
yen, up 15.7%

Profit grew for five consecutive
terms, hitting a record.

The temporary costs, etc. in the
first half were offset, and sales and
profit grew for five consecutive
terms.

[Actual vs. predicted results]

Operating income fell short of
forecast by 80 million yen due to
the delay in starting New clients'
operation and COVID-19 pandemic,
but after adjusting for this, the
performance is assumed to be
overachieved the forecast.
Net income exceeded the target
due to the impact of income tax
credits (the income tax system).

	FY2022		FY2021		changes	Rate of increase	FY2022 Forecast	(A/E) Ratio
	performance	Sales ratio	performance	Sales ratio				
New Order : ARR	662	—	611	—	—	—	—	—
Order backlog : ARR	946	—	990	—	—	—	—	—
Revenues	8,207	100%	7,484	100%	+ 723	+ 9.7	8,569	95.8
COGS	5,811	70.8	5,364	71.7	+ 446	+ 8.3	5,989	97.1
Gross Margin	2,396	29.2	2,120	28.3	+ 276	+13.0	2,579	92.9
SGA	1,189	14.5	965	12.9	+ 223	+23.2	1,141	104.2
Operating Income	1,416	17.3	1,224	16.4	+ 192	+15.7	1,502	94.2
Income before Income Tax	1,360	16.6	1,152	15.4	+ 208	+18.1	1,425	95.4
Net Income	1,089	13.3	758	10.1	+ 331	+43.7	1,088	100.1

*New Order: ARR: Estimated annual sales revenue (running fees only) from new business operations we undertook
ARR=Annual Recurring Revenue.

*Order backlog: Total sales revenue from transactions for which orders have been placed and actual operations are to
be conducted

New Order : ARR

New Order (ARR) :

**0.66 billion yen,
up 8.4% (YoY)**

※Stable growth as scheduled

(For reference)

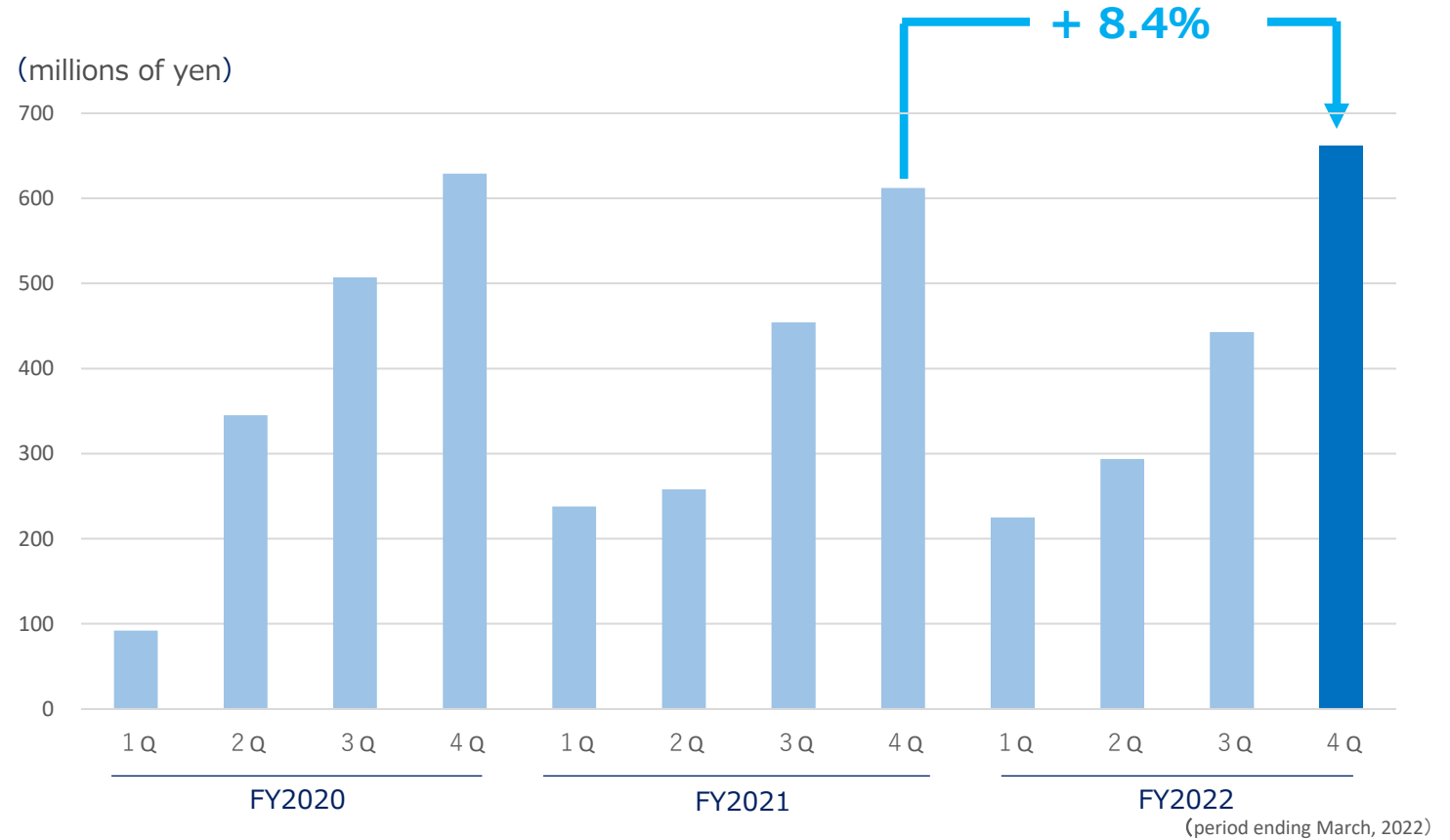
Order backlog:

**0.94 billion yen
as of the end of Mar. 2022**

(990 million yen as of the end of Mar. 2021)

New Order : ARR (cumulative amount in each fiscal year)

※ARR (Annual Recurring Revenue) = Estimated annual sales revenue (running fees only) from new business operations we undertook



※Order backlog: Total sales revenue from transactions for which orders have been placed and actual operations are to be conducted

Operating (New Clients): ARR

554 million yen, Down 12% (YoY)

Remained as high as over 500 million yen.

Expansion of the scale of each project and prolongation of each work period due to the coronavirus pandemic

Expansion of the scale of each project and the widening of service scope, SETUP project has become more complex.

To solve above issue, we are aiming to strengthen all of our resource to obtain adequate skill.

(For reference)

Order backlog: 0.94 billion yen

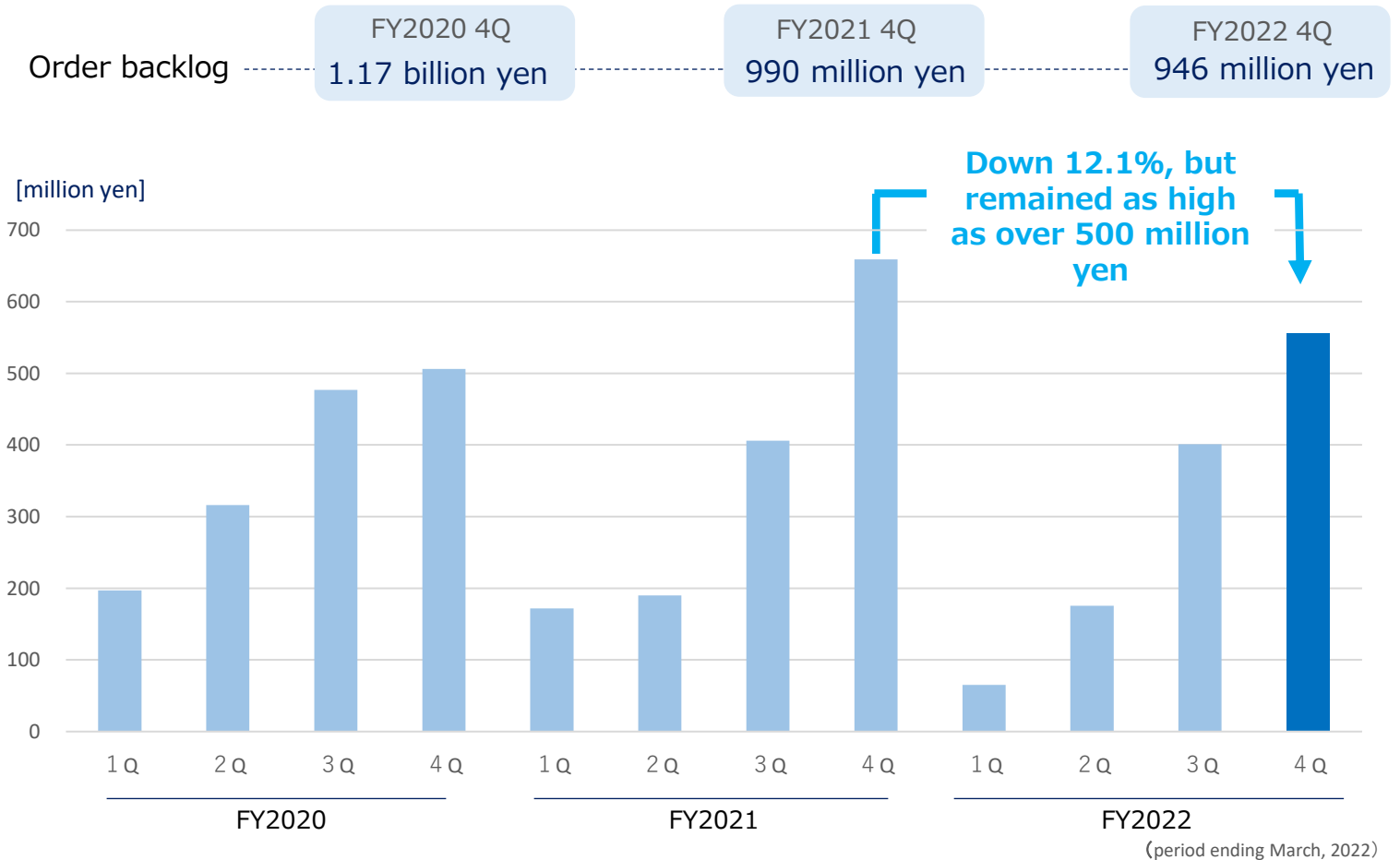
as of the end of Mar. 2022

(990 million yen as of the end of Mar. 2021)

Operating (New Clients): ARR (cumulative amount in each fiscal year)

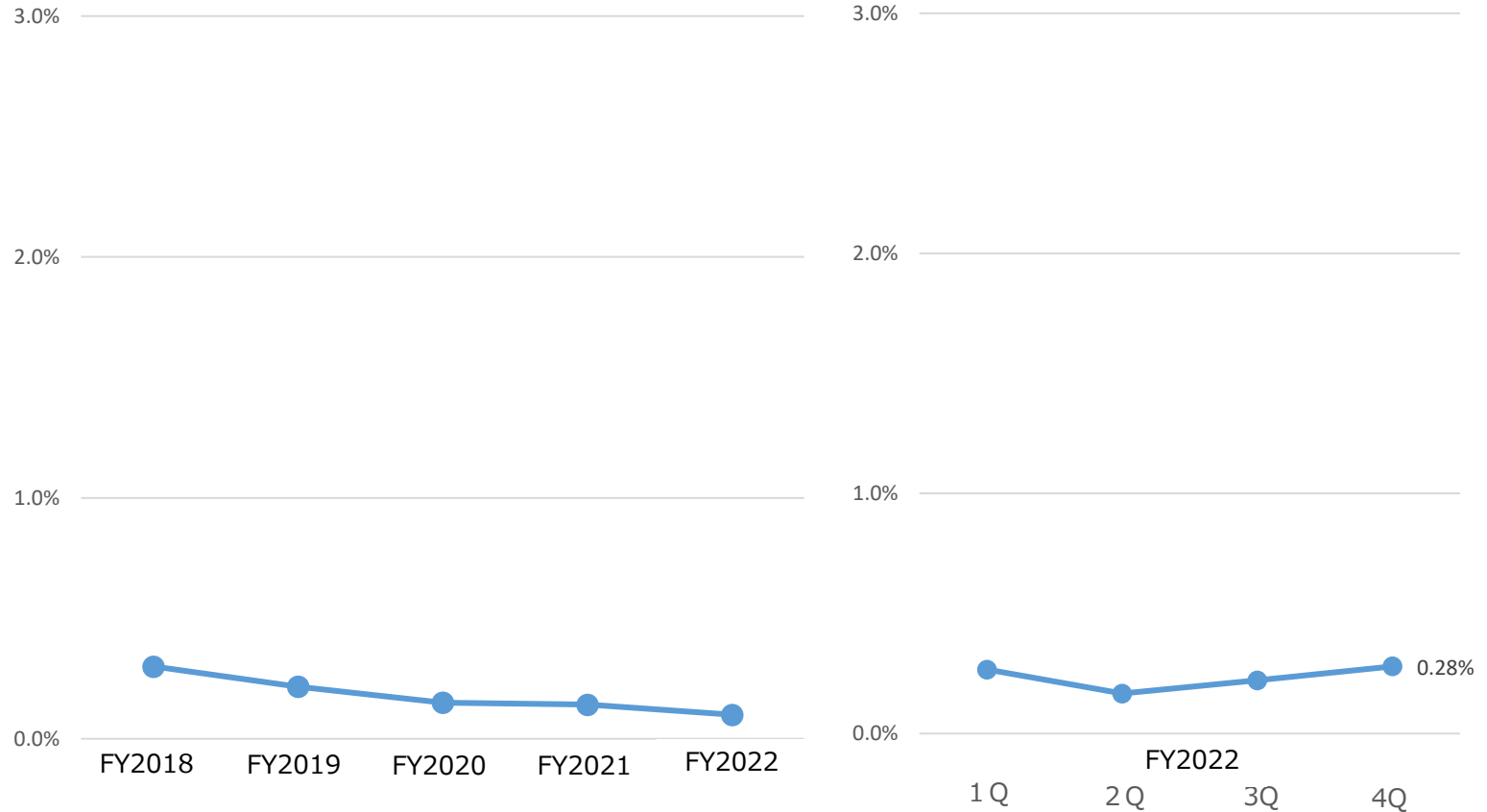
※ARR (Annual Recurring Revenue) = Estimated annual sales revenue (running fees only) from new business operations we undertook

※Order backlog: Total sales revenue from transactions for which orders have been placed and actual operations are to be conducted



Churn rate (Ave. monthly churn rate)

Churn rate (Ave. monthly churn rate)



Churn Rate

(Ave. monthly churn rate) :
0.28%

- Managed to keep churn rate at low level
- Lower annual churn rate compared to the average.

(4Q : 0.28% × 12months = 3.36%)

※ Churn Rate = (lost client ARR ÷ (existing client ARR of the previous year end + new client ARR)) ÷ Elapsed Months
 ※ Lost client ARR : ARR of clients terminated
 ※ Exiting client ARR of the previous year end : ARR of clients operated at the year end
 ※ New client ARR : ARR of new client operated this year

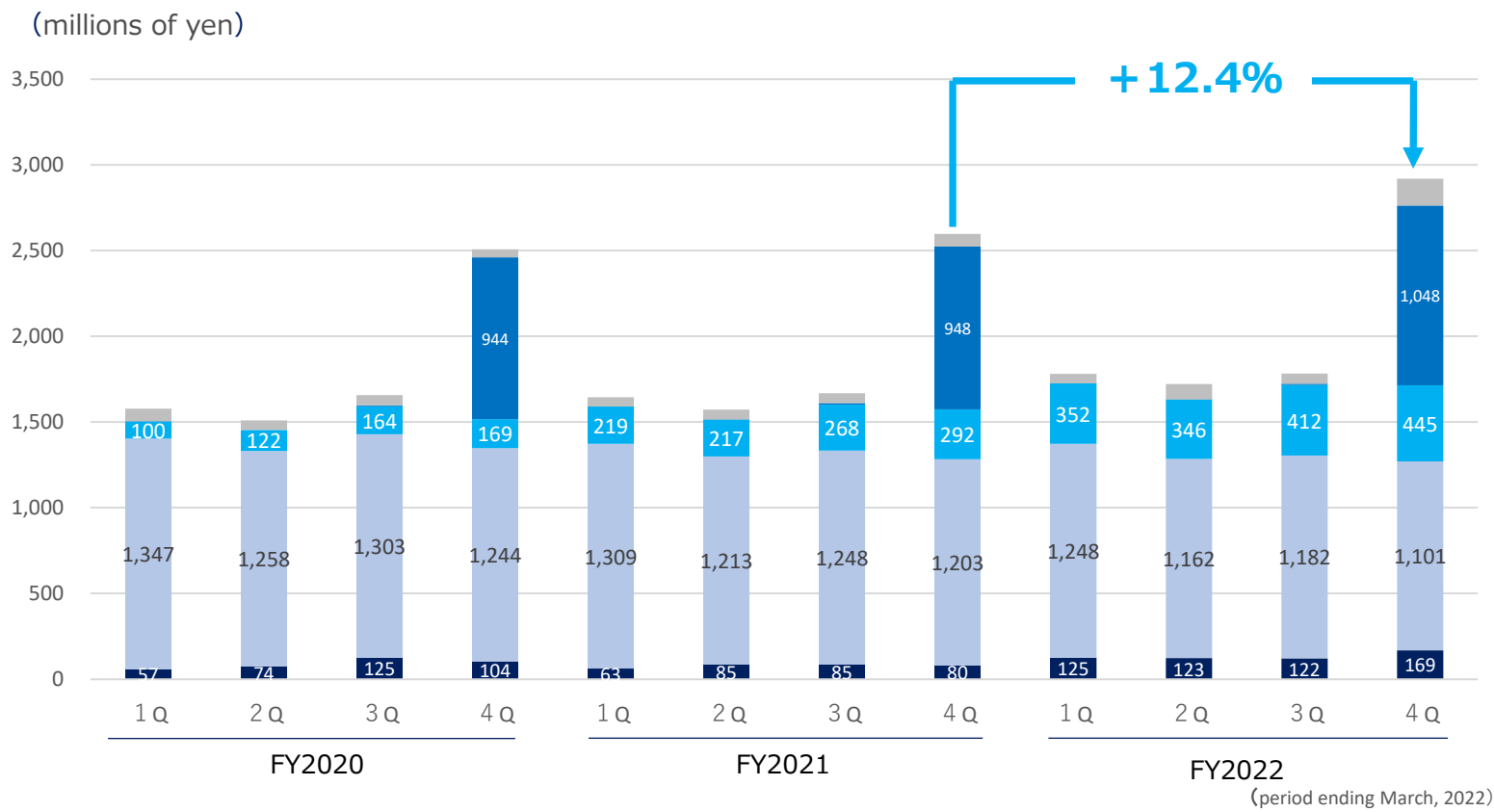
Revenues

Sales grew for five consecutive terms

- 4th quarter (Jan.-Mar.)
- Sales revenue of P3: 440 million yen, +52%
 - Sales revenue of SEP: 1.1 billion yen, down 8%
 - Sales revenue of year-end adjustment support: 1.05 billion yen, +10%
- (Annual amount, including the posting in 3Q: 1.07 billion yen)

Annual sales increased 9.7%, achieving sales growth for the five consecutive terms, thanks to the sales of year-end adjustment support in 4Q, securing of new operations, growth of sales from change of specs, etc.

Revenues (Amount by the Quarter)



- Revenues (SETUP) : Initial Fee
- Revenues (SEP system) : Old system, ASP Service. Running Fee
- Revenues (P3 system) : New system, Cloud Service. Running Fee
- Revenues (Year-End Adjustment Support Services)
- Revenues (other)

Operating Income

Profit grew for five consecutive terms, hitting a record

Operating income: 1.41 billion yen, +15.7%

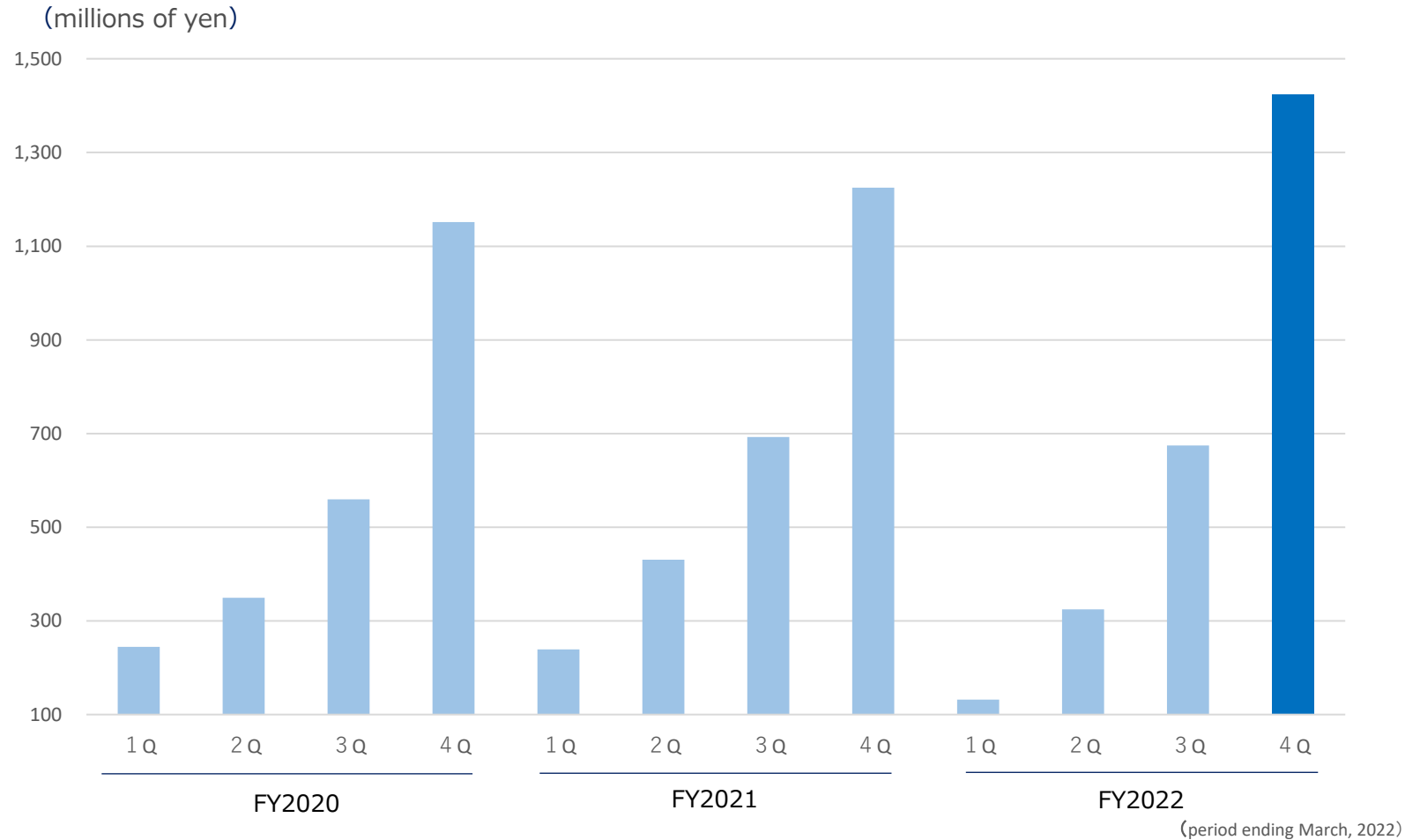
New operations, year-end adjustment support in 4Q, etc. contributed, offsetting temporary expenses, etc. in the first half.

Profit grew for five consecutive terms, hitting a record.

[Actual vs. predicted results]

Operating income fell short of forecast by 80 million yen due to the delay in starting New clients' operation and COVID-19 pandemic.

Operating income (cumulative amount in each fiscal year)



In February,

- Our business development promoter gave a lecture at the online seminar hosted by the Payroll-card Promotion Organization.
- Our company appeared in the Internet radio program, “Kumi Fujisawa’s Talk with Presidents.”
- Our company appeared in the radio NIKKEI “Pay attention to this company! Good fortune in the market.”

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(millions of yen、%)

FY2023 Financial Forecasts

Sales and profit will keep growing.

Sales growth rate: +8.3%

Operating income: +3.8%

Operating income is expected to rise 3.8% from the previous term.

Although we will post the costs for the increase of cloud infrastructure and for reforming HR system to secure and train our personnel.

Our revenue is weighed heavily on the latter half of the year.

The decline in net income is attributable to tax effect

accounting in the previous term.

(In FY2022, capital stock increased through a public offering at the time of listing, so taxes were imposed on a pro forma basis. Therefore, deferred tax liabilities were reduced through the change in tax rate, decreasing income taxes.)

	FY2023 '22.4-'23.3		FY2022 '21.4-'22.4		changes	Rate of increase
	Forecast	Sales ratio	performance	Sales ratio		
Revenues : Year-End Adjustment Support Services	1,171	—	1,067	—	+104	+ 9.7
Revenues	8,890	100%	8,207	100%	+ 683	+ 8.3
COGS	6,356	71.5	5,811	70.8	+ 545	+ 9.4
Gross Margin	2,534	28.5	2,396	29.2	+ 138	+ 5.8
SGA	1,195	13.4	1,189	14.5	+ 6	+0.5
Operating Income	1,470	16.5	1,416	17.3	+ 54	+3.8
Income before Income Tax	1,413	15.9	1,360	16.6	+ 53	+3.9
Net Income	970	11.0	1,089	13.3	△ 119	△11.0

Return to Shareholders in FY2023

In the long term, we aim to achieve a consolidated payout ratio of **around 30%**.

We will **increase the dividend amount** in accordance with our policy for shareholder return.

We will provide the shareholders as of the end of June 2022 with **shareholder benefits for commemorating listing**.
(as disclosed on Feb. 14, 2022)

- Our business is a recurring business which relies on the stock of existing clients but is **firm in profits and cash flow**.
- We acknowledge distribution of profit to shareholders as one of our important management objective.
- **In the long term, we aim to achieve a consolidated payout ratio of around 30%** by executing **stable and continuous increase of dividend**.
- Once we achieve a dividend payout ratio of around 30%, we will prepare for an investment to further increase our corporate value and **actively pay dividends from surplus funds**, taking into consideration our cash position, ROE, and financial leverage.

【Term-end dividend】

According to the policy for return to shareholders, we will pay a term-end dividend of **5 yen/share** for FY2022.

For FY2023, we plan to pay a term-end dividend of **10 yen/share**.

*Record date: Mar. 31

【Shareholder benefits for commemorating listing】

We will **send a QUO card worth 3,000 yen** to each of shareholders who are written or recorded in the shareholder registry as of the end of June 2022 and hold three trading lots of our company's shares (300 shares) or more.

*Record date: June 30, 2022

*For details, see "Notification on shareholder benefits for commemorating listing" dated February 14, 2022.

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Mid-term Vision

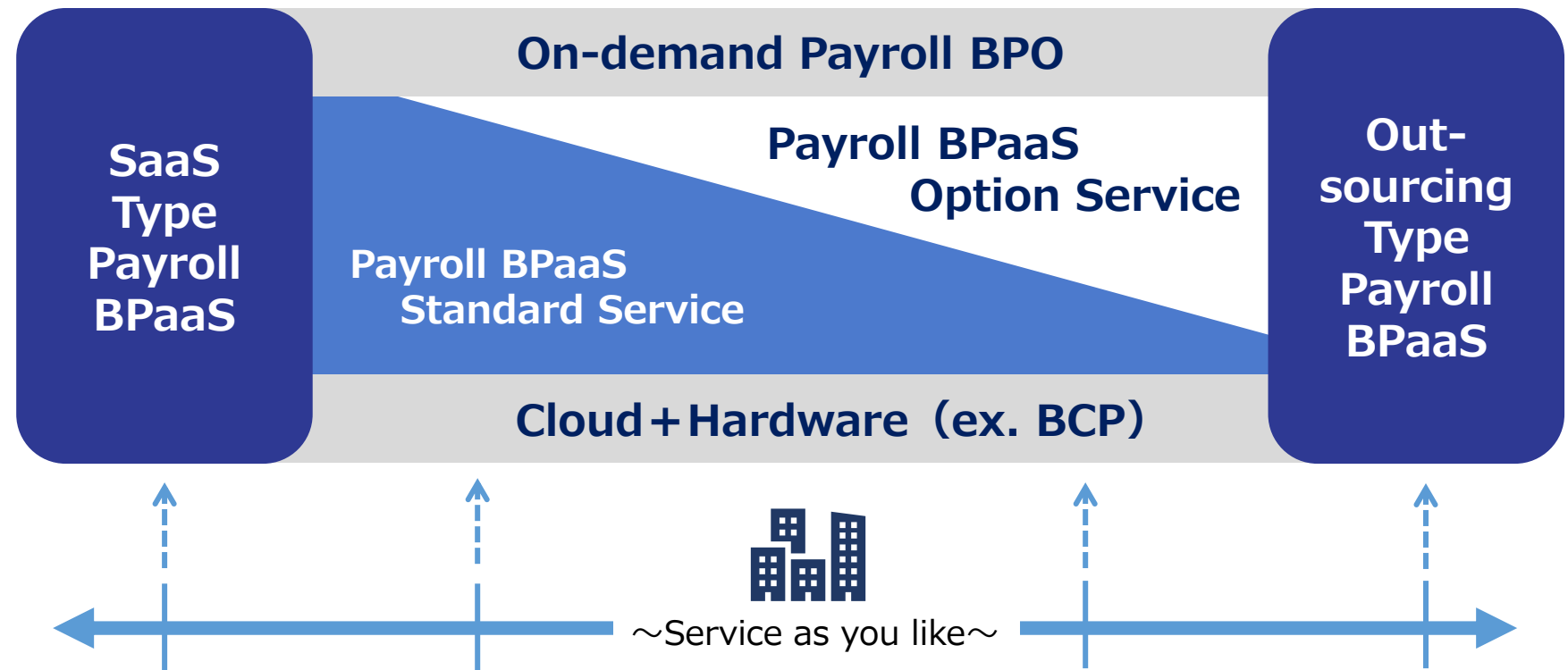
What is BPaaS ?

Abbreviation for “Business Process as a service” meaning total solution service providing BPO, cloud system and infrastructure including BCP and securities.

Not only to provide the right software service fulfilling the client needs, but also to provide on-demand BPO allowing clients to secure human resources as needed.

By changing our service structure to “Payroll BPaaS,” not only the enterprise, but also the SMBs are expected to be our client.

Redefining payroll outsourcing service in Japan as “Payroll BPaaS” making it the standard of the Japanese.



※enterprises=clients with over 1,000 employees

※SMB=small and medium business with 100-1,000 employees

Growth Strategy Summary

Based on the organic growth in Strategy 1, we will strive to improve our corporate value through new businesses in Strategies 2 and 3.

Strategy 1:
To increase client enterprises

Strategy 2:
To offer BPaaS to SMB

Strategy 3:
Payment HR Dashboard

	FY2023	FY2024	FY2024
Organic growth •To offer cloud + BPO services and grow in parallel with the market growth	Organic growth •To grow in parallel with the market growth •To accelerate growth by developing BPaaS •To improve profit margin	Organic growth •To grow in parallel with the market growth •To accelerate growth by developing BPaaS •To improve profit margin	Organic growth •To grow in parallel with the market growth •To accelerate growth by developing BPaaS •To improve profit margin
•To complete tests and commercialization to offer on-demand BPO services	•To conduct direct sale activities targeting 450 subsidiaries of existing client enterprises	•To conduct direct sale activities targeting 450 subsidiaries of existing client enterprises	•To conduct direct sale activities targeting 450 subsidiaries of existing client enterprises
•Establishment of an association of users •Charge-free use of services •To improve the service level by increasing users	•Start of fee-charging services •Posting of sales based on the system of charging according to usage	•Posting of sales based on the system of charging according to usage •To upgrade the functions up to ISO30414 Report	•Posting of sales based on the system of charging according to usage •To upgrade the functions up to ISO30414 Report

※enterprises=clients with over 1,000 employees

※SMB=small and medium business with 100-1,000 employees

Medium-term Management Plan

To keep increasing sales and profit, and earn sales of over 10 billion yen.

Revenues: Aim to earn 11.7 billion yen.

To keep increasing sales every term.

Operating income:

To keep increasing profit every term.

*Bottom: Organic growth(Existing Business)

- Enterprises with 1,000 or more employees
- Inevitably grow(recurring business)

*Upper: Improvement of existing Business

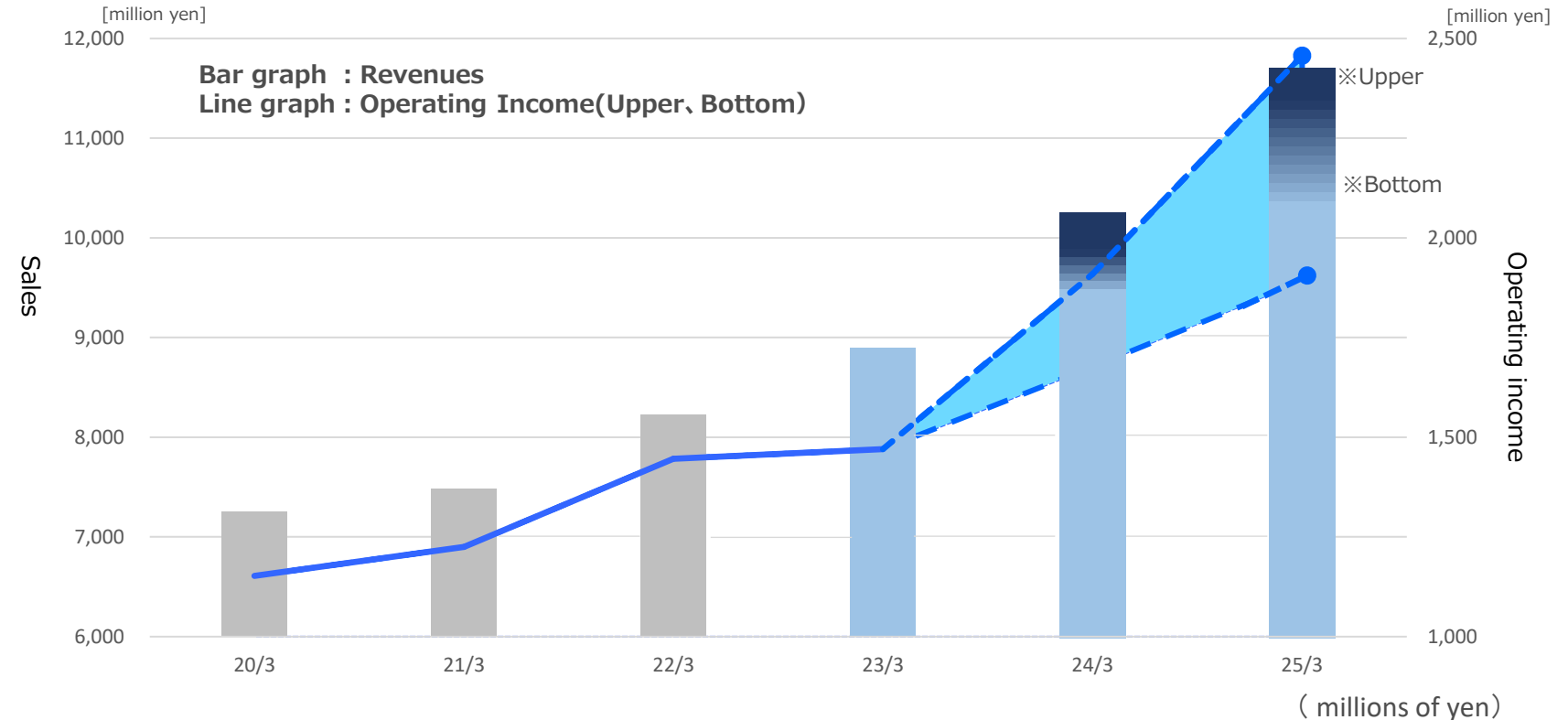
(enterprises with 1,000 or more employees)

New business

- BPaaS for SMB
- Payment HR Dashboard

*EBITDA=Operating income + Depreciation

To realize stable CF



	Performance			Medium-term Management Plan		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Revenues	7,252	7,485	8,207	8,890	9,700-10,250	10,570-11,700
Operating Income	1,152	1,225	1,416	1,470	1,670-1,900	1,890-2,450
EBITDA	2,076	2,244	2,562	2,700	2,930-3,160	3,080-3,650

Growth Strategy 1

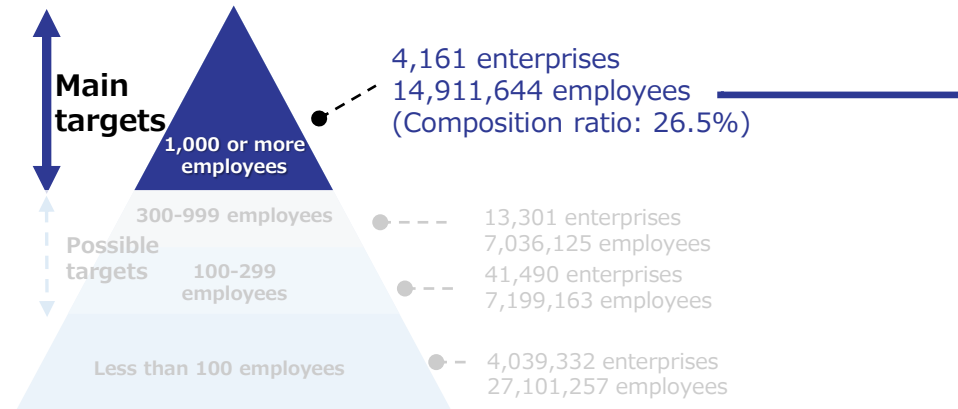
To increase orders from enterprises

While the number of employees in the target market is about 15 million, we aim to increase our share from 1 million.

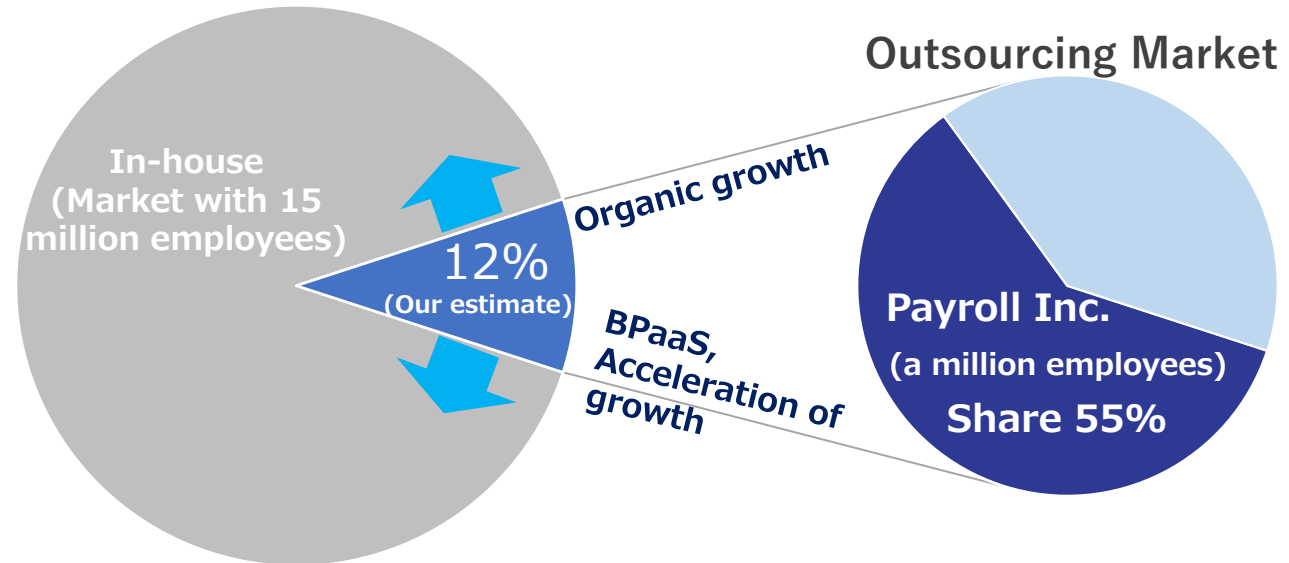
To continuously strengthen the operation system in parallel with the business expansion through new orders and new operations.

From FY2024

- Acceleration of growth through BPaaS
- Improvement in profit margin



Potential of the payroll calculation market targeted at Japanese enterprises*



Source: Economic Census in 2014–Basic Survey, the Ministry of Internal Affairs and Communications
 Surveyed in July 2014, released on November 30, 2015
 “National summary of enterprises, etc., Table 1, Enterprises and industries (middle classification), the number of enterprises, etc., the number of business operators, the number of male business operators, the number of female business operators, and the number of regular employees for each of 11 categories of corporate scale (including overseas) and 5 categories of management organizations”

* Potential of the payroll calculation market
 About 10% of enterprises have already outsourced payroll calculation.
 Our share in the outsourcing market is estimated to be 60%.

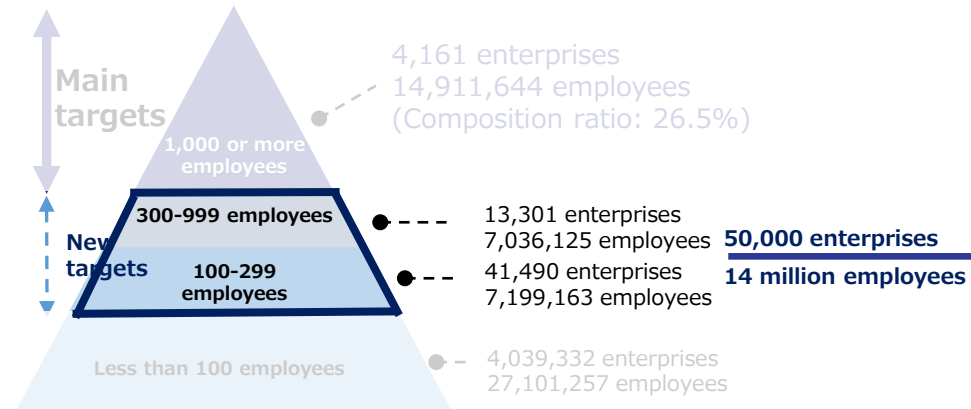
Growth Strategy 2

To offer BPaaS to SMB

To offer BPaaS services to SMB (small and medium business with 100-1,000 employees)

Our BPaaS:

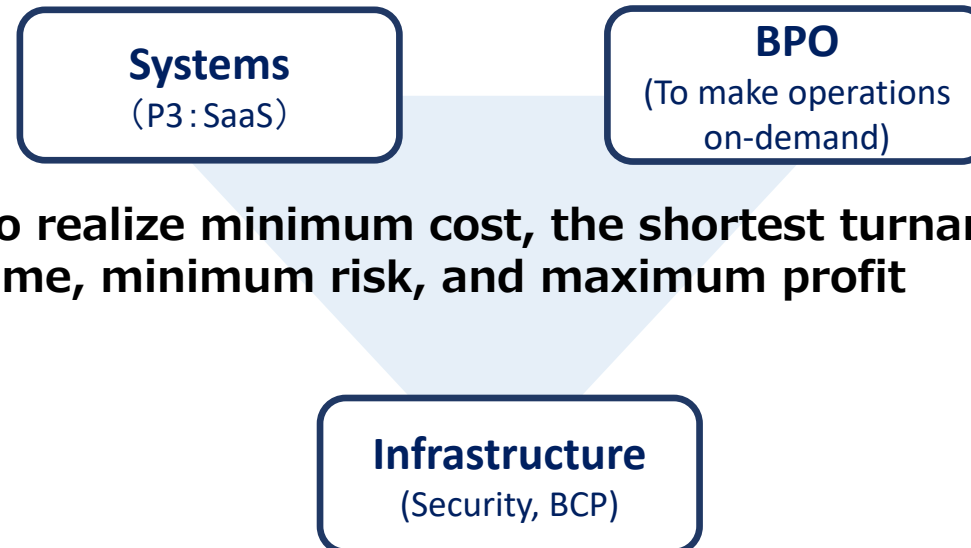
- ① **To produce SaaS for setup**
⇒ To simplify installation processes and make them self-service.
- ② **To make operations on-demand**
⇒ HR divisions of client companies operate our salary engine.
To offer processing and BPO center operation services on demand.
- ③ **Infrastructure**
⇒ To offer a high-integrity cloud P3 Base from the viewpoints of stability, information security, BCP, etc.



To provide SMBs with the outstanding service level of payroll processing nurtured in enterprises as BPaaS

Initial target:
450 subsidiaries of existing client enterprises

Market cultivation with BPaaS



To realize minimum cost, the shortest turnaround time, minimum risk, and maximum profit

Growth Strategy 3.

Payment HR Dashboard

To anonymize and statistically analyze salary data on 1 million employees.

To offer a variety of statistical data to customers, to develop a new revenue source.

To brush up the dashboard with existing customers in the first year of the mid-term plan, to establish a model case.

It is assumed that it will be monetized in the second year of the mid-term plan or later.


Japan's first statistical data, mainly salary data, aimed at obtaining the certification of ISO30414 (the guidelines for disclosure of information on human capital)

Menu

- Basic analysis
- PAYGAP
- Engagement
- Diversity
- Compliance

Payment HR Dashboard

(Product name: Human capital report e-pay HR KPI)



Items to browse

- Personnel expenses, head count, total working hours, average age, turnover rate
- Total payment, average salary in each attribute, hourly wage
- Ratio of employees who took paid leave, No. of employees who took child care leave, ratio of managers
- Empowerment of women, ratio of disabled employees, ratio of aged employees
- No. of employees, ratio of each type of employees, Male-female ratio, internal transfer rate

To comply with ISO30414
(the guidelines for disclosure of information on human capital)

Medium-term financial strategy

Optimization of financial balance

Sustainable growth investment and continuous shareholder return

Optimization of financial balance

To improve capital-to-asset ratio by posting stable net income and reducing interest-bearing liabilities.

- **Reduction of interest-bearing liabilities:**
LBO loans will be repaid with flexibility, taking into consideration our cash position, ROE, and financial leverage.
- **Goodwill:** To minimize impairment loss risk by growing recurring-revenue business.

Sustainable growth investment and continuous shareholder return

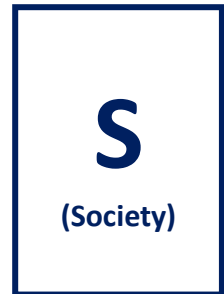
- **Sustainable growth investment:**
To enhance competitive advantages by actively investing in growing businesses.
- **Shareholder return policy:** We aim to increase dividends stably and continuously to raise payout ratio from 8% in FY2022 to the long-term goal of around 30%.
Once we achieve a dividend payout ratio of around 30%, we will prepare for an investment to further increase our corporate value and actively pay dividends from surplus funds, taking into consideration our cash position, ROE, and financial leverage.

Sustainability

We will carry out activities for ESG and SDGs, to realize sustainable growth.



- To reduce the payroll processing cost of the entire society by decreasing the costs in each client enterprise by distributing our Salary BPaaS (outsourcing of payroll processing)
- To support DX among customers, shifting from paper to digital data and websites

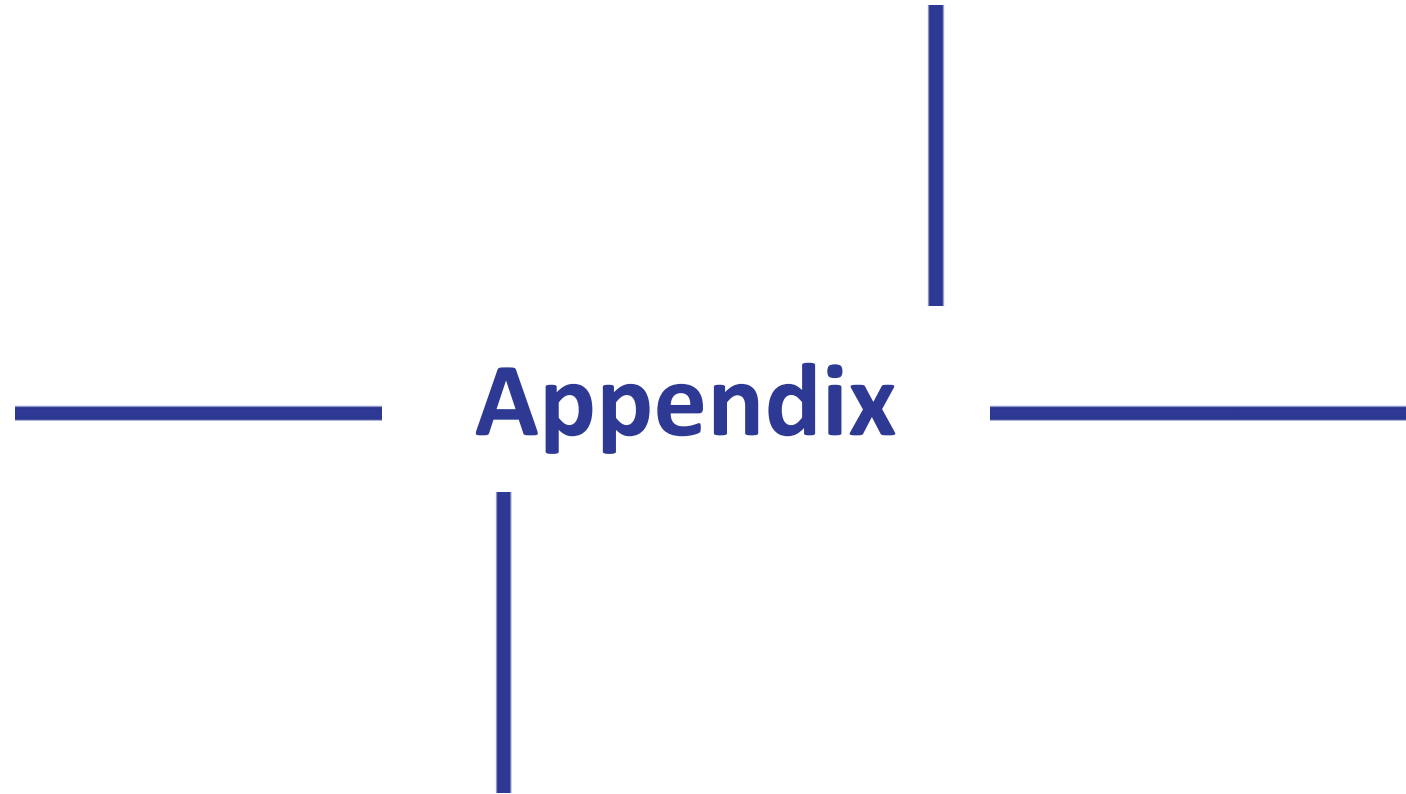


- To contribute to local communities through job creation and recruitment in each region
Hokkaido, Nagasaki, Takamatsu: Total
Over 300 employees and over 1,200 part-time workers
(at a maximum)
- To actively promote female employees to managers
Ratio of female managers: 35% (out of all managers)



- Promotion of engagement among shareholders, investors, and the top management
- Reliable security: Privacy Mark, ISO27001, SOC1, and SOC2 reports
- Establishment of the advisory committee on nomination and remuneration



The word "Appendix" is centered in a bold, dark blue font. It is surrounded by four thick, dark blue lines that intersect at the center, forming a cross shape. The lines extend horizontally and vertically from the text.

Appendix

Classifying new order, order backlog, and new client



Point of contract
(Not yet counted as sales)

Backlog + pre-setup

Post-setup
= start of recurring monthly sales revenue

【New Order : ARR】

- Annualized amount of orders received: Estimated annual sales revenue (running fees only) from new business operations we undertook

【Order backlog : ARR】

- Total sales revenue from transactions for which orders have been placed and actual operations are to be conducted

【Operating (New Client) : ARR】

- Annualized sales: Estimated annual sales revenue (running fees only) from new business operations we undertook

Definition of management indicators

ARR	<ul style="list-style-type: none"> • Annual Recurring Revenue • Annualized sales (amount of orders received): Estimated annual sales revenue (running fees only) from new business operations we undertook
New Orde : ARR	<ul style="list-style-type: none"> • Annualized amount of orders received: Estimated annual sales revenue (running fees only) from new business operations we undertook
Order backlog : ARR	<ul style="list-style-type: none"> • Total sales revenue from transactions for which orders have been placed and actual operations are to be conducted
Operating (New Client) : ARR	<ul style="list-style-type: none"> • Annualized sales: Estimated annual sales revenue (running fees only) from new business operations we undertook
Churn rate	<ul style="list-style-type: none"> • Annual Churn rate • Churn Rate = lost client ARR ÷ (existing client ARR of the previous year end + new client ARR)
Revenues (SEP system)	<ul style="list-style-type: none"> • Sales revenues from the old systems (ASP services) (running fees) • Monthly and seasonal sales included
Revenues (P3 system)	<ul style="list-style-type: none"> • Sales revenues (running fees) from the new systems (cloud services) • Monthly and seasonal sales included • The new system will be used for new clients
Revenues (SETUP)	<ul style="list-style-type: none"> • Initial fee for processing payroll • The sales calculated in accordance with the IFRS. The amount equally divided by the number of years of the contract period (basically 3 years) for each client is posted on a monthly basis.
Revenues (Year-End Adjustment Support Services)	<ul style="list-style-type: none"> • Sales revenue from year-end adjustment support • Sales revenue from our comprehensive payroll services and year-end adjustment support

Business Model

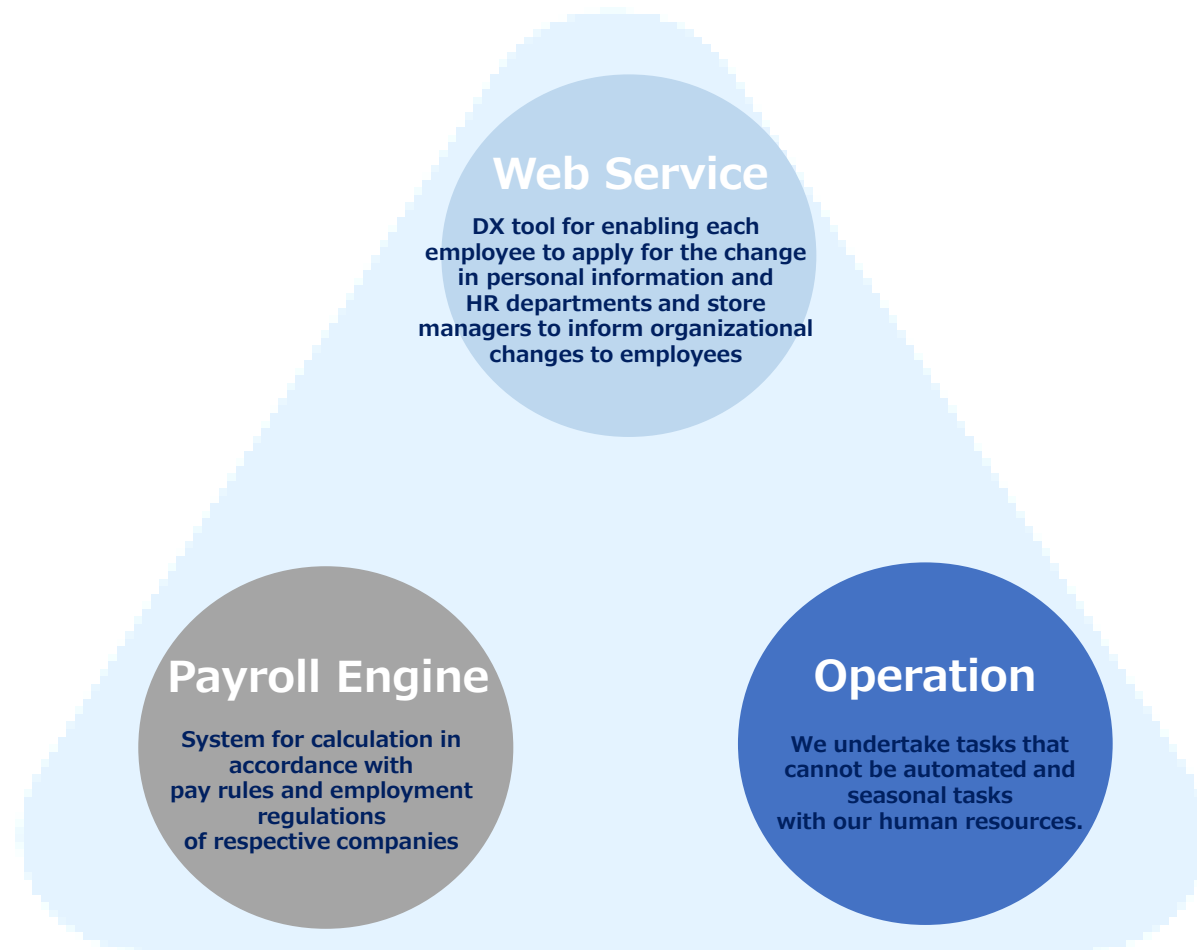
All enterprises must pay accurate salaries to all employees on respective payment days every month.

Our company is the only Japanese company that undertakes all of such “mission-critical” payroll tasks.

3 functions below are essential for payroll processing.

It's our huge advantage to provide all of these services.

Our business earns recurring revenues by processing payroll every month.

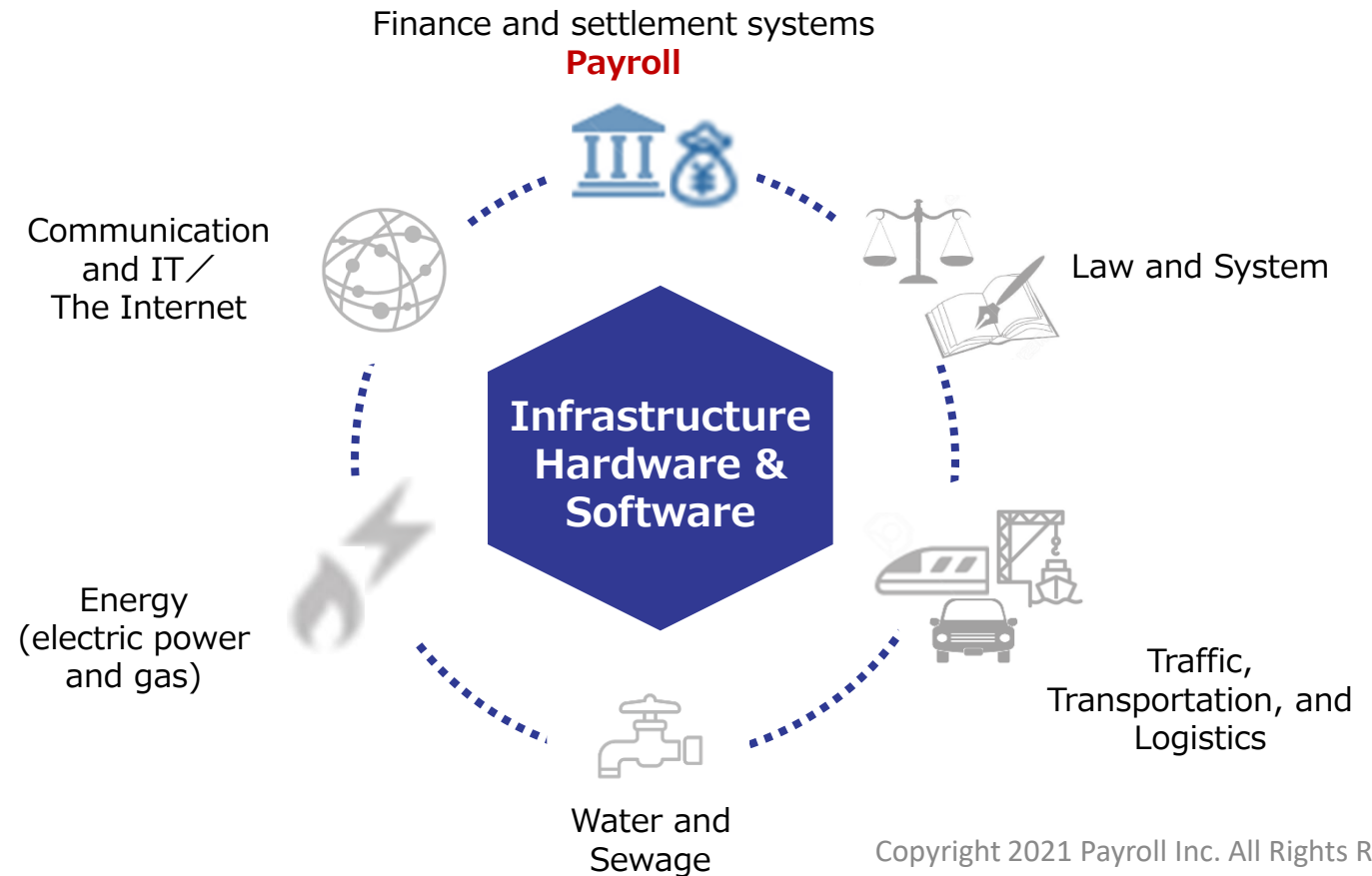


Corporate Vision

We will evolve and grow as a “software infrastructure enterprise” that offers services clients can co-use.

Our Mission

As payroll processing professionals, our top priority is to “provide customers a pleasant service experience.” We thoroughly pursue the highest level of specialty, security, reliability and efficiency of our services and support companies as “**Software Infrastructure**”.



Service Overview

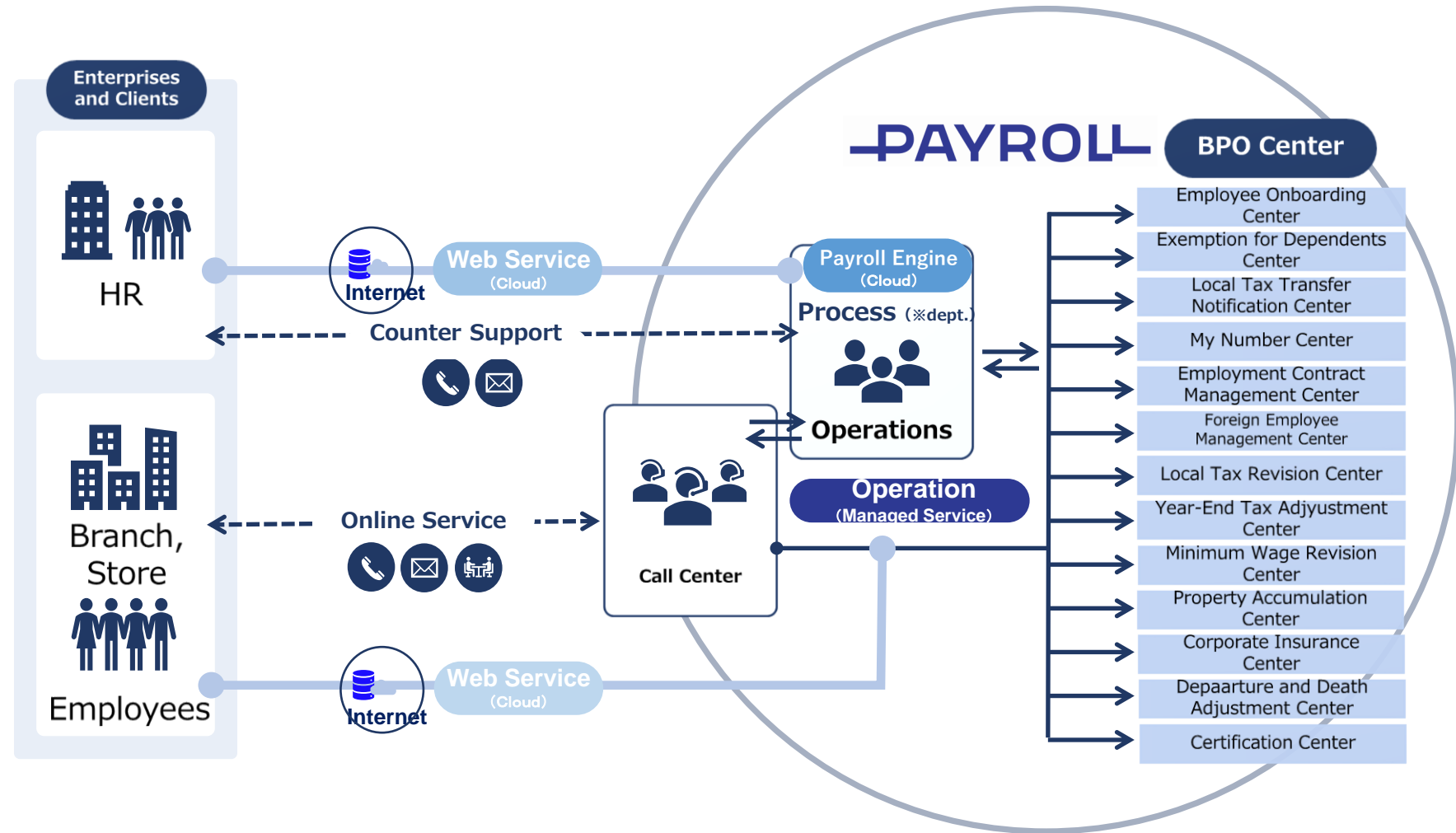
We offer comprehensive services that help client companies reduce man-hours and specialize in their core businesses by processing payroll on behalf of their HR departments.

The following 5 points are important for processing payroll in enterprises, and our comprehensive payroll services cover all of them.

- 1) Accurate payroll processing
- 2) A wide scope of operations
- 3) Security
- 4) BCP
- 5) Experience

Out-sourcing Type Payroll BPaaS

*We have redefined it as "payroll BpaaS" in our mid-term strategy.



※ enterprises=clients with over 1,000 employees

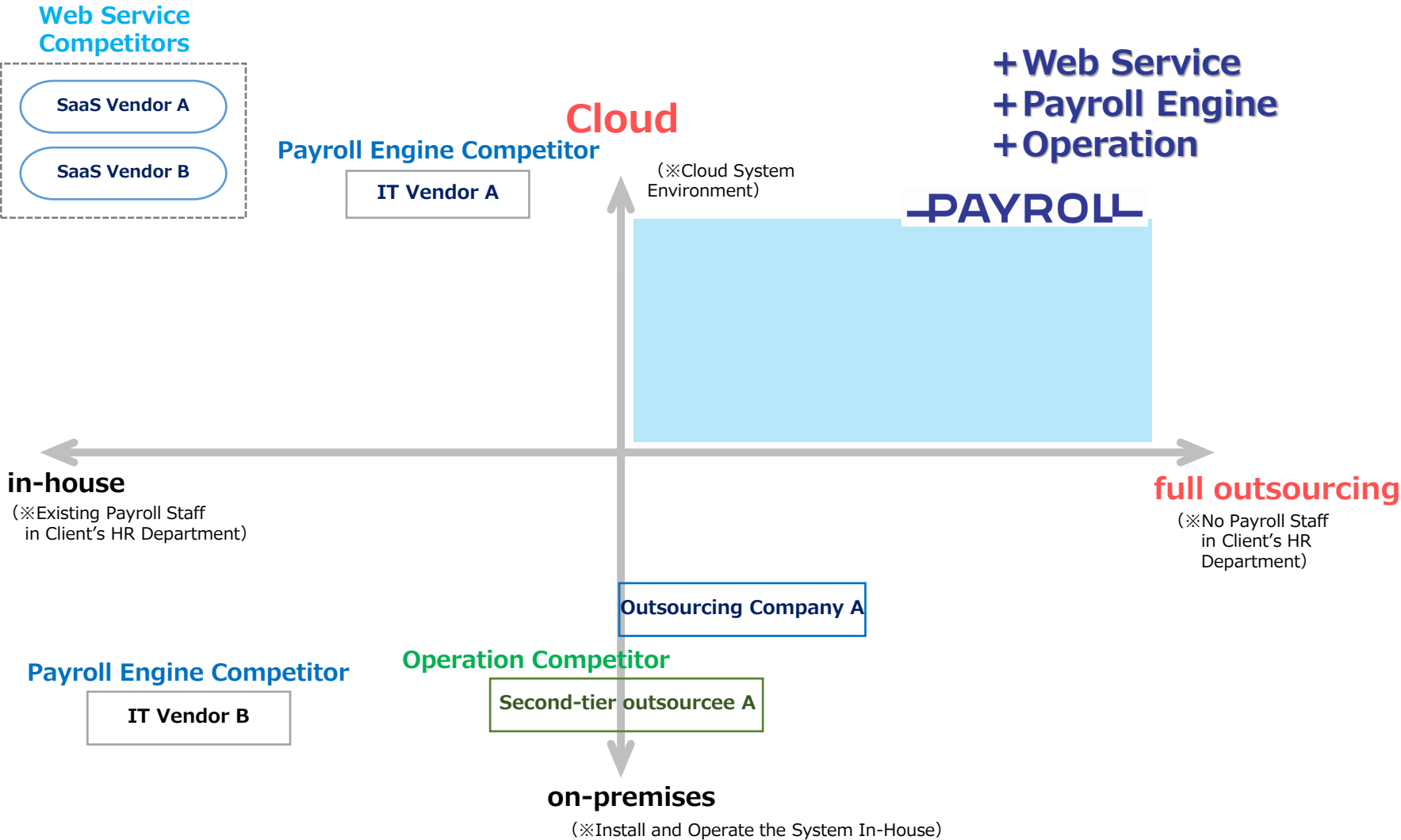
Unique Positioning

Only our company performs all of the three indispensable functions for processing payroll for enterprises, **Web Service, Payroll Engine, and Operation.**

SaaS vendors offer web services.

IT vendors offer payroll engines that would be used in-house.

PAYROLL



※ enterprises=clients with over 1,000 employees

Competitive Advantage

**Recurring-
revenue
business model**

**The scope of
our business
is broad.**

**Competitive
Advantage**

**High-Level
Security
System and
Compliance**

BCP

Competitive Advantage 1

Recurring-revenue business model

We managed to keep churn rate at low level.

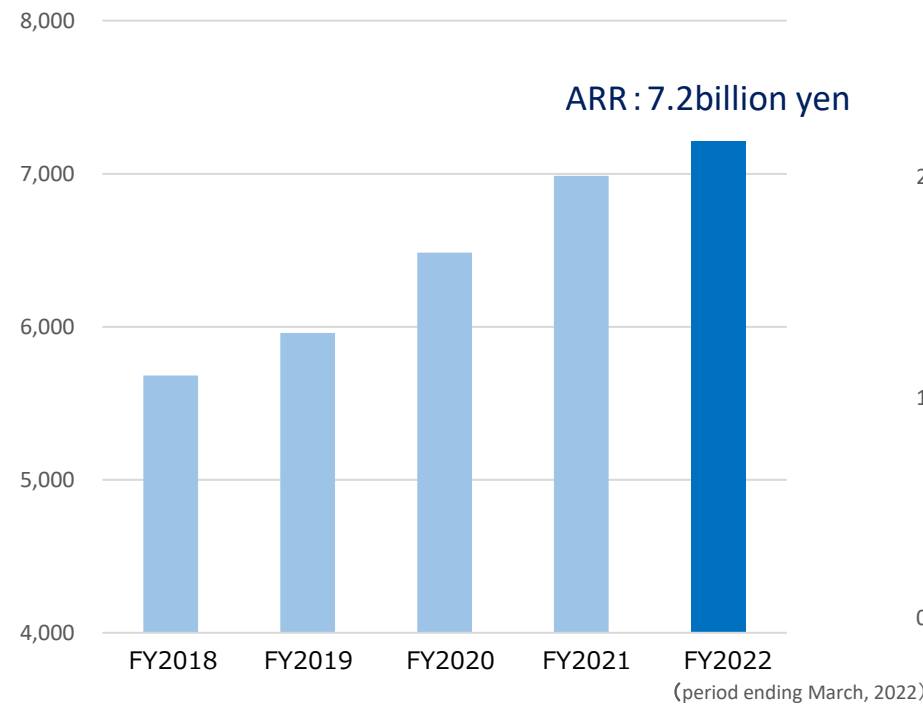
Ave. monthly churn rate: 0.28%)

※ Churn Rate [annual] : 3.36%

(0.28%×12months≒3.36%)

Then, we have established a recurring-revenue model.

ARR: Recurring-revenue business



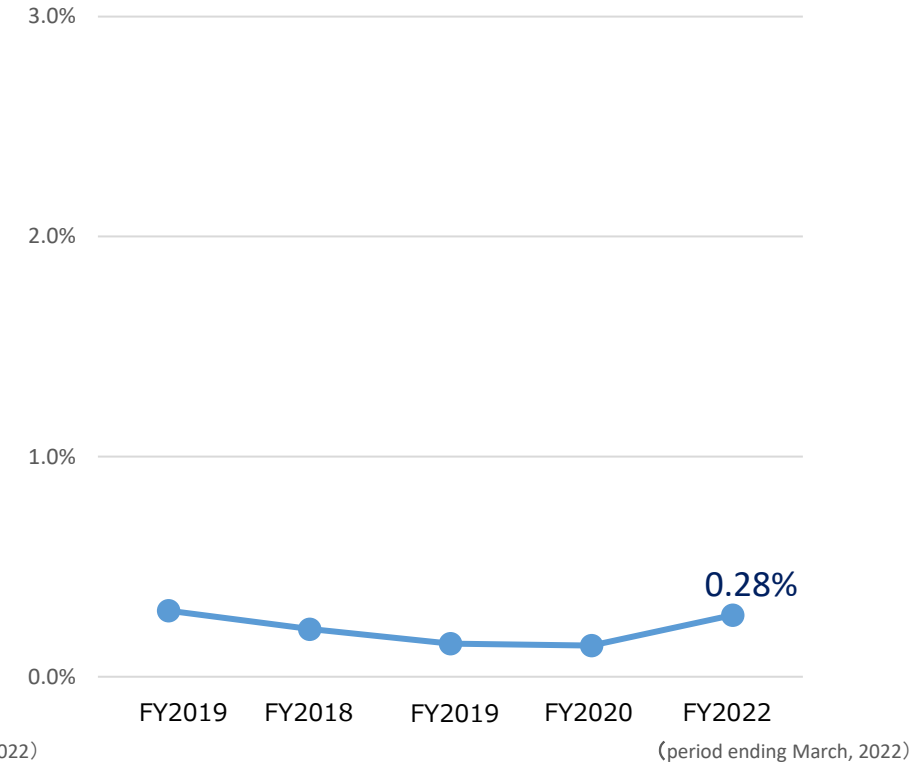
*ARR (Annual Recurring Revenue) = Estimated annual sales revenue (running fees only) from new business operations we undertook

※ With respect to payroll processing, is the sum of existing client ARR and new client ARR.

※ Anything other than the recurring-revenue (ie. Sales from initial stage, specification change, and year-end adjustment support services) are excluded.

※ FY2022 ARR=7.1 billion yen (as of today, 2Q)

Churn Rate (Ave. monthly churn rate)



※ Churn Rate = (lost client ARR ÷ (existing client ARR of the previous year end + new client ARR)) ÷ Elapsed Months

※ Lost client ARR : ARR of clients terminated

※ Exiting client ARR of the previous year end : ARR of clients operated at the year end

※ New client ARR : ARR of new client operated this year

Competitive Advantage 2

The scope of our business is broad.

The service menu can meet all the needs of enterprises.

High barriers to entry

Our service has advantages in quantity and quality compared with our competitors due to standardized business flow.

- Manual data entry
- Year-end adjustment/readjustment
- Pay statements
- Statutory pay statements
- Correction of reports of exemption for dependents, etc.
- Revision to local taxes
- Local taxes
- Management of labor contracts
- Management of group life insurance



- Management of property accumulation savings
- Issuance of certificates
- Management of the periods of stay of non-Japanese workers
- Management of families residing outside Japan
- Revision to minimum wages
- Management of wage garnishment
- Collection of data on employment
- Collection of data on personnel transfer



Advantages of our cloud service

- Notification of changes in personal affairs
- HR departments' notices
- Applications for exemption for dependents
- Change in organizations
- Applications for non-Japanese employees
- Attendance reports
- Recording of actual working hours
- Applications for shifts and work on holidays
- Applications for overtime work
- Applications for irregular work



- Payroll processing
- Calculation of seasonal bonuses
- Calculation of irregular bonuses
- Calculation of retirement benefits
- Calculation of provision for bonuses
- Calculation of points for retirement benefits
- Calculation of commutation expenses

★ Setting of computing logic

Competitive Advantage 3

High-Level Security System and Compliance

A robust security base is indispensable for undertaking important payroll processing.

Our security is top-level in this field and complies with security codes.

Obtained Privacy Mark



Obtained ISO27001, ISO27018



Obtained SOC 2 Report certification



Electronic Recording Devices Prohibited



USB
携帯電話
カメラ

Hokkaido BPO Center

Only authorized personnel can enter the archive.



Strict Entry Restriction to Offices/Operational Centers

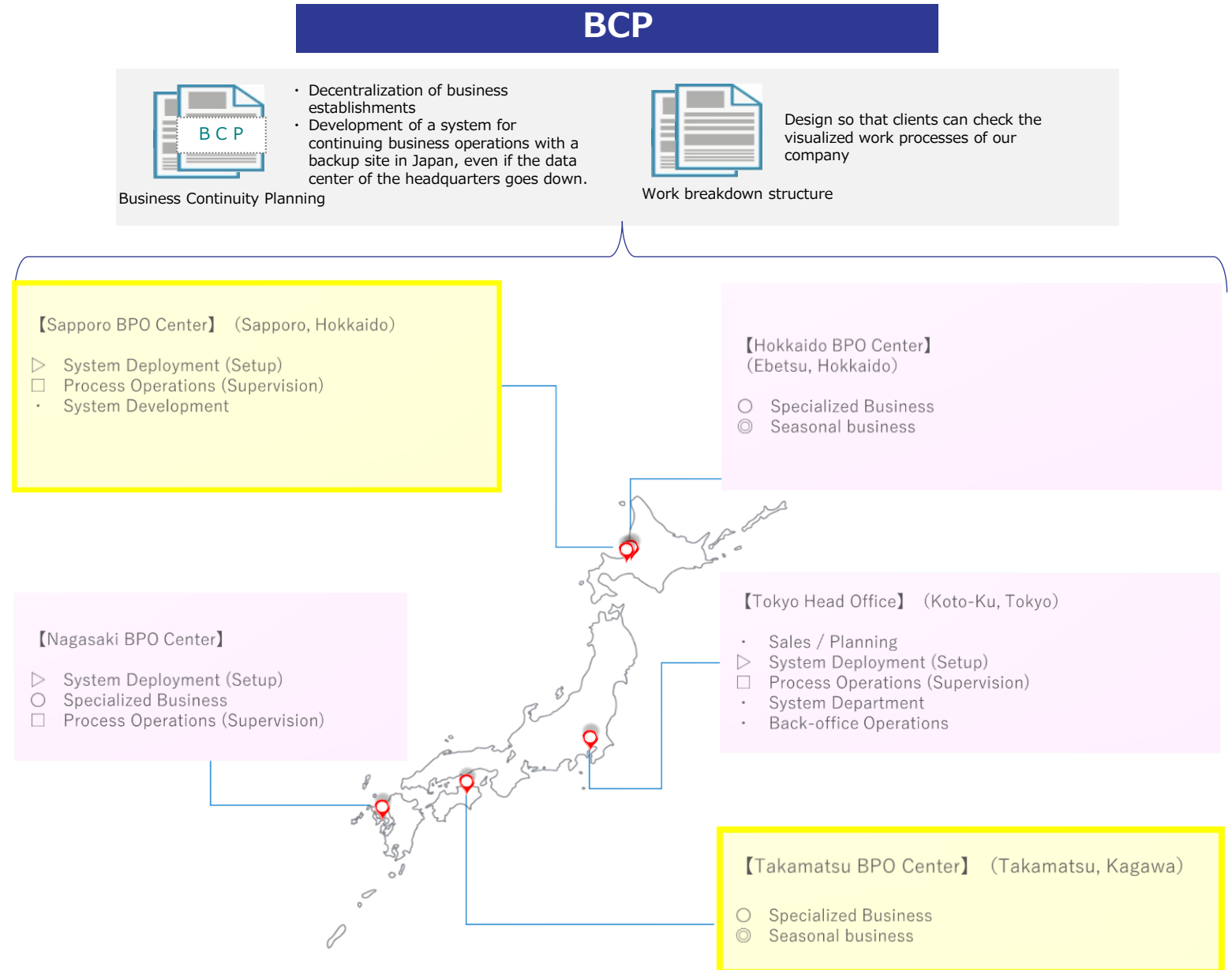


Hokkaido BPO Center

Competitive Advantage 4

BCP

Keeping up the foundation to deliver payment to our customers under any situation is critical and that's the reason why we are chosen by many customers.



(Payroll Processed)

We have large enterprise clients

Clients highly evaluate our services, and many enterprises fully entrust us with payroll processing.



▶ Manufacturing

- **Auto Parts Manufacturer** 14,000
- Semiconductor Manufacturer 8,000
- Medical Drug Manufacturer 4,500
- Machine Manufacturer 4,300



▶ Technology and Telecom

- **EC/IT Services** 14,000
- DeNA 2,400
- Microsoft 2,200
- Social Media Services 2,000
- Salesforce Japan 1,600



▶ Retail and Hospitality

- **Convenience Store Chain** 175,000
- McDonald's Japan 106,000
- Supermarket Chain 35,000
- Sushi Chain 35,000
- Coffee Chain 31,000

260 Enterprises
Payroll for **1 million**
employees processed



▶ Finance and Insurance

- AXA Life Insurance 8,000
- Foreign Insurance Company 4,900
- Tokai Tokyo Securities 2,900
- Life Insurance Company 2,200
- Domestic Bank 1,900



▶ Public Sector

- Vocational School 5,900
- National R&D Agency 4,800
- Toyo University 2,900
- Affiliated Organization of Tokyo 1,700
- National R&D Agency 1,500



▶ Service, Childcare, etc.

- **Bellsystem24** 27,800
- Cinema Complex 5,100
- ENEOS WING Corp. 5,100
- Swing Corp. 3,700
- VSN Inc. 3,000

Company Overview

- ❖ **Leading company** that undertakes payroll processing
- ❖ We offer **comprehensive services** including peripheral ones in addition to payroll processing.
- ❖ We offer payroll processing services to large enterprises with 1,000 or more employees and totaling up to **1 million employees** in whole Japan (FY 2022).
- ❖ **Recurring-revenue model based on recurring tasks**
- ❖ Payroll Processed: ARR*: **7.2 billion yen** (FY 2022)
*Annual Recurring Revenue
- ❖ Churn Rate (Ave. monthly churn rate) : **0.28%** (FY 2022)

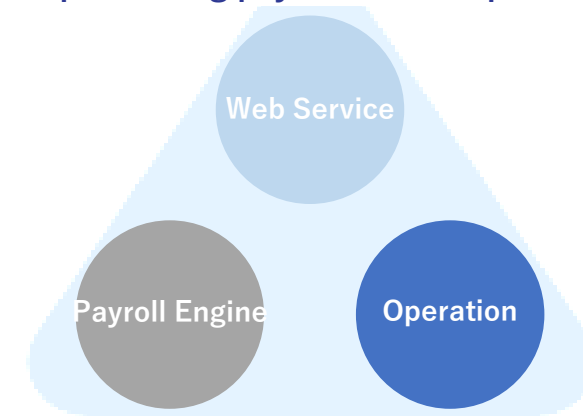
Financial Information (FY 2022, IFRS)

- ❖ Revenues: **8.2 billion yen**
- ❖ Sales growth rate: **9.7%**
- ❖ CAGR of Revenues (FY 3/2015 ⇒ FY 3/2020) : **10.2%***
(Up 3.2% in FY 3/2021, due to the coronavirus pandemic)
- ❖ EBITDA: **2.55 billion yen**, EBITDA margin: **31.2%**
- ❖ Operating Income: **1.41 billion yen**, Sales ratio: **17.3%**
- ❖ Owners' equity ratio: **56.1%**
- ❖ Operating Cash Flow: **1.88 billion yen**

* The figures before FY 3/2018 are just for reference, because the accounting standards were different.

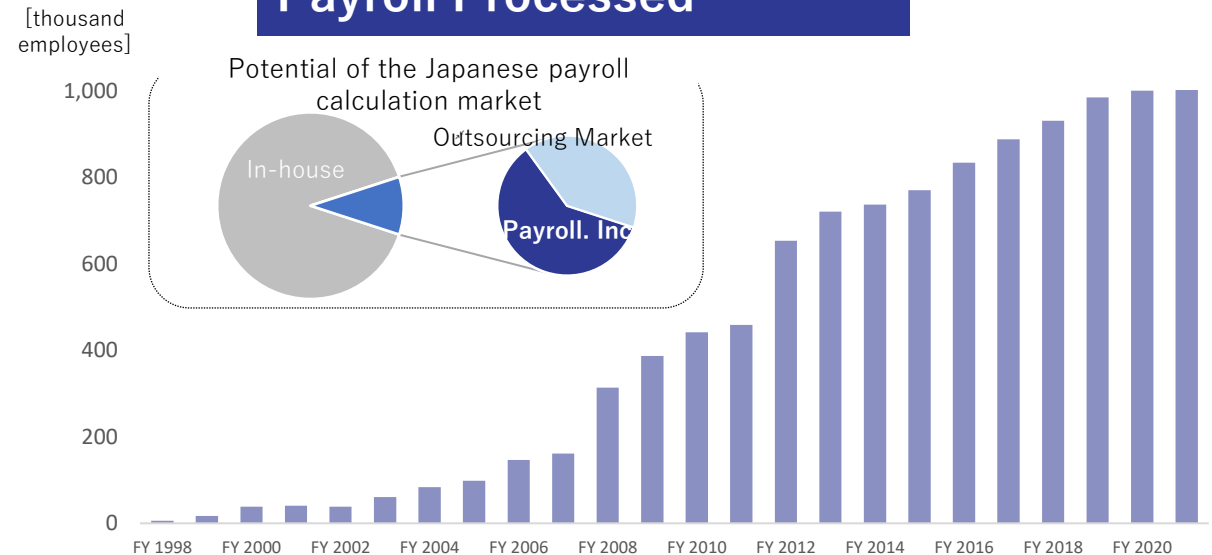
Services Provided

The only outsourcee that can perform the three indispensable functions for processing payroll for enterprises.



PAYROLL

Payroll Processed

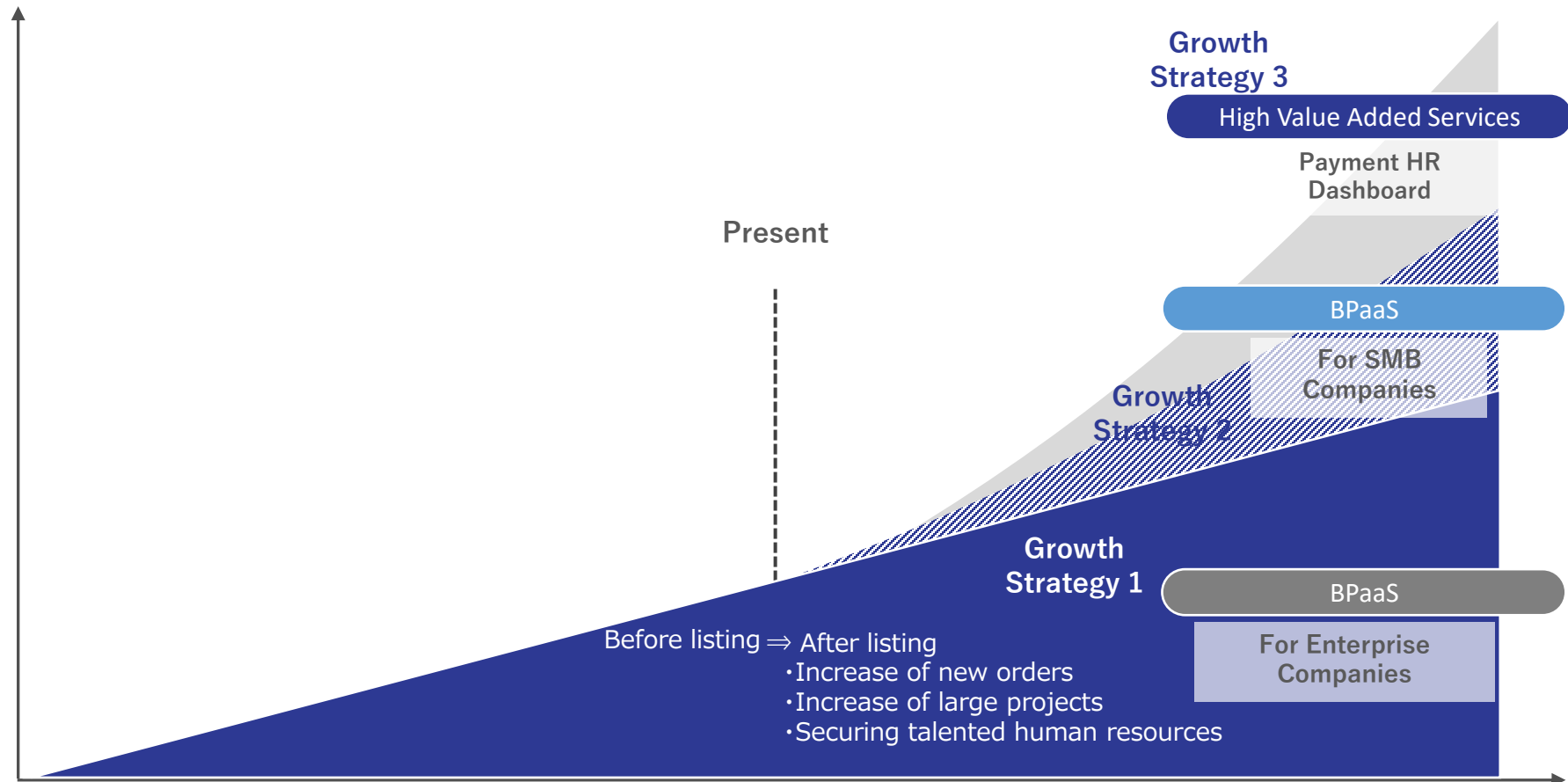


Mid/long-term Growth Vision

Growth Strategy 1:
Organic growth in the enterprise market

Growth Strategy 2:
To offer BPaaS to SMB companies

Growth Strategy 3:
To utilize the data held in payroll processing to offer high value-added services such as the Payment HR Dashboard



*Enterprise companies mean large companies with 1,000 or more employees.

*SMB companies mean companies with 100 or more (small) to 1,000 or less (medium) employees.

Purpose of Use of Proceeds from IPO

FY2022:

Allocation to enhance mission-critical system functions as planned

FY2023:

Funds are to be used to strengthen mission-critical system functions and used as working capital for recruiting and personnel expenses.

(million yen)

Item	Funds Procured	Scheduled Use of Funds		
		FY2022		FY2023
		Plan	Actual	Plan
Mission-critical System Function Enhancement	500	400	400	100
Working Capital for Recruiting, Personnel Expenses, etc.	35	—	—	35

Major Risks and Measures to Address Them

*For other risks, please also refer to the description of business and other risks in the securities report.

Item	Major Risks	Likelihood	Timing	Impact	Measures to Address Risks
Risks related to personal information protection	<ul style="list-style-type: none"> Risk of information leakage 	Low	Long-term	High	<ul style="list-style-type: none"> Obtained and continuously renewed Privacy Mark and ISMS certifications Physical measures such as restricting access to the office and storing documents Blocking access from outside and setting access privileges within the company
Risks related to legal regulations	<ul style="list-style-type: none"> Risk that our business will be restricted by laws and regulations related to the protection of personal information, or by changes in taxation or systems related to payroll processing 	Low	Long-term	Medium	<ul style="list-style-type: none"> Establishment of a system to quickly identify and respond to the impact of legal revisions on our business, by setting up an internal department in charge of legal revisions, etc. Continuous employee training, considering legal revisions and enactments
Risks related to human error, quality defects, etc.	<ul style="list-style-type: none"> Risk of loss of public confidence if we receive a claim for significant damages from a client as a result of a payroll error, mainly due to the events in question 	Medium	Mid-term	Medium	<ul style="list-style-type: none"> Creating manuals for work procedures Checking of each task by the person in charge and his/her superior Conducting monthly quality audits
Risks related to system failures	<ul style="list-style-type: none"> Risk of computer system problems due to human error, disasters, power outages, computer viruses, and various unpredictable factors 	Medium	Mid-term	Medium	<ul style="list-style-type: none"> Load balancing of servers and implementing periodic backups We have formulated a BCP in preparation for emergencies, and have established a system that allows us to continue providing services even during emergencies
Risks related to seasonal fluctuations in business performance	<ul style="list-style-type: none"> Our corporate group provides year-end adjustment assistance services, and sales revenue, profit, or loss tends to be concentrated in January (fourth quarter) Therefore, within the same fiscal year, our corporate group's quarterly performance will be biased 	High	Short-term	Low	<ul style="list-style-type: none"> Promoting stable year-end assistance services, including DX support
Risks related to competition	<ul style="list-style-type: none"> Since the demand is expanding and the market is expected to continue to grow, competition may intensify due to an increase of newcomers to the market, and the risk of a relative decline in our company's competitiveness 	Medium	Mid-term	Medium	<ul style="list-style-type: none"> Continuously enhancing the corporate capabilities (structure, expertise, etc.) in Cloud Service and Managed Service, which are the sources of our competitiveness
Risks related to the impact of COVID-19	<ul style="list-style-type: none"> Risk of a decrease in the number of employees subject to payroll processing in existing clients due to the pandemic 	Medium	Mid-term	Medium	<ul style="list-style-type: none"> Securing revenues by accelerating the start of full-scale operations for new clients

Disclaimer

When preparing this material, we have relied on and assumed the accuracy and completeness of the information available to us, but information about other companies is based on publicly available information and we make no representations or warranties as to its accuracy or completeness. In addition, the statements may include projections based on assumptions, forecasts, and plans related to the future as of the date of the announcement. These forward-looking statements are based on information currently available to our company and certain assumptions that our company believes to be reasonable, and our company does not promise that they will be achieved. There may be significant differences between such forecasts and actual results due to various factors in the future, including changes in economic conditions, customer needs, competition with other companies, and changes in laws and regulations.

Future Disclosure

This document will be updated and disclosed around the time of announcement of full-year financial results.

A thick blue L-shaped line graphic is positioned on a white background. The vertical line starts at the top edge and extends down to the middle of the page. The horizontal line starts from the left edge and extends to the right edge, intersecting the vertical line at its midpoint. The word "PAYROL" is centered horizontally and vertically at this intersection point.

PAYROL