

**FY2023** (period ending March, 2023)

**2Q**

**Financial Results**

**PAYROL**

**Payroll.Inc (4489)  
November 11,2022**

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FY2023/2Q Financial Results

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FY2023 Financial Forecasts

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## FY2023/2Q Financial Results

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FY2023 Financial Forecasts

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## ARR from new orders

Transactions under negotiation are healthy, so it is possible to secure the target annual volume.

**Accelerated from  
144 million yen**

• We are also negotiating for some large-scale transactions.

(For details, see page 6)

## ARR from new operations

**369 million yen,**  
exceeding the amount in the  
same period of the previous year

• Healthy performance

(For details, see page 7)

## ARR from backlog of orders

As of the end of the 2<sup>nd</sup> quarter,

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

(For details, see page 8)

## Churn rate

**Ave. monthly churn rate is 0.33%**  
which is **very low**  
but is **as expected**

(For details, see page 9)

## Sales revenue

**Grew 8.5%**  
( YoY )

(For details, see page 10)

## Operating income

**Up 56.2%**  
( YoY )

(For details, see page 12)

• Increased, offsetting the augmentation of costs due to the reform of the HR system and the upgrade of cloud infrastructure

# Financial Results of FY2023 2Q

( millions of yen,% )

Sales and costs were healthy.

**Revenues: 3.8 billion yen, up 8.5%**

·Increase thanks to the growth of ARR from started operation.

**Operating Income: 0.5 billion yen, up 56.2%**

·Improvement in gross profit margin due to sales growth

Net income increased slightly by 7.0% nominally due to the impact of the tax effect accounting in the previous term (increase in capital stock through listing), but **when compared with the virtual net income excluding the impact of the tax effect accounting in the previous term, it increased by 62.8%.**

	FY2023 2Q		FY2022 2Q		changes	Rate of increase (%)
	performance	Sales ratio	performance	Sales ratio		
Revenues	3,803	100%	3,505	100%	+297	+8.5
COGS	2,701	71.0	2,657	75.8	+44	+1.7
Gross Margin	1,101	29.0	847	24.2	+253	+29.9
SGA	624	16.4	593	16.9	+30	+5.1
Operating Income	507	13.3	324	9.3	+182	+56.2
Income before Income Tax	479	12.6	297	8.5	+182	+61.4
Net Income	329	8.7	307	8.8	+21	+7.0

※Net Income (Real) : Net Income excluding the impact of the tax effect accounting in FY 3/2022

Net Income (Real)	329	8.7	202	5.8	+126	+62.8
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# New Order : ARR

**New Order(ARR) :**  
**1.44 billion yen,**  
**down 51% (YoY)**

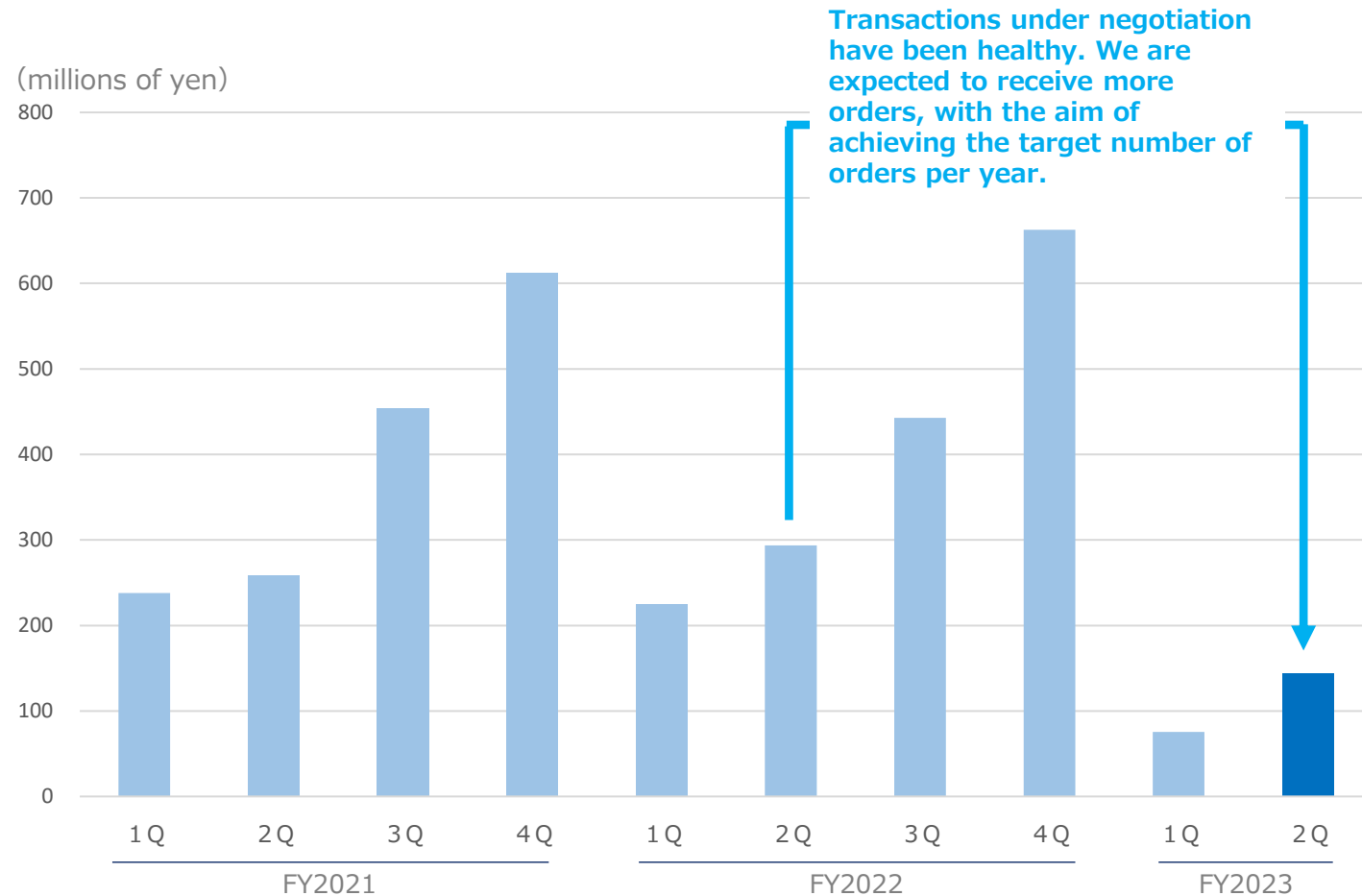
Transactions under negotiation have been healthy.

We are also negotiating for some large-scale transactions, including those with expected revenues of 100 million yen.

The start was slow, but we are expected to receive more orders, with the aim of achieving the target number of orders per year.

## 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



(period ending March, 2023)

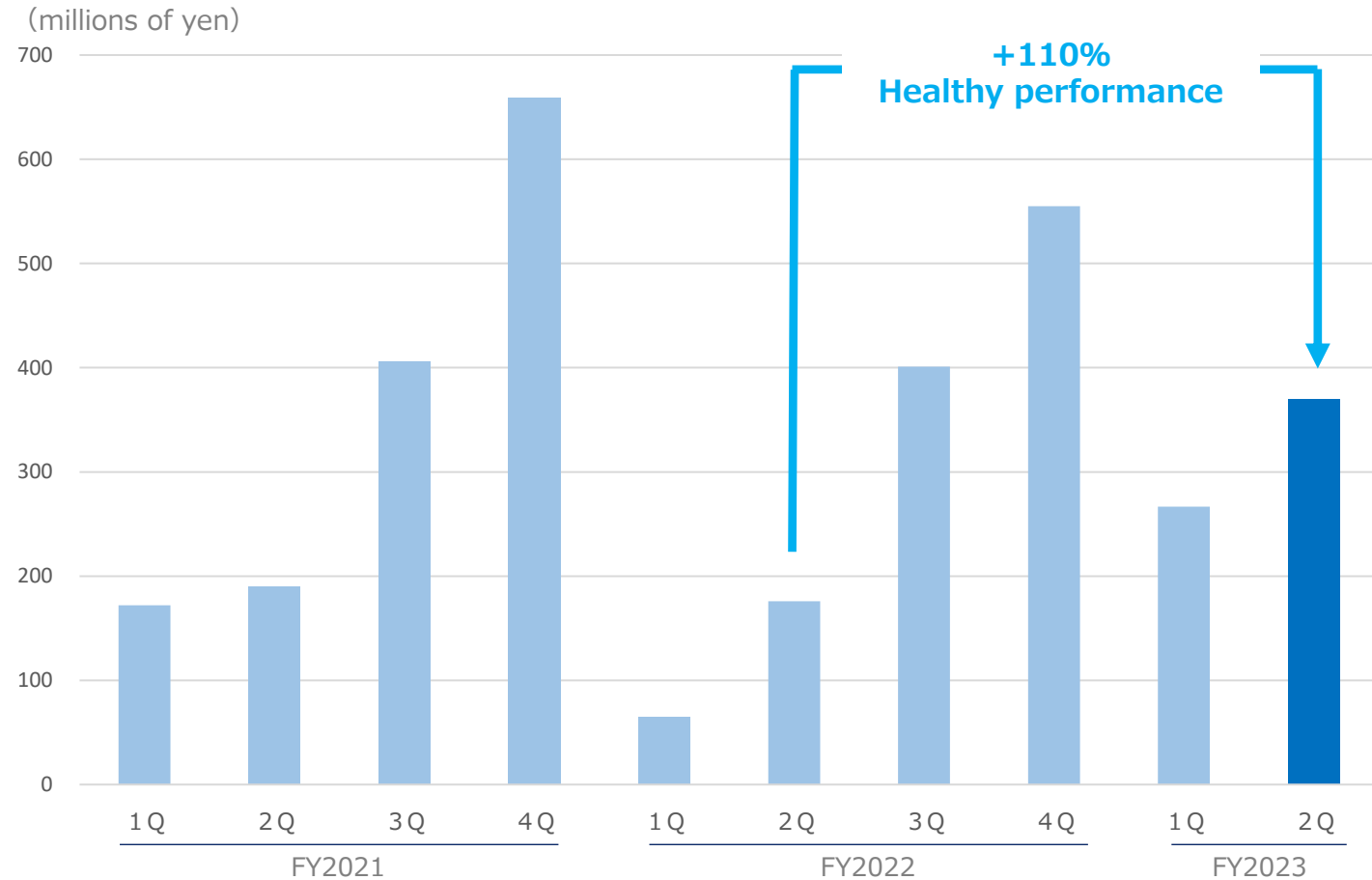
## Operating (New Clients): ARR

**Operating (New Clients)ARR :  
369 million yen, up 110%  
(YoY)**

We made some large-scale transactions, increasing it significantly.

### 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



(period ending March, 2023)

# ARR from started operation and order backlog ARR

## FY2023 2Q

**ARR from started operation: 7.43 billion yen**

(up 222 million yen from the end of the previous term)

**Order backlog ARR: 715 million yen**

(down 231 million yen from the end of the previous term)

**ARR from started operation + Order backlog ARR: 8.15 billion yen**

(down 8 million yen from the end of the previous term)

Operating sales grew, thanks to the increase in ARR from started operation. Since the start of order receipt was slow, the increase in ARR from started operation + order backlog ARR is limited, but they are expected to increase after we achieve the annual target number of orders received.

ARR from started operation: Increase due to the start of operation, decrease due to cancellation

Order backlog ARR: Increase due to the receipt of orders, decrease due to the start of operation

ARR from started operation + order backlog ARR: Increase due to the receipt of orders, decrease due to cancellation

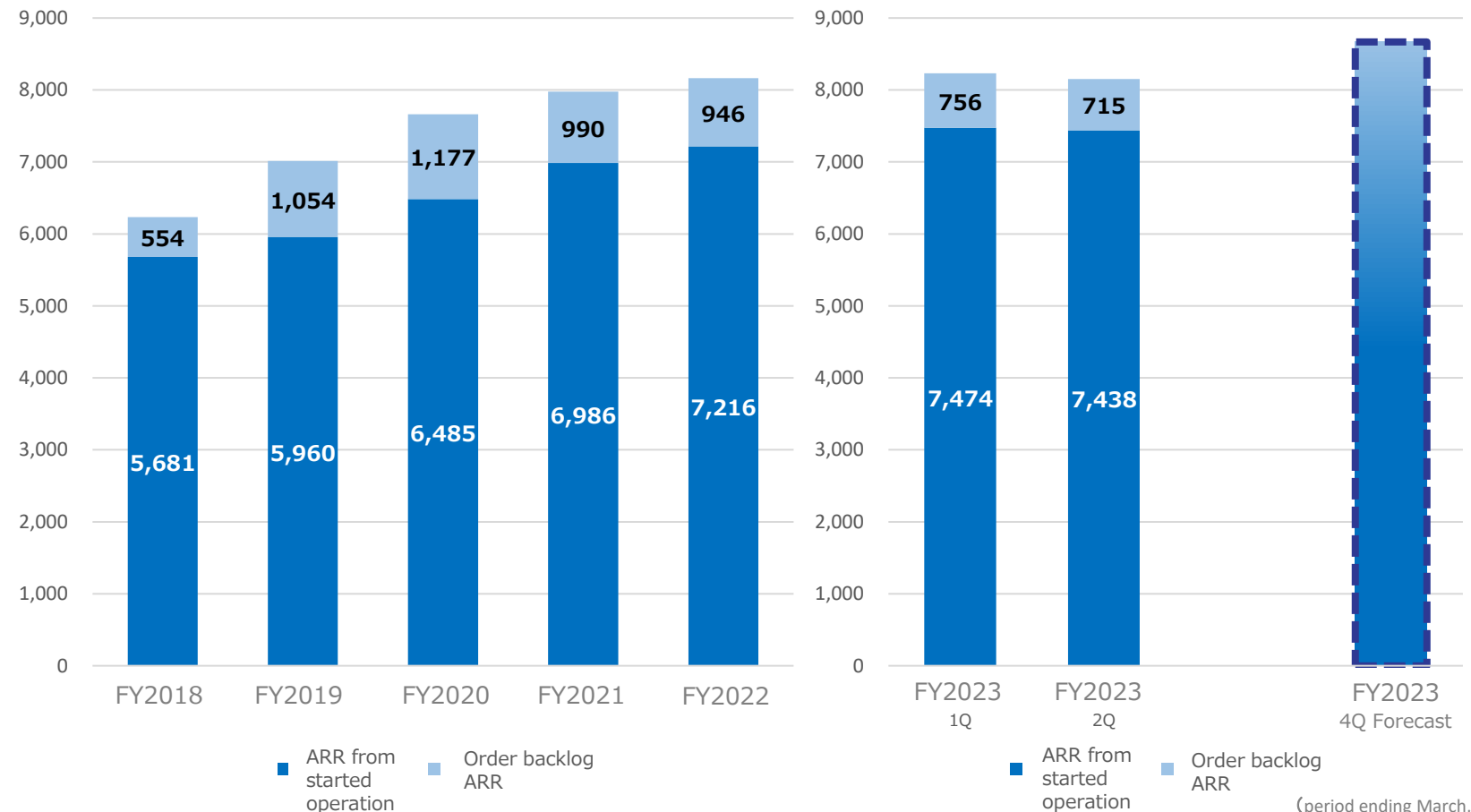
## Variations in ARR from started operation and order backlog ARR (previous fiscal years: annual; the current fiscal year: quarterly)

※ARR (Annual Recurring Revenue): sales revenue from continuous transactions per year

※ARR from started operation: sales revenue from already started continuous transactions per year

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

(millions of yen)





# Churn rate (Ave. monthly churn rate)

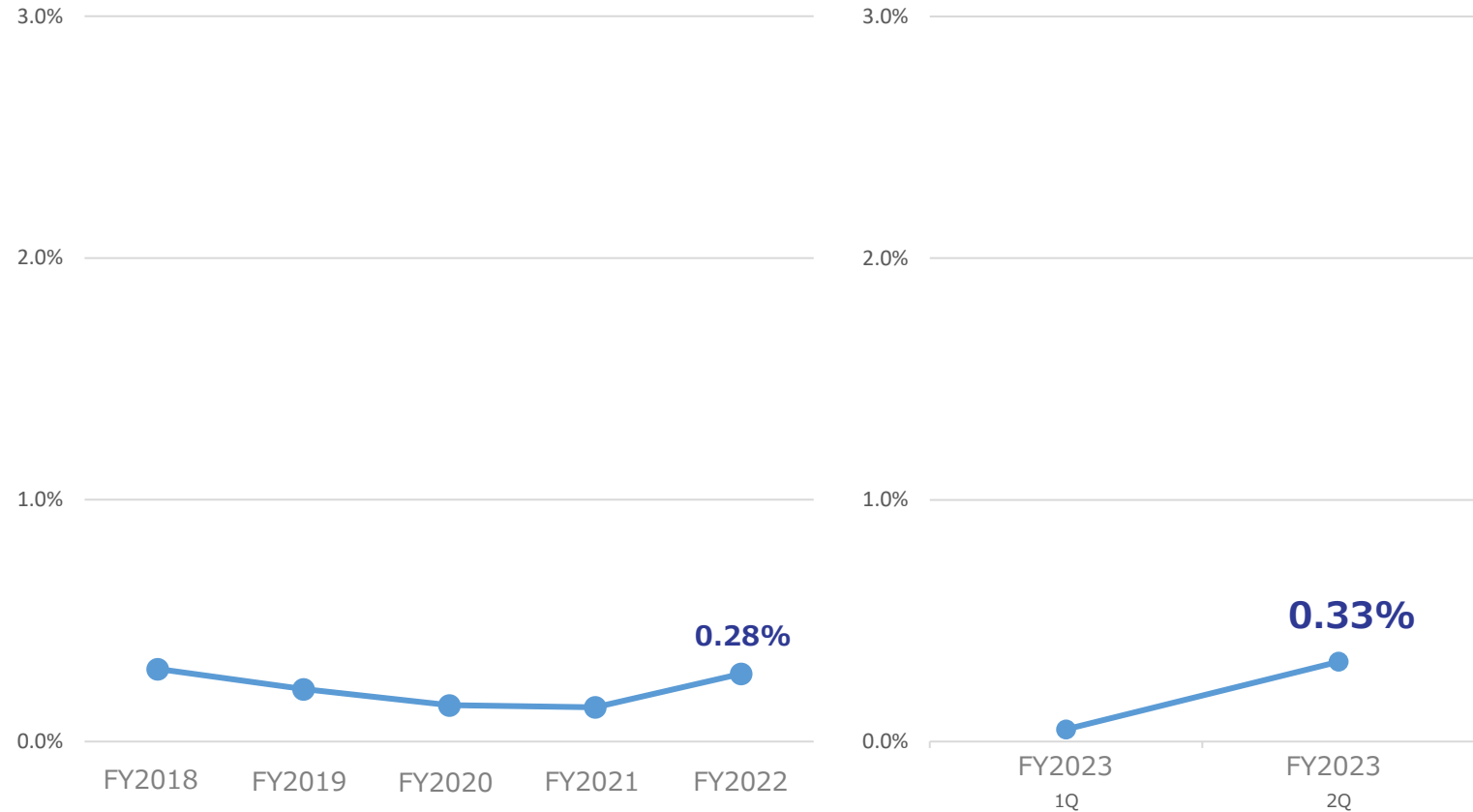
## Churn Rate

(Ave. monthly churn rate) :  
**0.33%**

- Lower annual churn rate compared to the average.

(2Q cumulative :  $0.33\% \times 6 \text{ months} \doteq 2.0\%$ )

### Churn rate (Ave. monthly churn rate)



※ Churn Rate =  $(\text{lost client ARR} \div (\text{existing client ARR of the previous year end} + \text{new client ARR})) \div \text{Elapsed Months}$   
 ※ 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

### 2<sup>nd</sup> quarter (Jul.-Sep.)

- Sales revenue of P3 :

**552 million yen, up 59%**

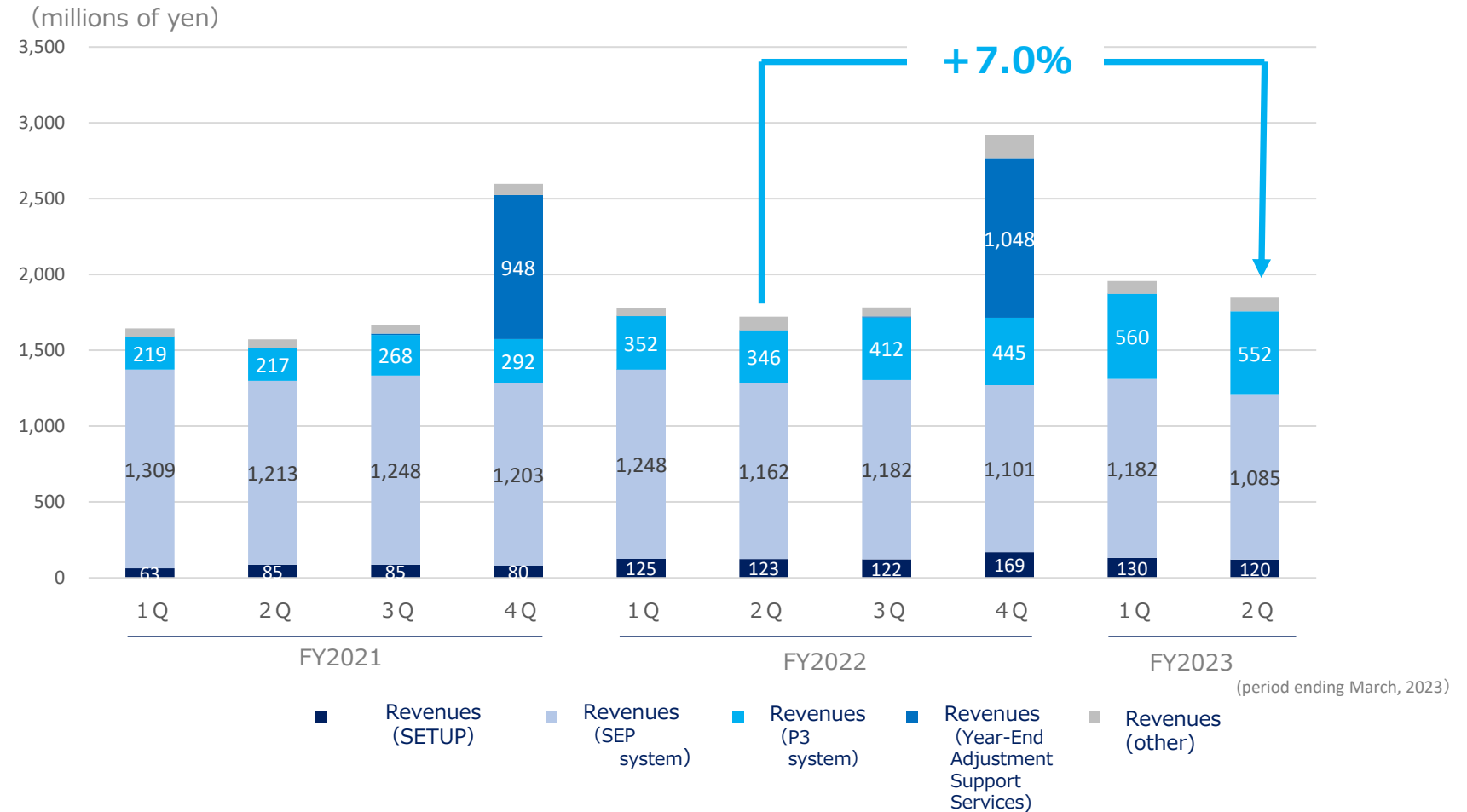
Increase due to the growth of ARR from started operation

- Sales revenue of SEP :

**1.0 billion yen, down 7%**

Drop due to the shift to P3, 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

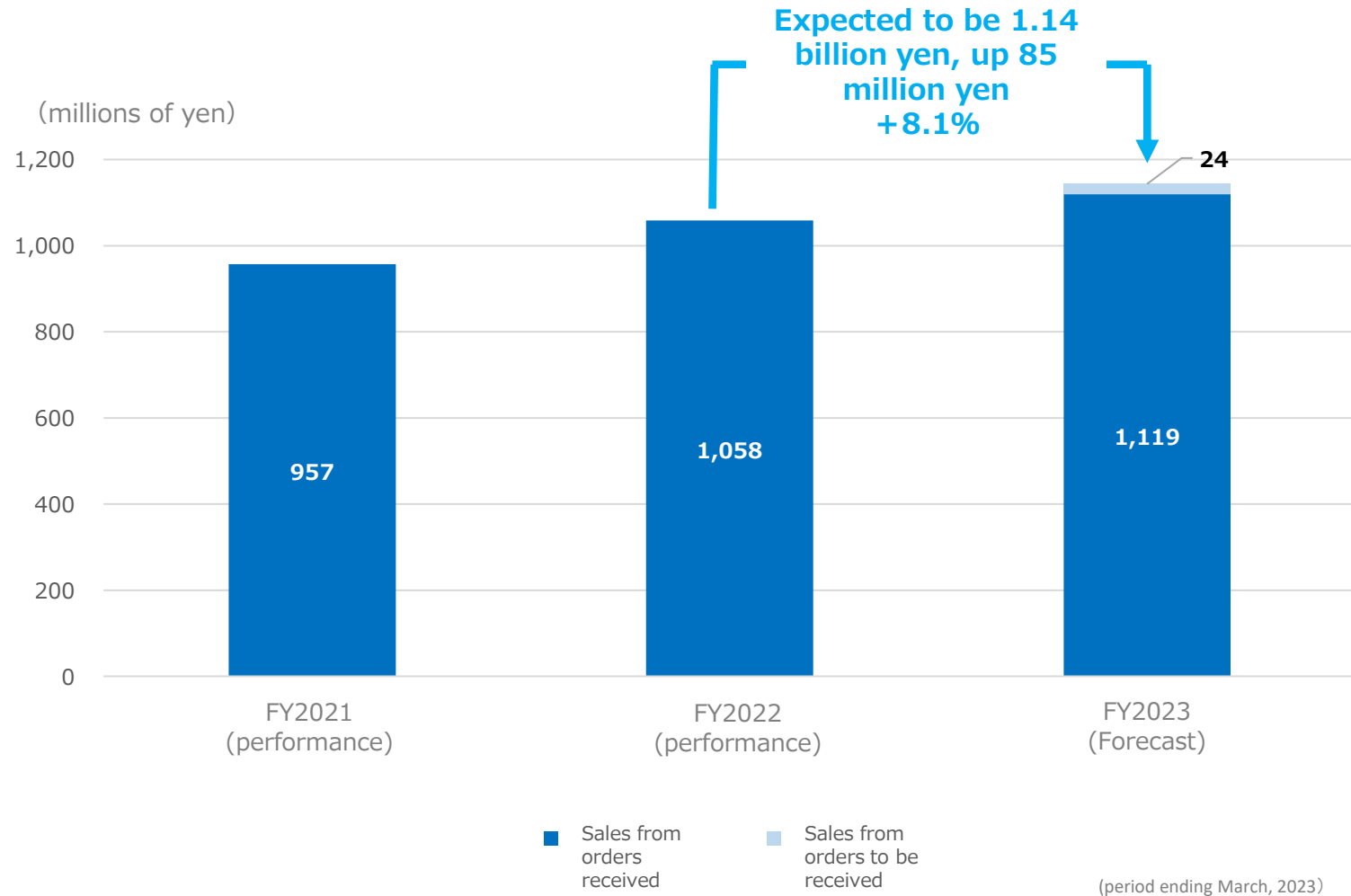
# Year-End Adjustment Support Services

## Year-End Adjustment Support Services (annual)

**Projected year-end adjustment: 1.14 billion yen, up 8.1%**

- Projected annual amount: to be posted in the fourth quarter
- Regarding the sales promotion for the non-consolidated year-end adjustment support, we stopped receiving orders in the second quarter, but the result was 30 million yen smaller than the initial forecast.

※In the year-end adjustment support, we cross-check the applications submitted by employees and the original copies of documents for deduction and request corrections, and then return the summarized data to the HR section of each client company.

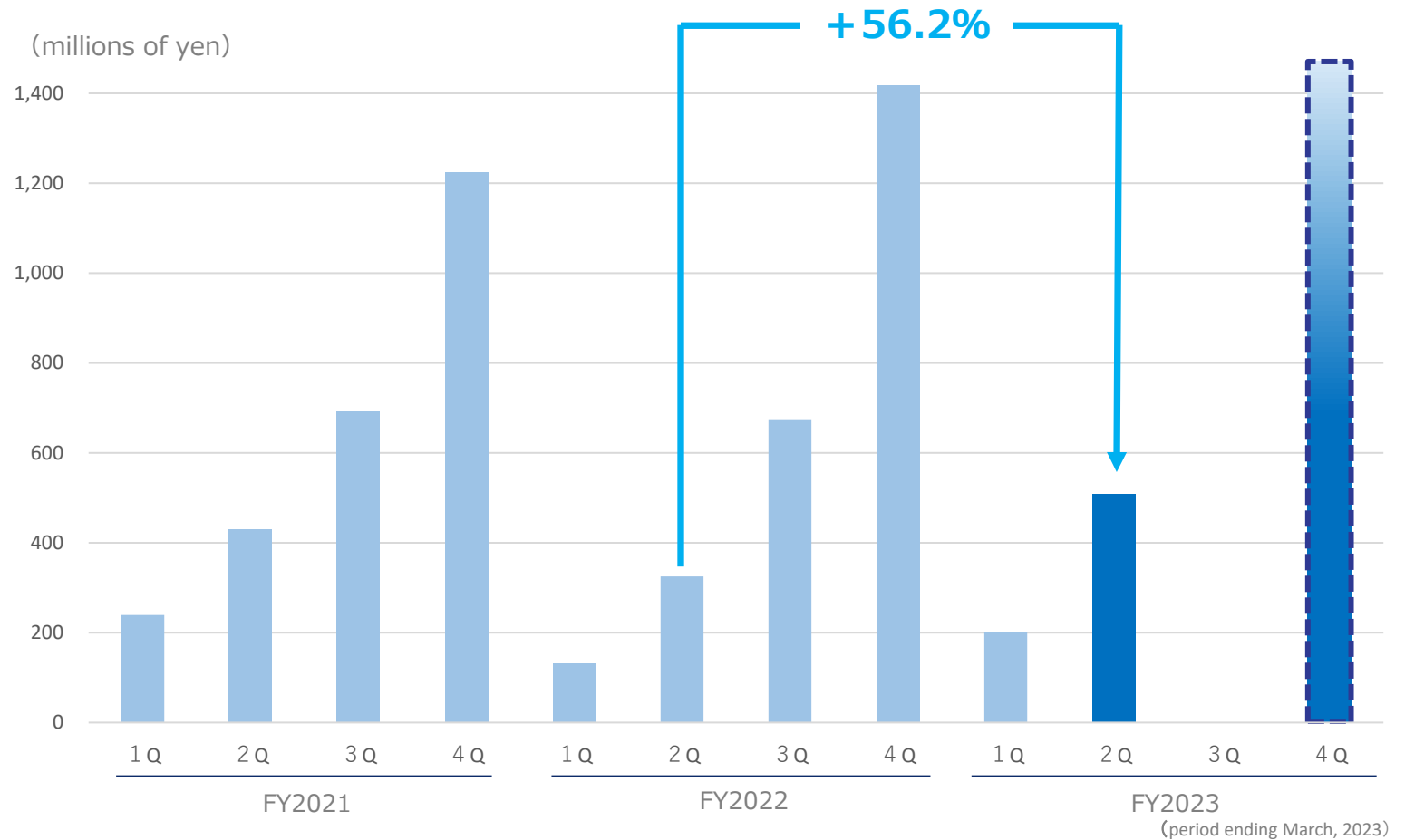


# Operating Income

**Operating income:  
0.5 billion yen, up 56.2%**

- Improvement in gross profit margin thanks to sales growth
- We are upgrading our system for accepting a broader range of orders, while considering future business expansion. Sales and costs are healthy for achieving profit growth at the end of term.

Operating income (cumulative amount in each fiscal year)



- We adjusted the standard and optional parts of BPaaS in the second quarter like in the first quarter. We will continue this adjustment for improving users' experience for HR sections and employees of client companies from the third quarter, and improve the degree of completeness of our services.
- In July this year, we announced "Notification on the full-scale operation of payroll processing services outsourced by Sega Sammy Holdings Inc."
- In August this year, we acquired treasury shares, to improve capital efficiency while considering share price, cash on hand, the business environment, etc. Then, we conducted timely disclosure by issuing a "notice on the status of acquisition of treasury shares and the completion of the acquisition."
- In August this year, we issued a "notice on the web system for year-end adjustment becoming compatible with Mynaportal API" and a "notice on the start of the efforts to obtain the ISO30414 certification to follow the guidelines for disclosing information on human capital."

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## 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.)

	2Q	Progress Rate	FY2023 '22.4-'23.3		FY2022 '21.4-'22.4		changes	Rate of increase
	performance		Forecast	Sales ratio	performance	Sales ratio		
Revenues	3,803	42.8%	8,890	100%	8,207	100%	+ 683	+8.3
COGS	2,701	42.5	6,356	71.5	5,811	70.8	+ 545	+9.4
Gross Margin	1,101	43.5	2,534	28.5	2,396	29.2	+ 138	+5.8
SGA	624	52.2	1,195	13.4	1,189	14.5	+ 6	+0.5
Operating Income	507	34.5	1,470	16.5	1,416	17.3	+ 54	+3.8
Income before Income Tax	479	33.9	1,413	15.9	1,360	16.6	+ 53	+3.9
Net Income	329	33.9	970	11.0	1,089	13.3	△ 119	△11.0

※Net Income (Real) : Net Income excluding the impact of the tax effect accounting in FY 3/2022

Net Income (Real)	329	33.9	970	11.0	984	12.0	△ 14	△1.4
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## 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.

- 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 **10 yen/share** for FY2023. (result : 5 yen/share For FY2022)

\*Record date: Mar. 31



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# Appendix

## Medium-term Management Plan

## Mid-term Vision

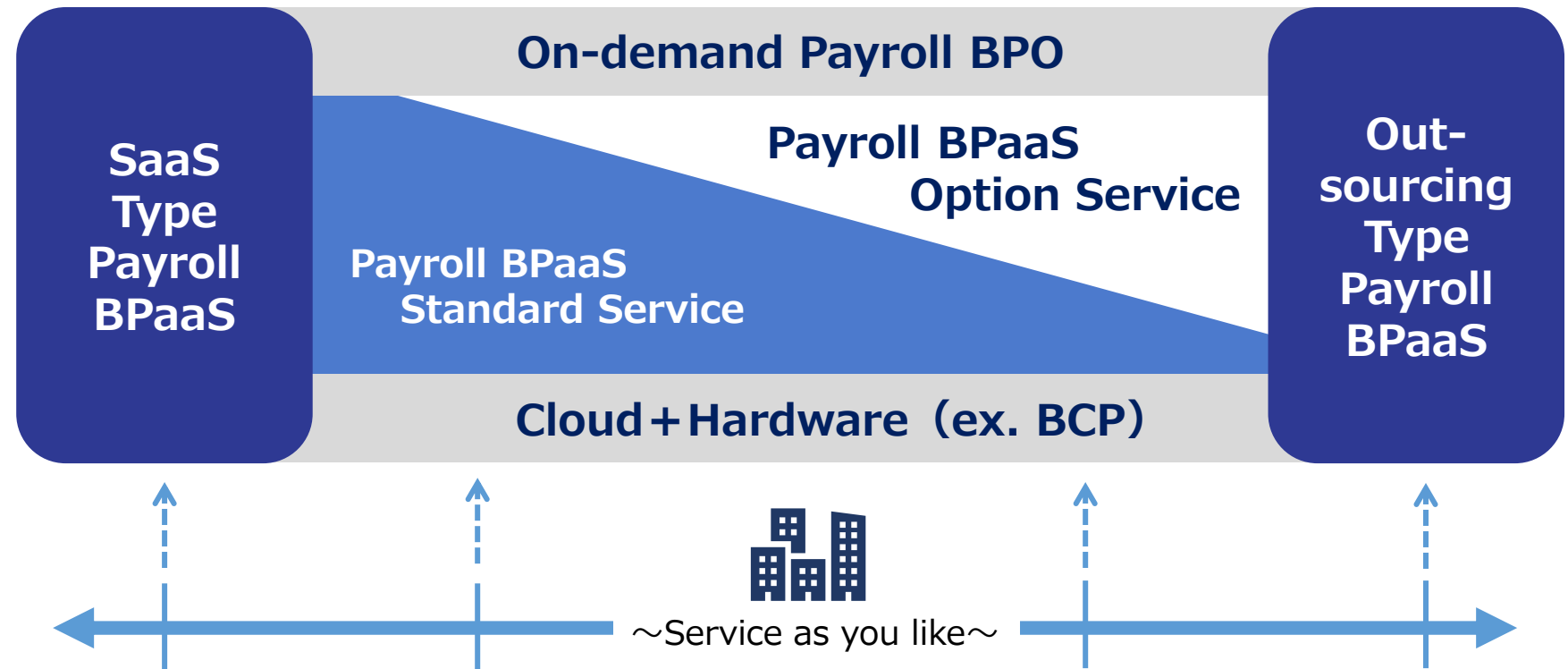
What is BPaaS ?

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
<b>Organic growth</b> •To offer cloud + BPO services and grow in parallel with the market growth	<b>Organic growth</b> •To grow in parallel with the market growth •To accelerate growth by developing BPaaS •To improve profit margin	<b>Organic growth</b> •To grow in parallel with the market growth •To accelerate growth by developing BPaaS •To improve profit margin	<b>Organic growth</b> •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 <b>450 subsidiaries</b> 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

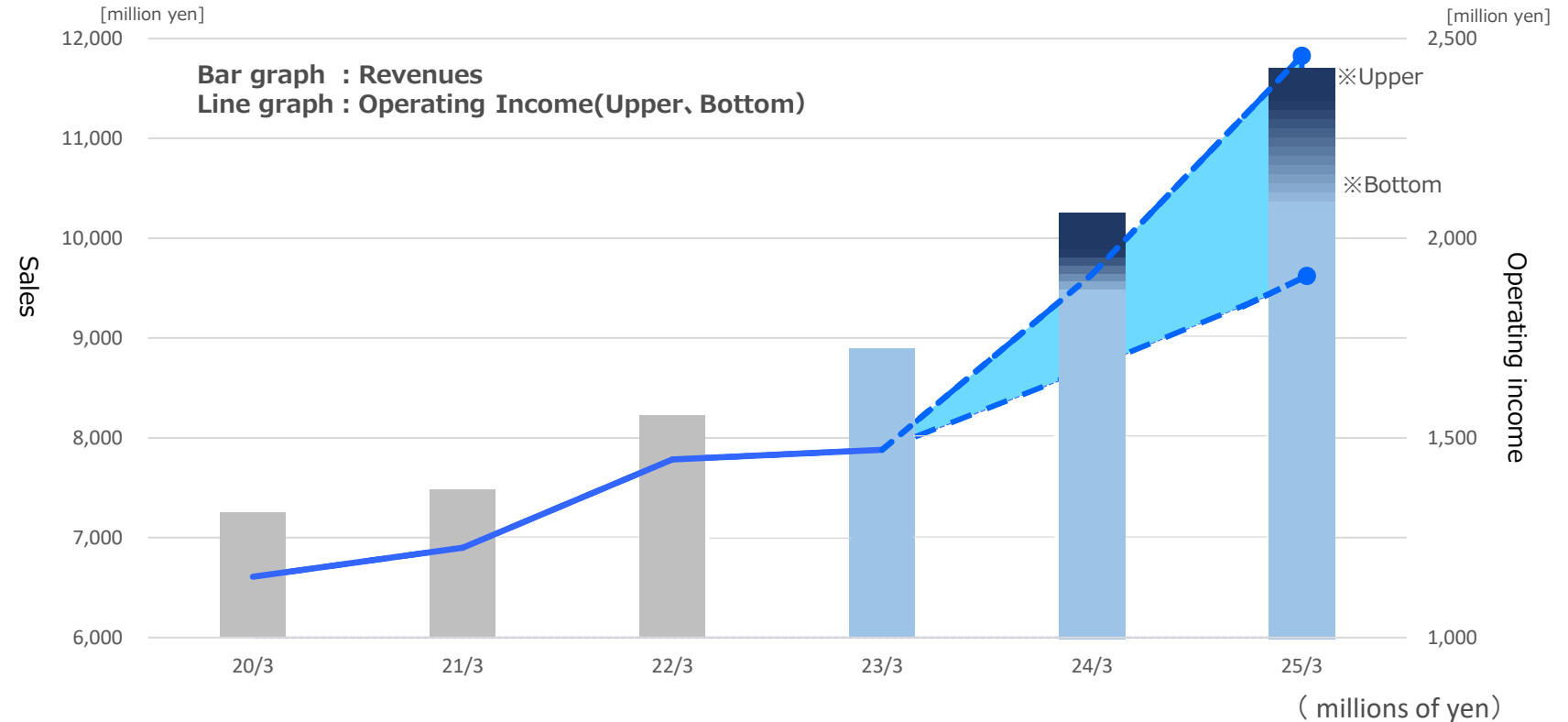
(enterprises with 1,000 or more employees)

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

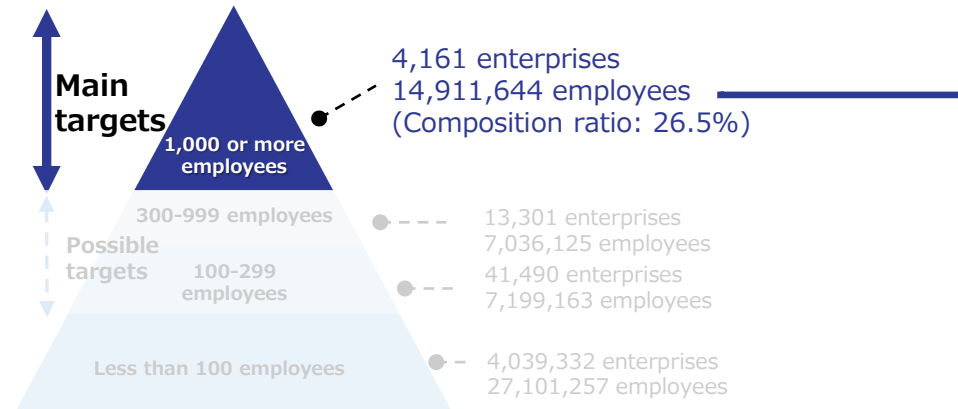
### To increase orders from enterprises

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

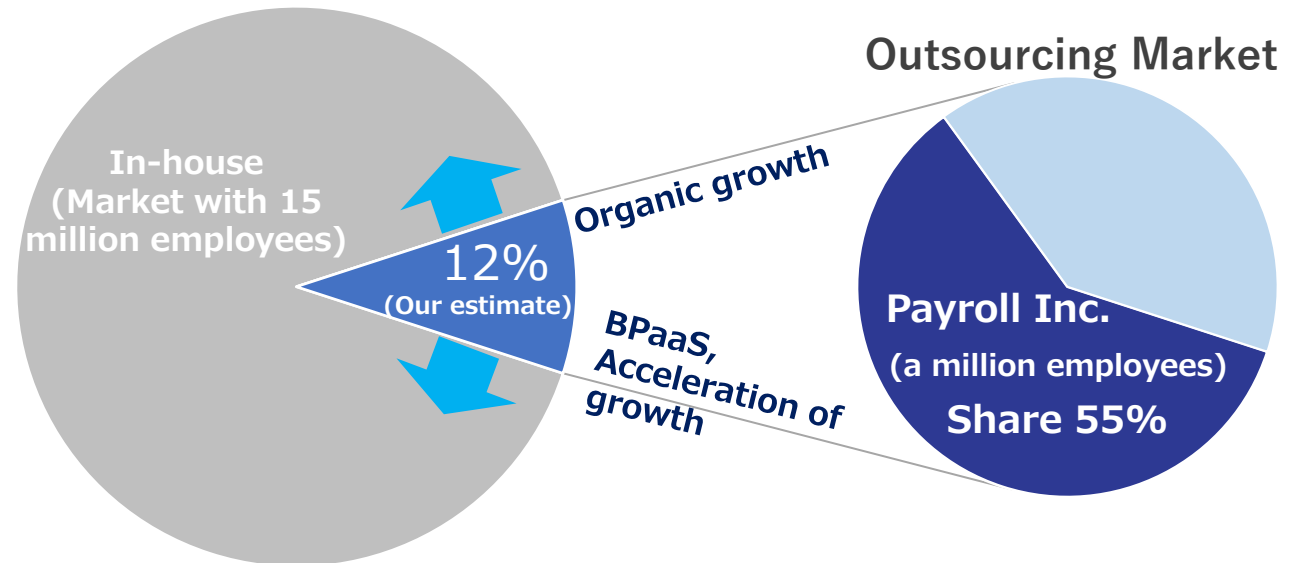
To continuously strengthen the operation system in parallel with the business expansion through new orders and new operations.

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%.

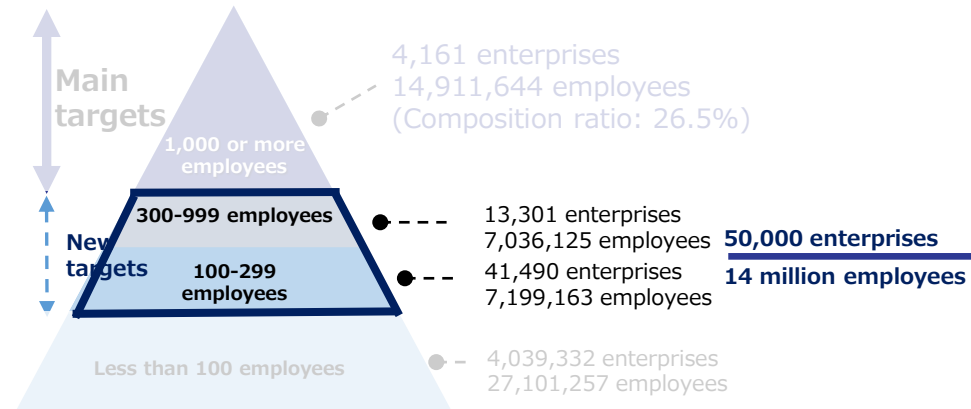
## Growth Strategy 2

### To offer BPaaS to SMB

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

#### Our BPaaS:

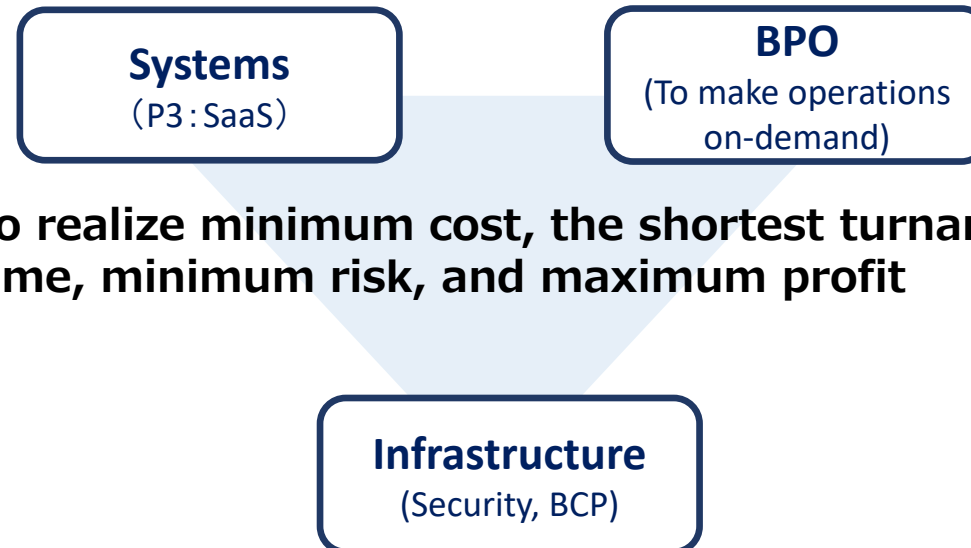
- ① **To produce SaaS for setup**  
⇒ To simplify installation processes and make them self-service.
- ② **To make operations on-demand**  
⇒ HR divisions of client companies operate our salary engine.  
To offer processing and BPO center operation services on demand.
- ③ **Infrastructure**  
⇒ To offer 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

# PAYROLL





**Appendix**  
businessmodel

## 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

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

## Business Model

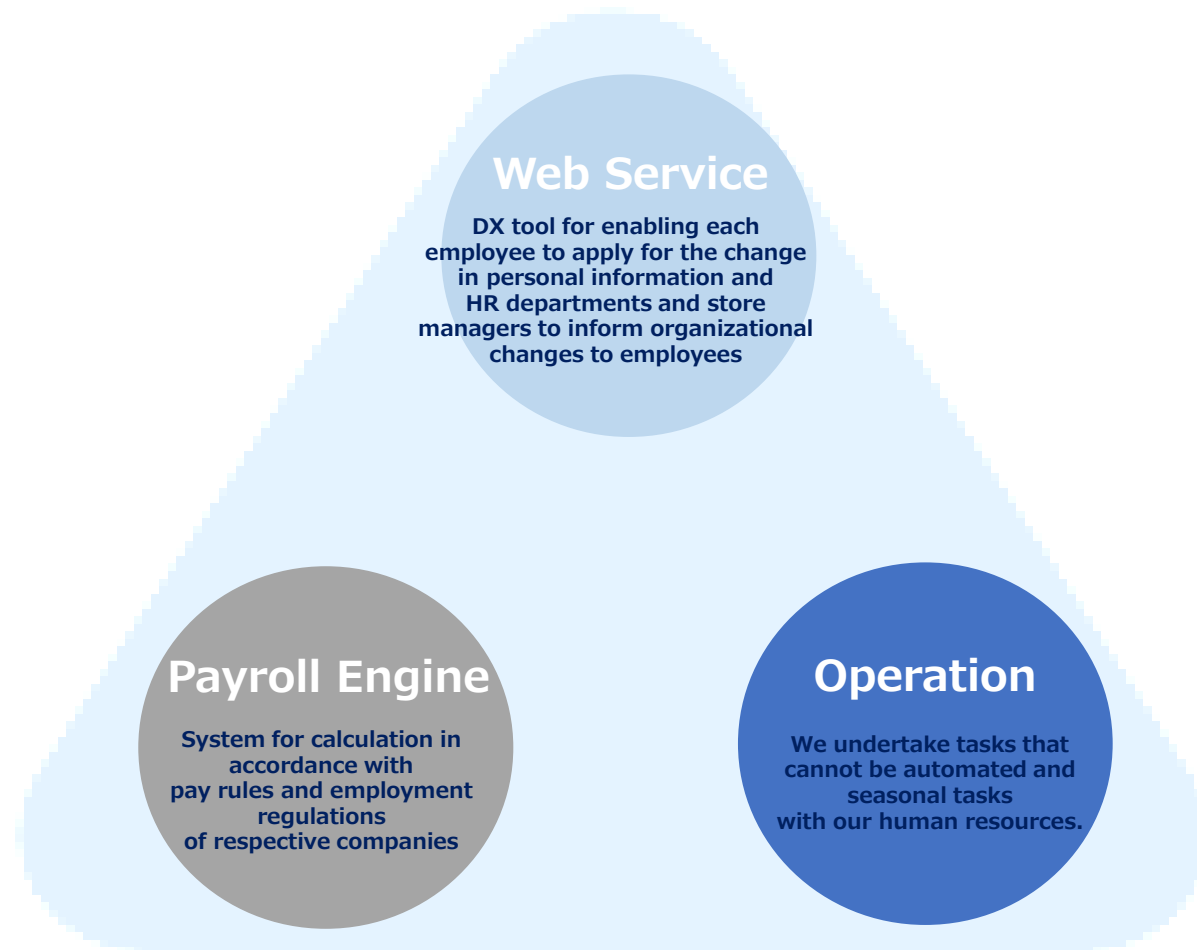
All enterprises must pay accurate salaries to all employees on respective payment days every month.

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.

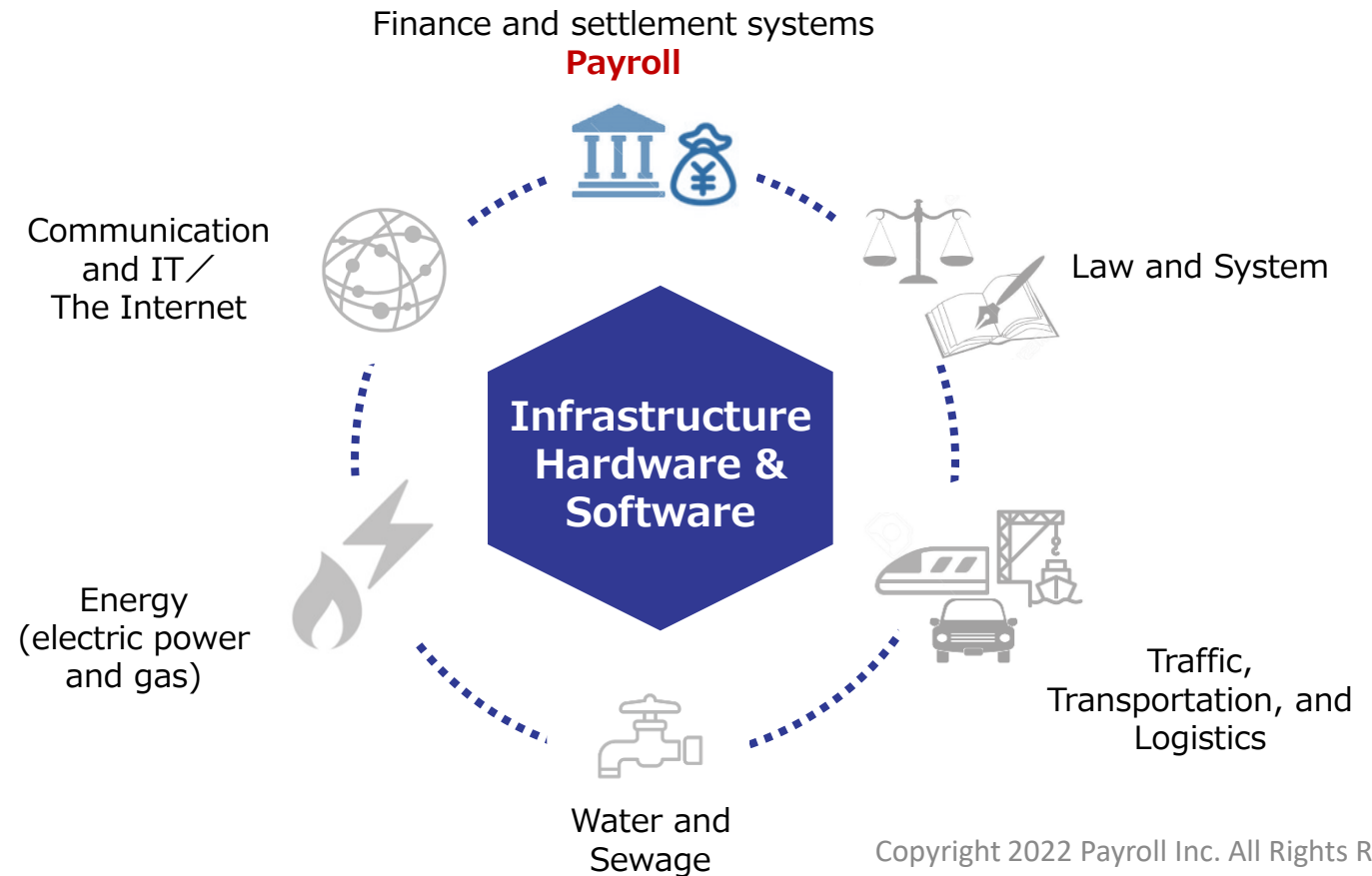


# Corporate Vision

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

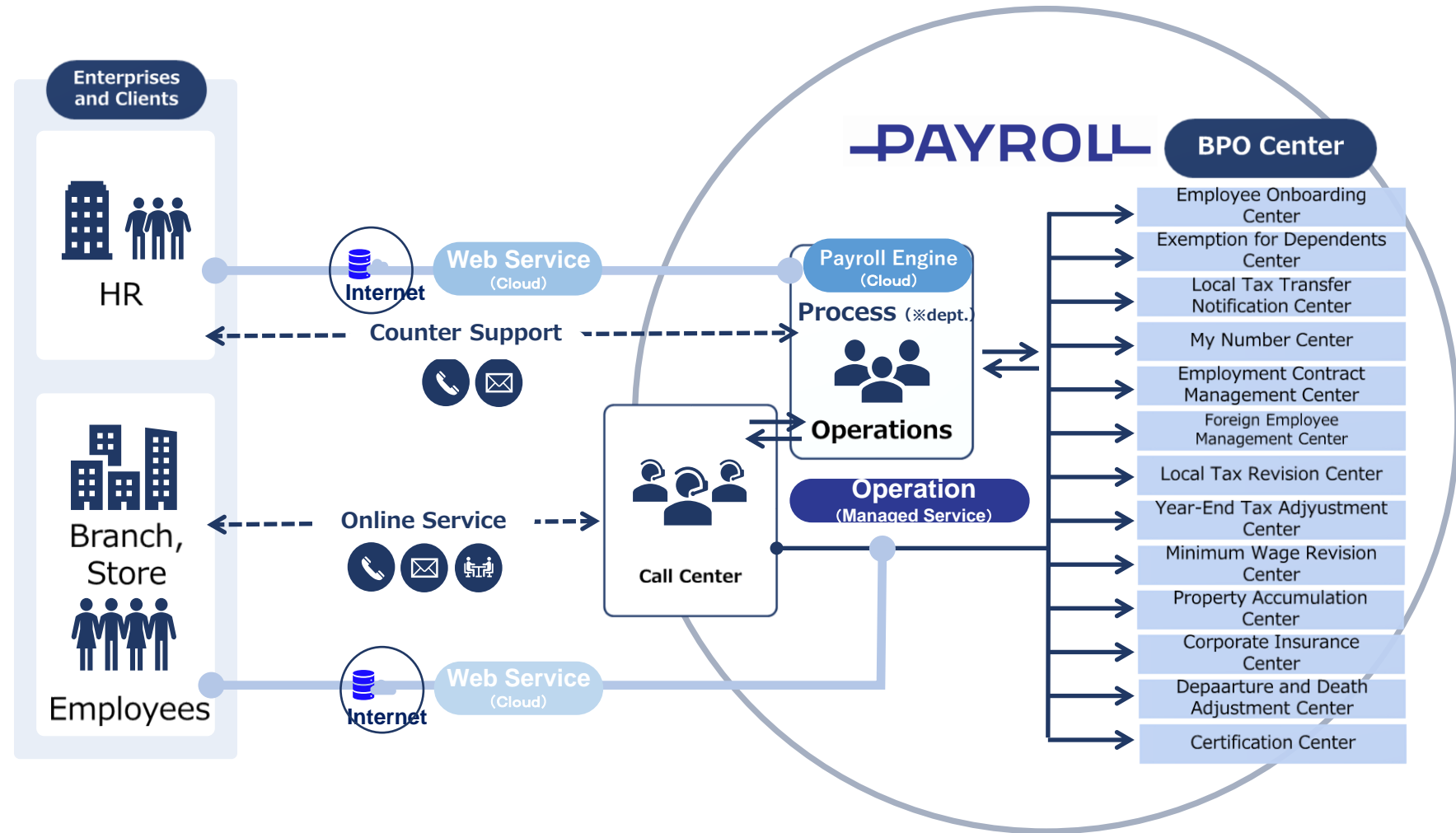
We offer comprehensive services that help client companies reduce man-hours and specialize in their core businesses by processing payroll on behalf of their HR departments.

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



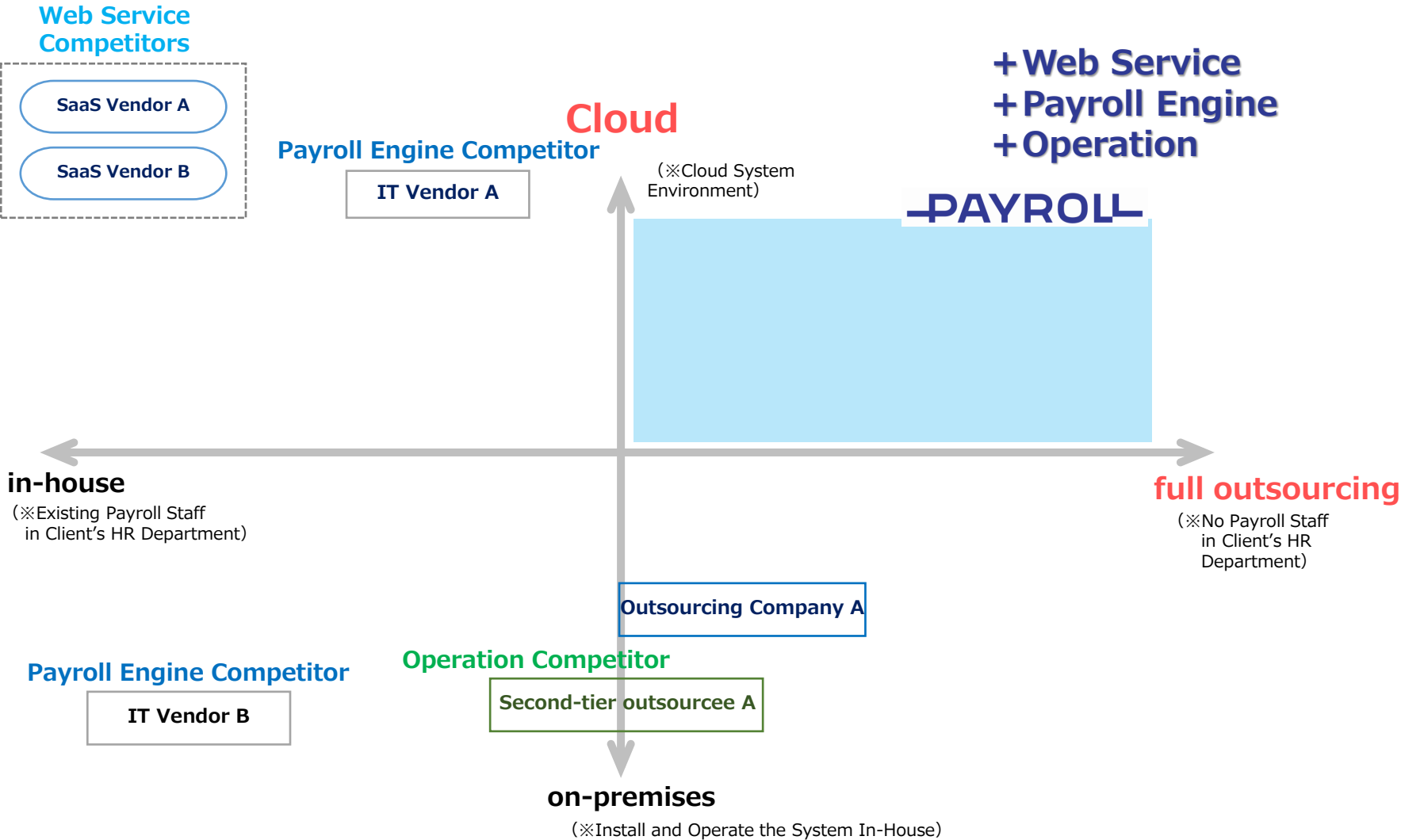
# Unique Positioning

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.**

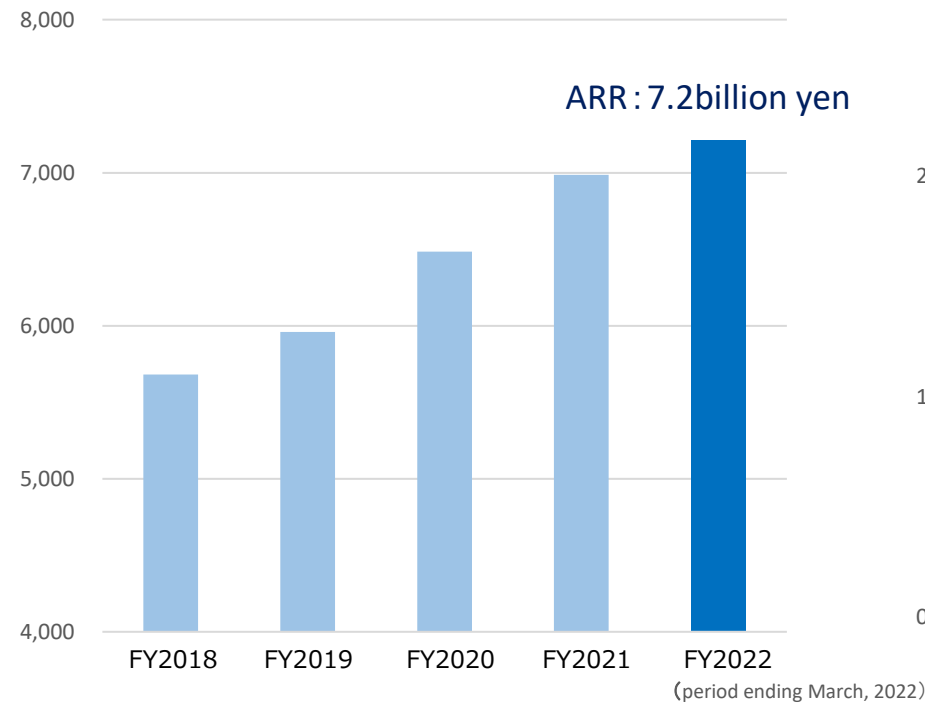
Ave. monthly churn rate: 0.28%)

※ Churn Rate [annual] : 3.36%

(0.28%×12months≒3.36%)

**Then, we have established a recurring-revenue model.**

#### ARR: Recurring-revenue business



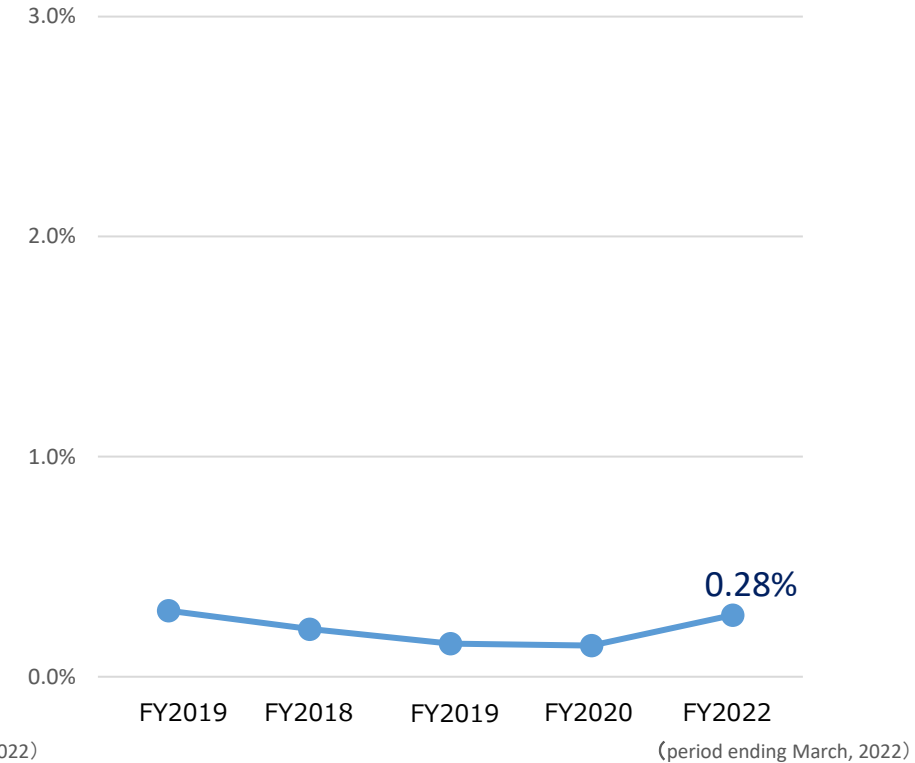
\*ARR (Annual Recurring Revenue) = Estimated annual sales revenue (running fees only) from new business operations we undertook

※ 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

※ Existing 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.



保管庫

Strict Entry Restriction to Offices/Operational Centers

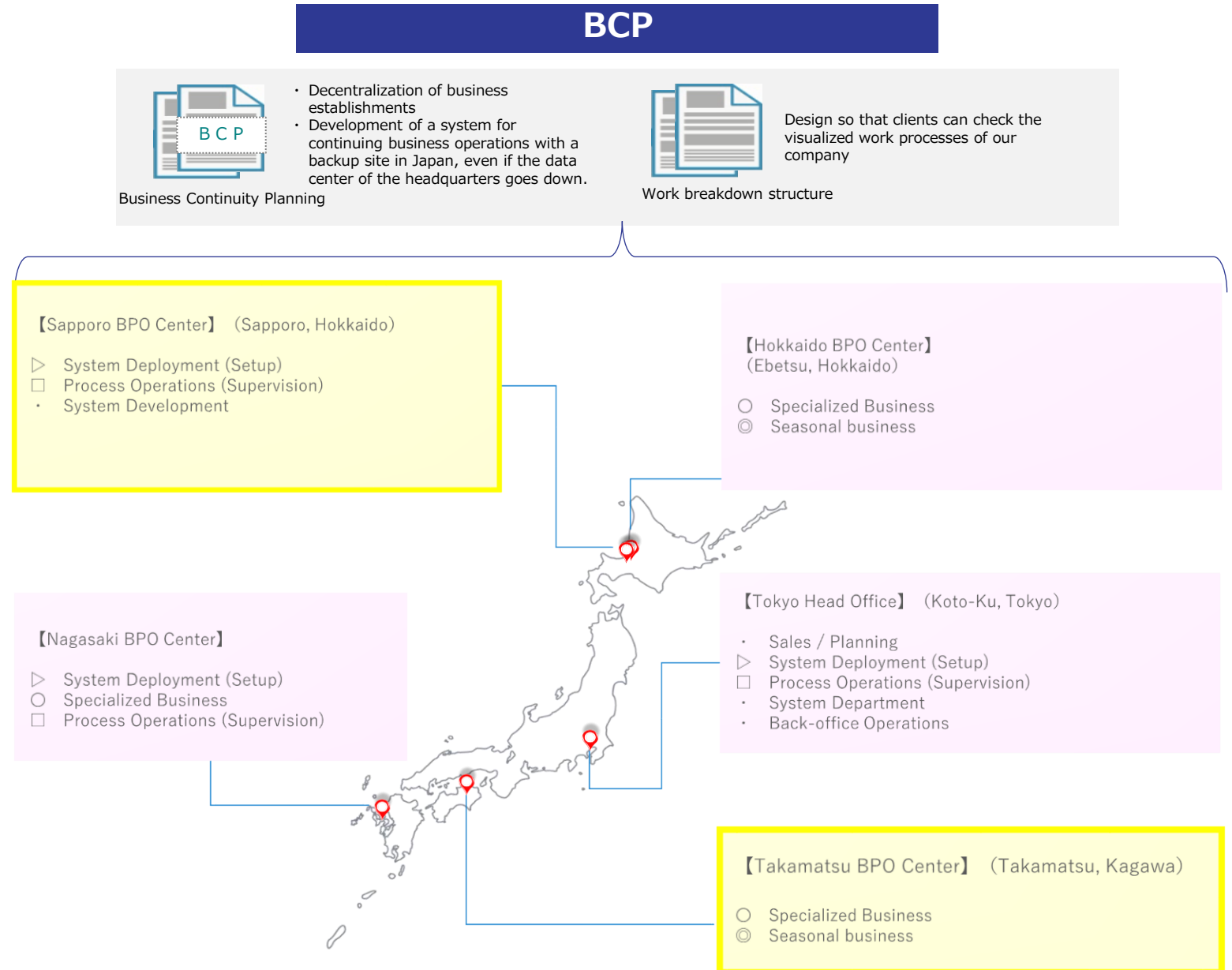


Hokkaido BPO Center

## 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.



## We have large enterprise clients

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

Examples of major clients

- Convenience chain (about 206,000 employees)
- McDonald's Company (Japan), Ltd. (about 170,000 employees)
- Conveyor belt sushi chain (about 48,000 employees)
- Coffee chain (about 46,000 employees)
- Supermarket chain (about 32,000 employees)
- Semiconductor manufacturing (about 10,000 employees)

Payroll for 1.02 million employees processed



## 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)

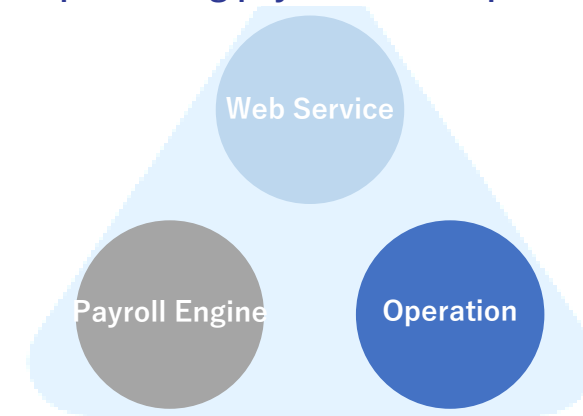
## Financial Information (FY 2022, IFRS)

- ❖ 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.

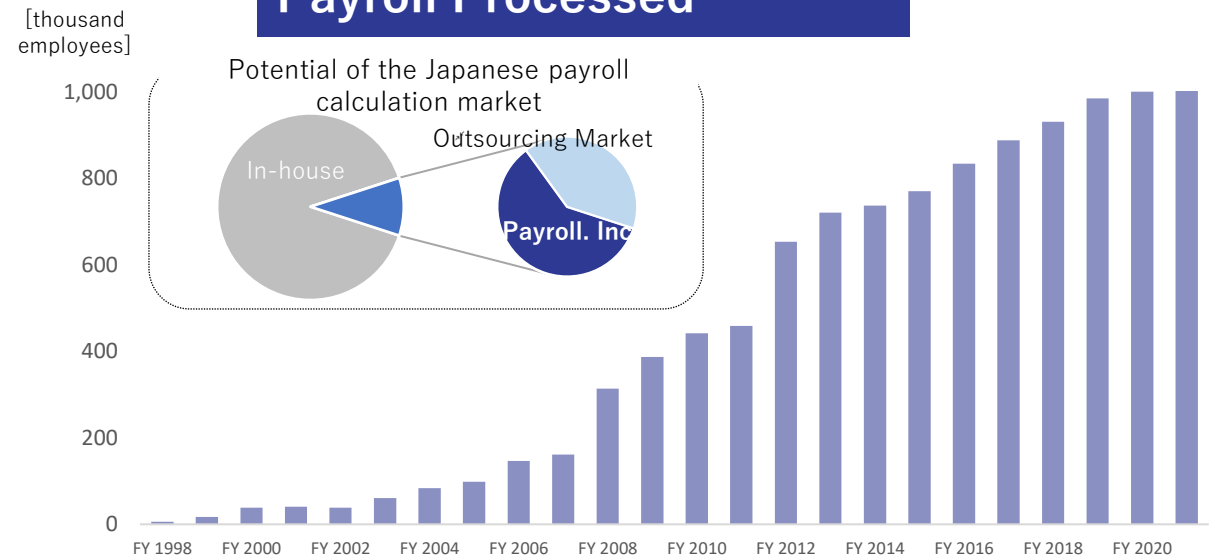
## Services Provided

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



## PAYROLL

## Payroll Processed



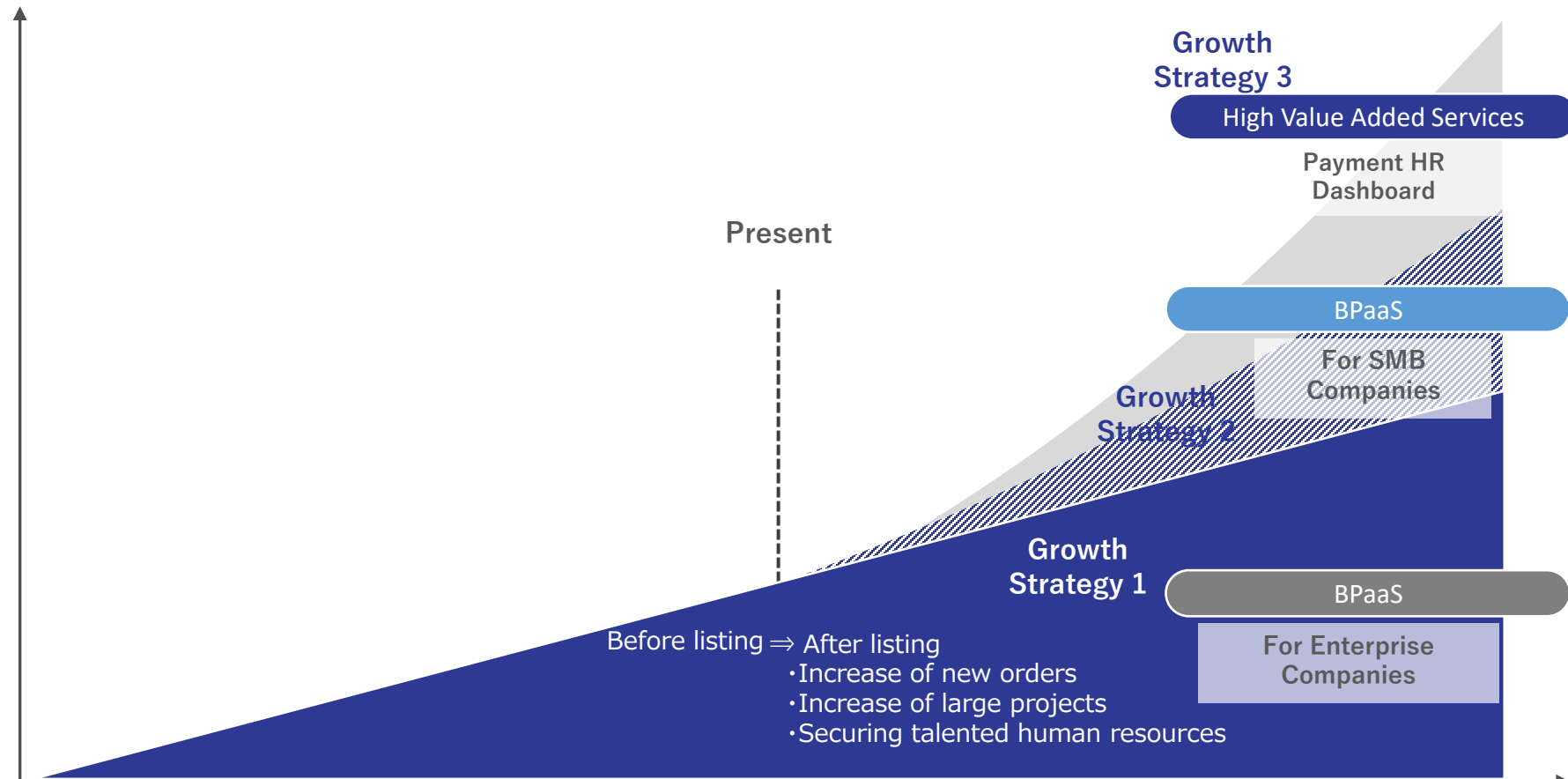


## Mid/long-term Growth Vision

**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
<b>Mission-critical System Function Enhancement</b>	500	400	400	100
<b>Working Capital for Recruiting, Personnel Expenses, etc.</b>	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"> <li>Risk of information leakage</li> </ul>	Low	Long-term	High	<ul style="list-style-type: none"> <li>Obtained and continuously renewed Privacy Mark and ISMS certifications</li> <li>Physical measures such as restricting access to the office and storing documents</li> <li>Blocking access from outside and setting access privileges within the company</li> </ul>
Risks related to legal regulations	<ul style="list-style-type: none"> <li>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</li> </ul>	Low	Long-term	Medium	<ul style="list-style-type: none"> <li>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.</li> <li>Continuous employee training, considering legal revisions and enactments</li> </ul>
Risks related to human error, quality defects, etc.	<ul style="list-style-type: none"> <li>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</li> </ul>	Medium	Mid-term	Medium	<ul style="list-style-type: none"> <li>Creating manuals for work procedures</li> <li>Checking of each task by the person in charge and his/her superior</li> <li>Conducting monthly quality audits</li> </ul>
Risks related to system failures	<ul style="list-style-type: none"> <li>Risk of computer system problems due to human error, disasters, power outages, computer viruses, and various unpredictable factors</li> </ul>	Medium	Mid-term	Medium	<ul style="list-style-type: none"> <li>Load balancing of servers and implementing periodic backups</li> <li>We have formulated a BCP in preparation for emergencies, and have established a system that allows us to continue providing services even during emergencies</li> </ul>
Risks related to seasonal fluctuations in business performance	<ul style="list-style-type: none"> <li>Our corporate group provides year-end adjustment assistance services, and sales revenue, profit, or loss tends to be concentrated in January (fourth quarter)</li> <li>Therefore, within the same fiscal year, our corporate group's quarterly performance will be biased</li> </ul>	High	Short-term	Low	<ul style="list-style-type: none"> <li>Promoting stable year-end assistance services, including DX support</li> </ul>
Risks related to competition	<ul style="list-style-type: none"> <li>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</li> </ul>	Medium	Mid-term	Medium	<ul style="list-style-type: none"> <li>Continuously enhancing the corporate capabilities (structure, expertise, etc.) in Cloud Service and Managed Service, which are the sources of our competitiveness</li> </ul>
Risks related to the impact of COVID-19	<ul style="list-style-type: none"> <li>Risk of a decrease in the number of employees subject to payroll processing in existing clients due to the pandemic</li> </ul>	Medium	Mid-term	Medium	<ul style="list-style-type: none"> <li>Securing revenues by accelerating the start of full-scale operations for new clients</li> </ul>

### 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 quarterly financial results.

A thick blue L-shaped line graphic is positioned on a white background. The vertical line starts at the top center and extends downwards. The horizontal line starts from the left edge, crosses the vertical line, and extends to the right edge. The word "PAYROL" is centered horizontally on the horizontal line, with the vertical line passing through the letter 'P'.

**PAYROL**