

Securities Code: 4489

FY2023 Full-year Financial Results

PAYROLL

May 15, 2023

Payroll Inc.

www.payroll.co.jp

1	FY2023 Consolidated Financial Results	P3-P12
2	FY2024 Consolidated Financial Forecasts	P13-P17
3	Shareholder Return	P18-P19
4	Advantage of Payroll	P20-P25
5	Long-term Business Vision	P26-P30
	Appendix	P31-P32

1 FY2023 Consolidated Financial Results

Highlights of FY2023
Consolidated Financial
Results

PAYROLL

Sales revenue

+ 8.6% YoY

Page 5

Operating income

+ 5.9% YoY

Page 5

**ARR from new
orders**

440 million yen

Page 7

**ARR from new
operations**

600 million yen

Page 8

**ARR from backlog
of orders**

750 million yen

Page 9

Churn rate
(Ave. monthly churn rate)

0.23%

Page 10

Consolidated Financial Results of FY2023

Sales revenue and operating income have been healthy.

(millions of yen,%)

	FY2023		FY2022		Changes Rate of increase (%)	
	performance	%	performance	%	changes	%
Revenues	8,917	100.0	8,207	100.0	+709	+8.6
COGS	6,254	70.1	5,811	70.8	+443	+7.6
Gross Margin	2,662	29.9	2,396	29.2	+265	+11.1
SGA	1,318	14.8	1,189	14.5	+129	+10.9
Operating Income	1,500	16.8	1,416	17.3	+83	+5.9
Income before Income Tax	1,440	16.2	1,360	16.6	+79	+5.8
Net Income	1,016	11.4	1,089	13.3	△73	△6.7
Net Income (Real)	1,016	11.4	984	12.0	+32	+3.3

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

Sales revenue and operating income have been healthy.

Revenues

8.91 billion yen

+8.6% year on year

Operating Income

1.5 billion yen

+5.9% year on year

- Released “BPaaS 1.0,” which enables clients to adopt flexible payroll processing services (March 2023).
Aim to introduce our services to SMB in addition to enterprises.
- Started preparations for the entry to the field of “salary payment with digital money.”
Started discussions with GMO Payment Gateway, Inc. regarding the design of services, business operations, etc. as the first step while looking ahead to the needs for digital wage payment (March 2023).
- Released “Pay Gap Report,” which discloses information on human capital and indicates measures for human capital (November 2022).
- Preparing for the launch of the report on human capital “e-pay HR KPI” paid service (scheduled to launch in the summer to autumn of 2023)
- We are continuously striving to increase orders for large-scale projects from enterprises.

※ enterprises=clients with over 1,000 employees

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

New Order : ARR

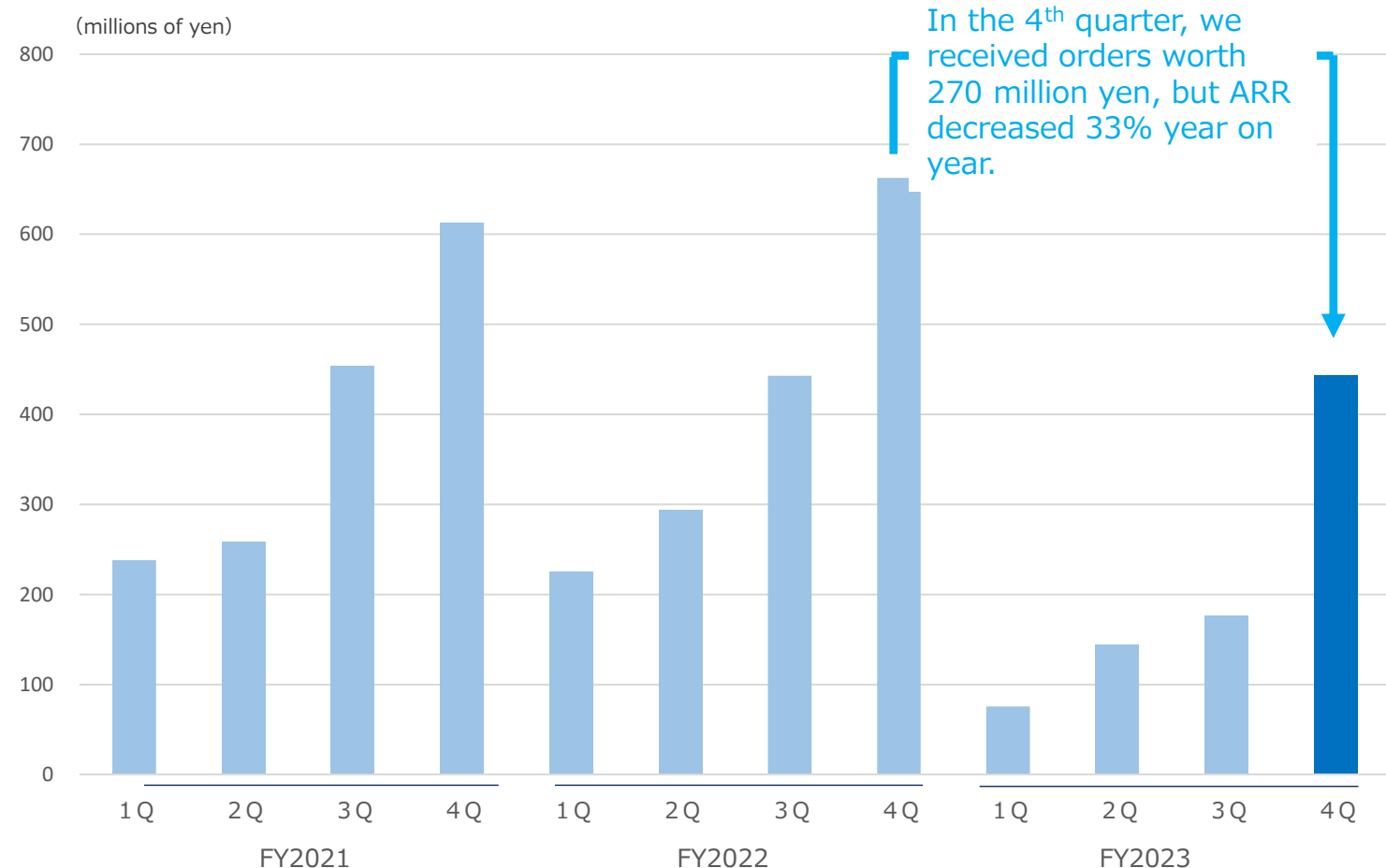
New Order (ARR) :
440 million yen,
down 33% (YoY)

In the 4th quarter, we
received orders worth 270
million yen, but ARR
decreased year on year.

This is not because of the
deterioration of the order
receiving environment. We
will continue to focus on
acquiring orders for these
projects.

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



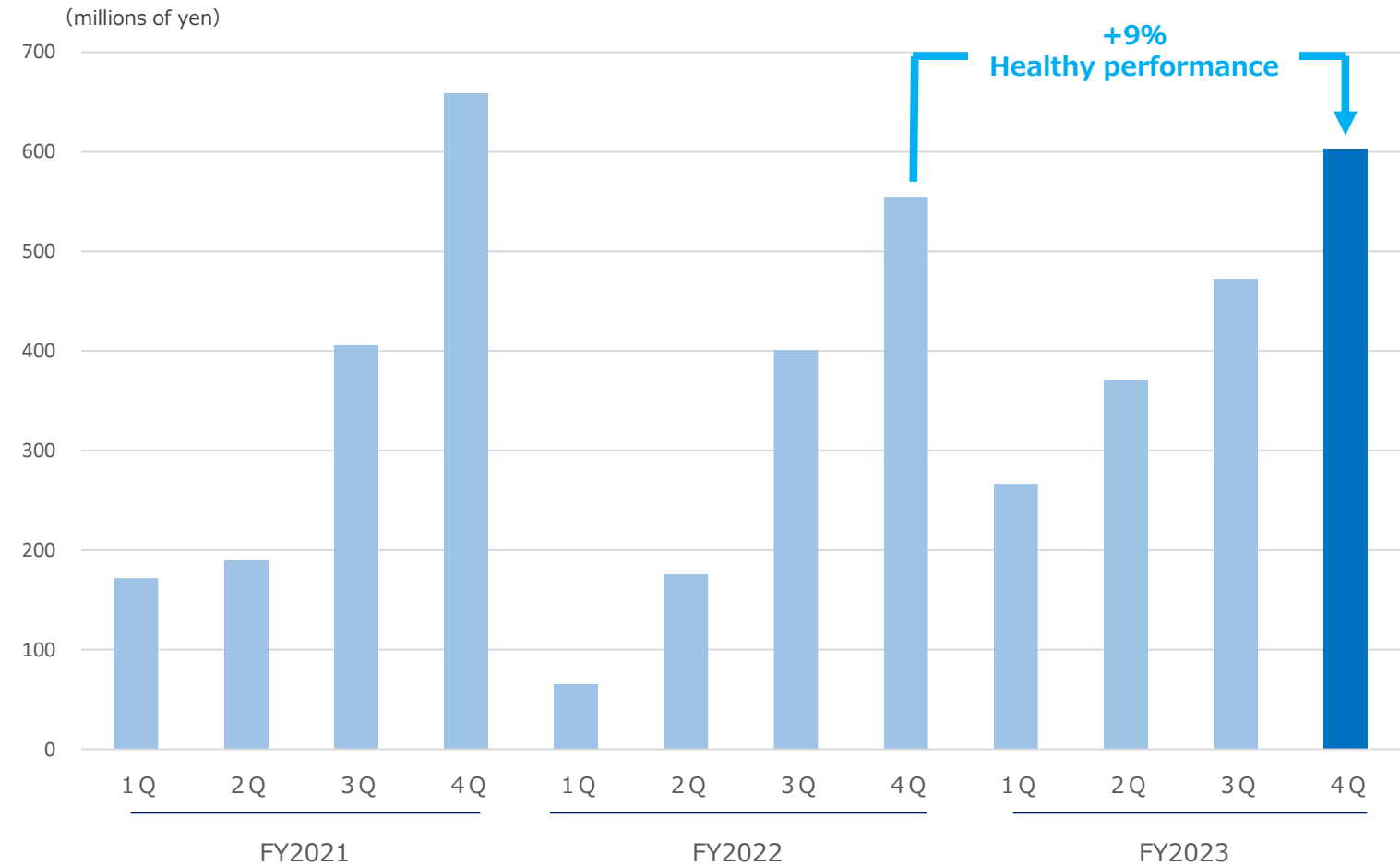
Operating (New Clients): ARR

Operating (New Clients)
ARR: 600 million yen, up 9%
(YoY)

Steady increase in Operating
(New Clients) ARR due to the
smooth service launch of P3, a
new system for cloud services.

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



ARR from started operation and order backlog ARR

FY2023

ARR from started operation:
7.69 billion yen

(up 480 million yen from the end of the previous term)

Order backlog ARR: 750 million yen

(down 190 million yen from the end of the previous term)

ARR from started operation
+ Order backlog ARR:
8.44 billion yen

(up 280 million yen from the end of the previous term)

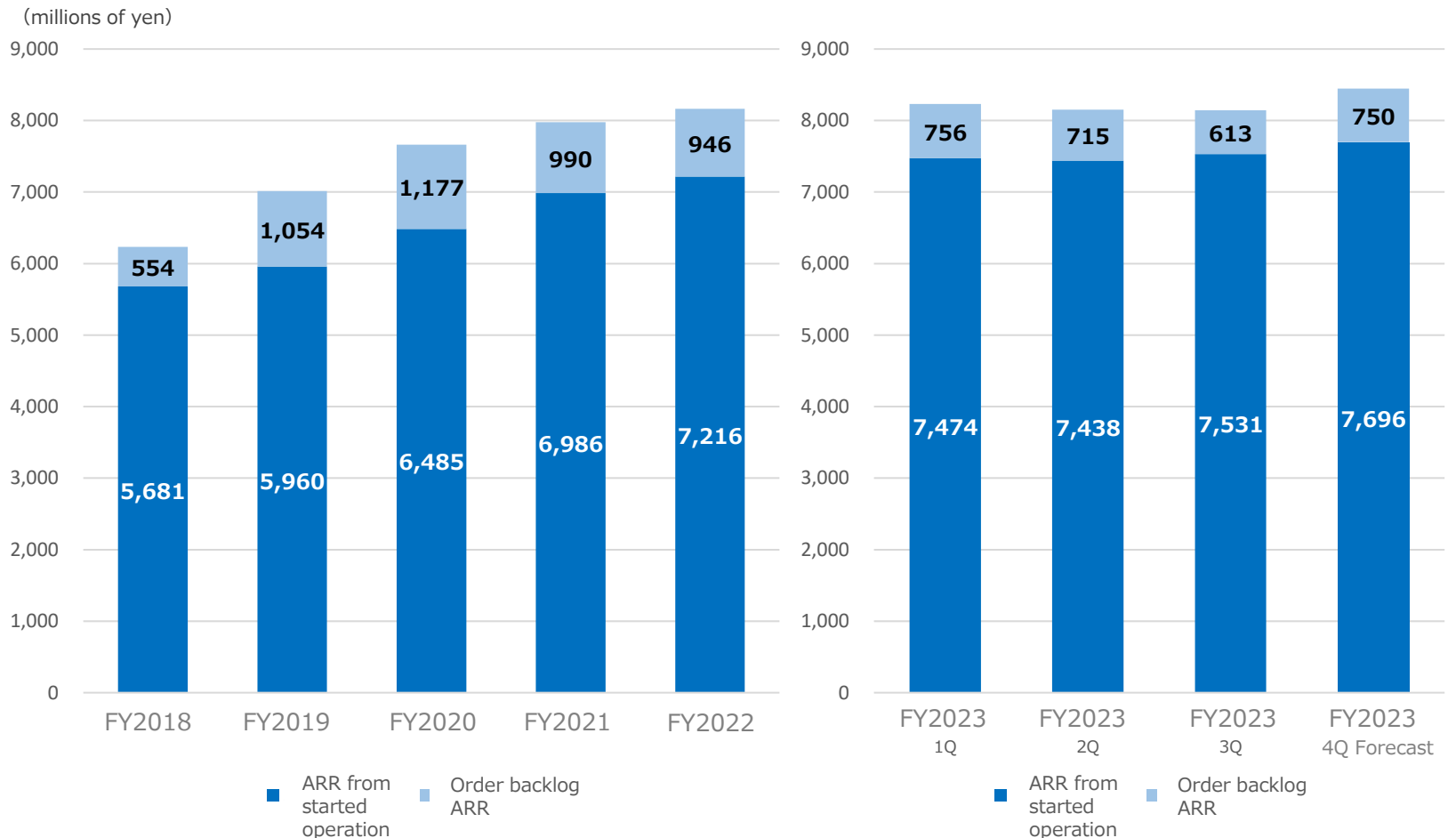
Sales revenue increased due to the rise in ARR from started operation.

Variations in ARR from started operation and order backlog ARR

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

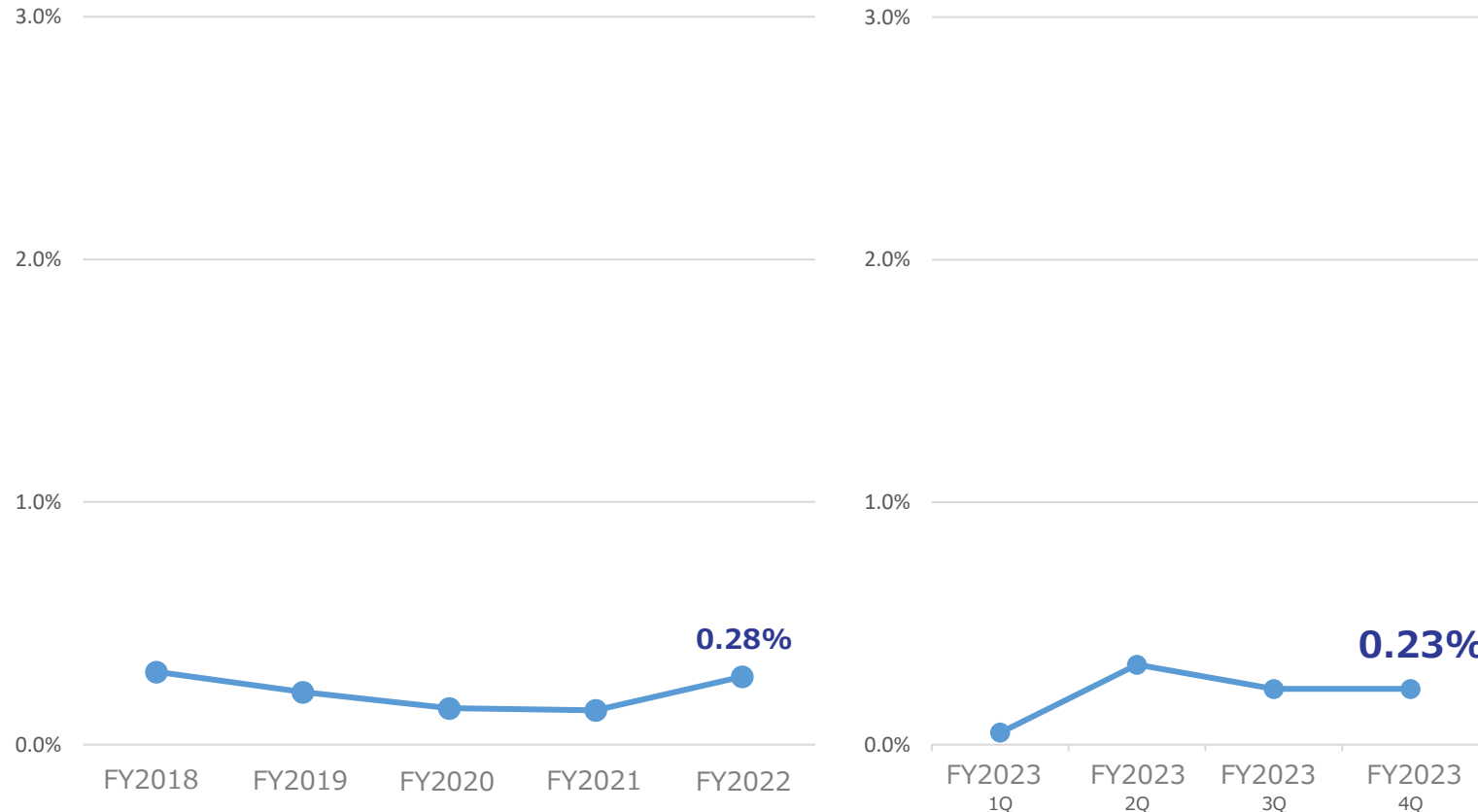


Churn rate
(Ave. monthly churn rate)

Churn Rate: 0.23%

Annual churn rate has remained low and favorable. This is considered to prove a certain level of customer satisfaction.

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

Revenues

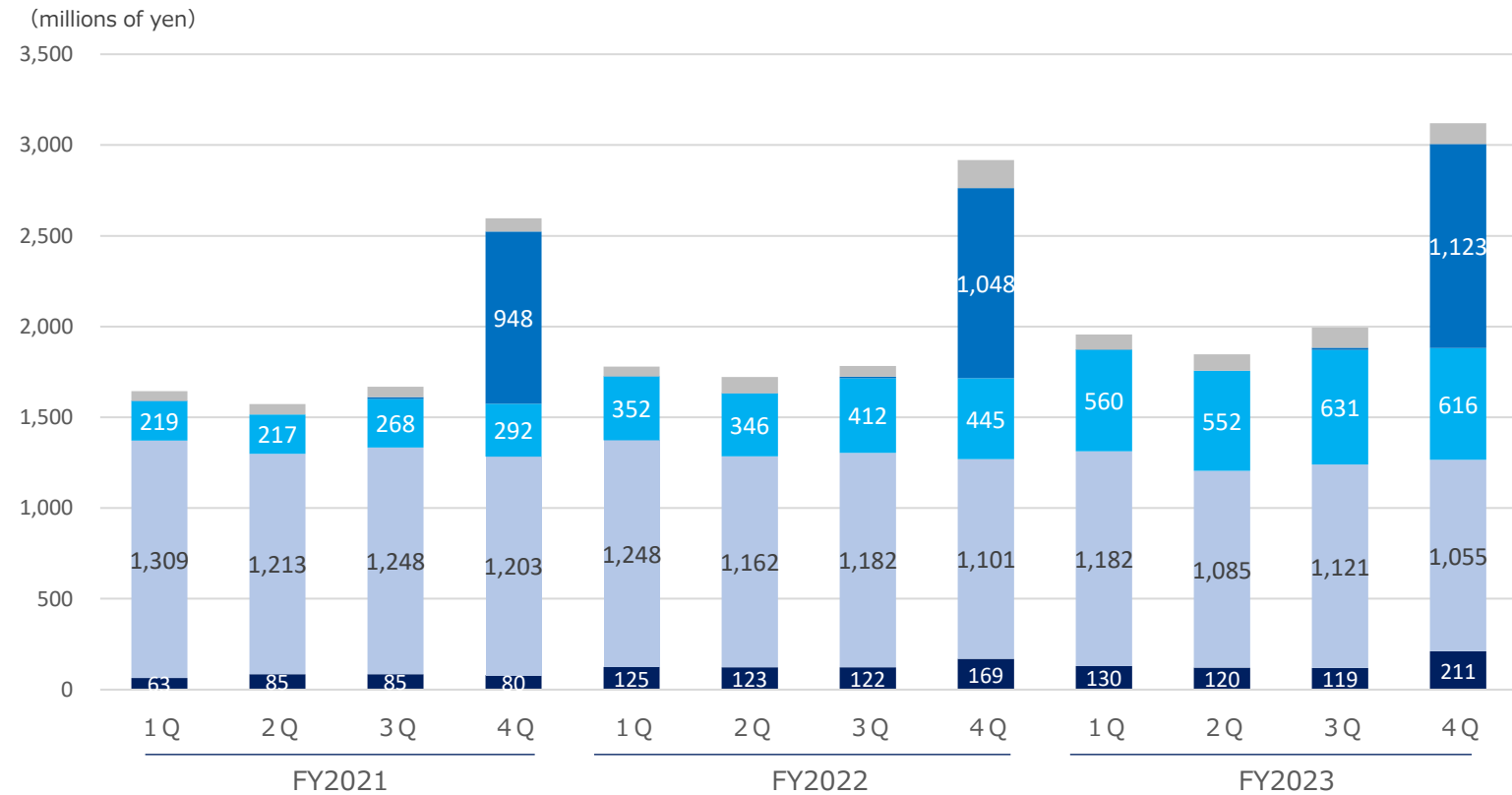
4Q

Sales revenue of P3: 610 million yen, up 38% (YoY)

Sales revenue increased due to the steady growth of the P3 system.

The sales revenue of the old system SEP is expected to decrease due to customers switching to P3.

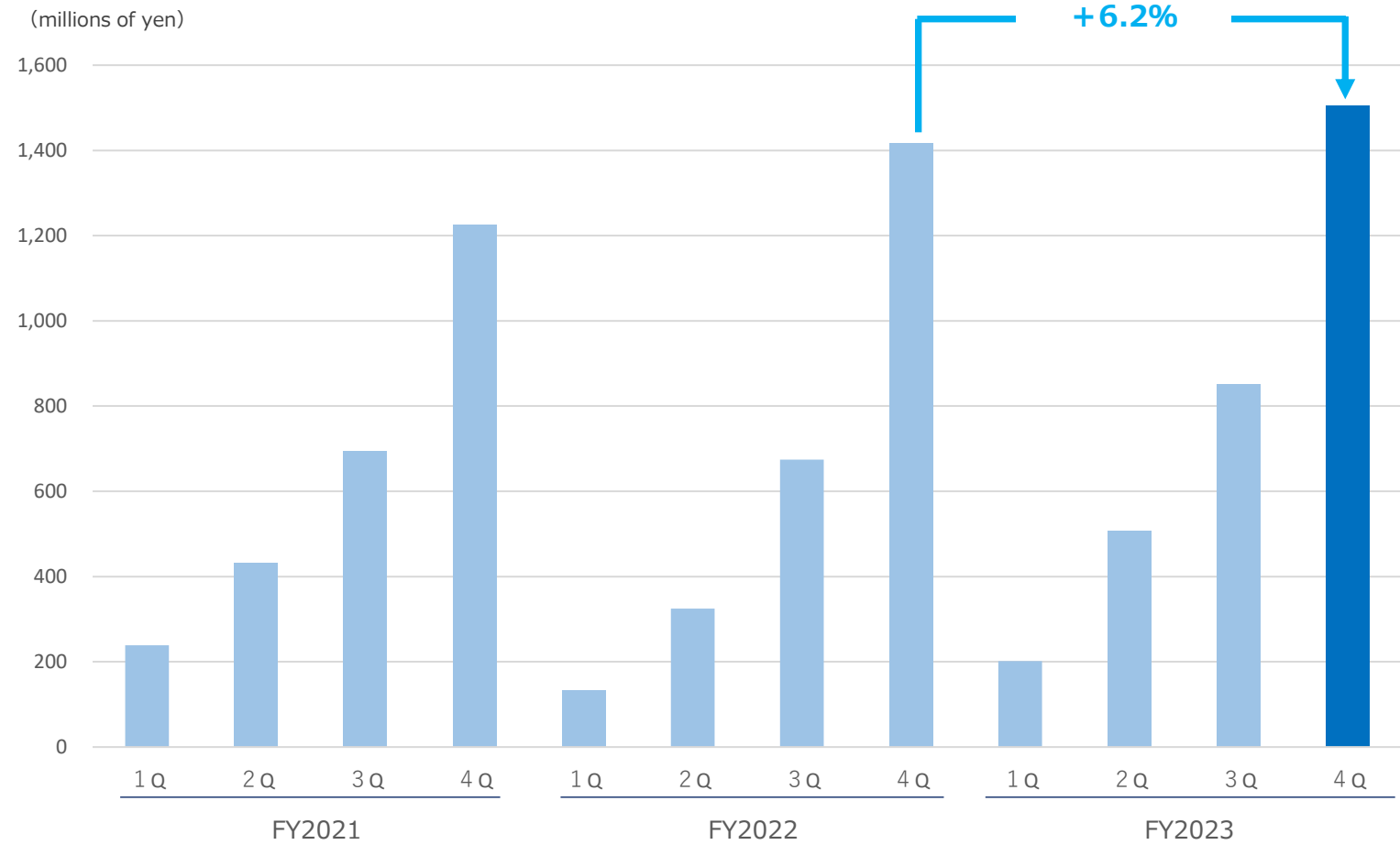
Revenues (Amount by the Quarter)



■ Revenues (SETUP)
 ■ Revenues (SEP system)
 ■ Revenues (P3 system)
 ■ Revenues (Year-End Adjustment Support Services)
 ■ Revenues (other)

- ※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 : Sales revenue from year-end adjustment support services

Operating income (cumulative amount in each fiscal year)



2

FY2024 Consolidated Financial Forecasts

FY2024 Consolidated Financial Forecasts

Growth of sales revenue and operating income due to the healthy number of orders and the net increase of new businesses

(millions of yen, %)

	FY2024 Full-year		FY2023 Full-year		Changes Rate of increase (%)	
	Forecast	%	performance	%	changes	%
Revenues	9,742	100.0	8,917	100.0	+825	+9.3
COGS	6,751	69.3	6,254	70.1	+497	+7.9
Gross Margin	2,990	30.7	2,662	29.9	+328	+12.3
SGA	1,365	14.0	1,318	14.8	+47	+3.6
Operating Income	1,701	17.5	1,500	16.8	+201	+13.4
Income before Income Tax	1,651	17.0	1,440	16.2	+211	+14.7
Net Income	1,133	11.6	1,016	11.4	+117	+11.5

Sales revenue: 9.74 billion yen, up 9.3% (YoY)

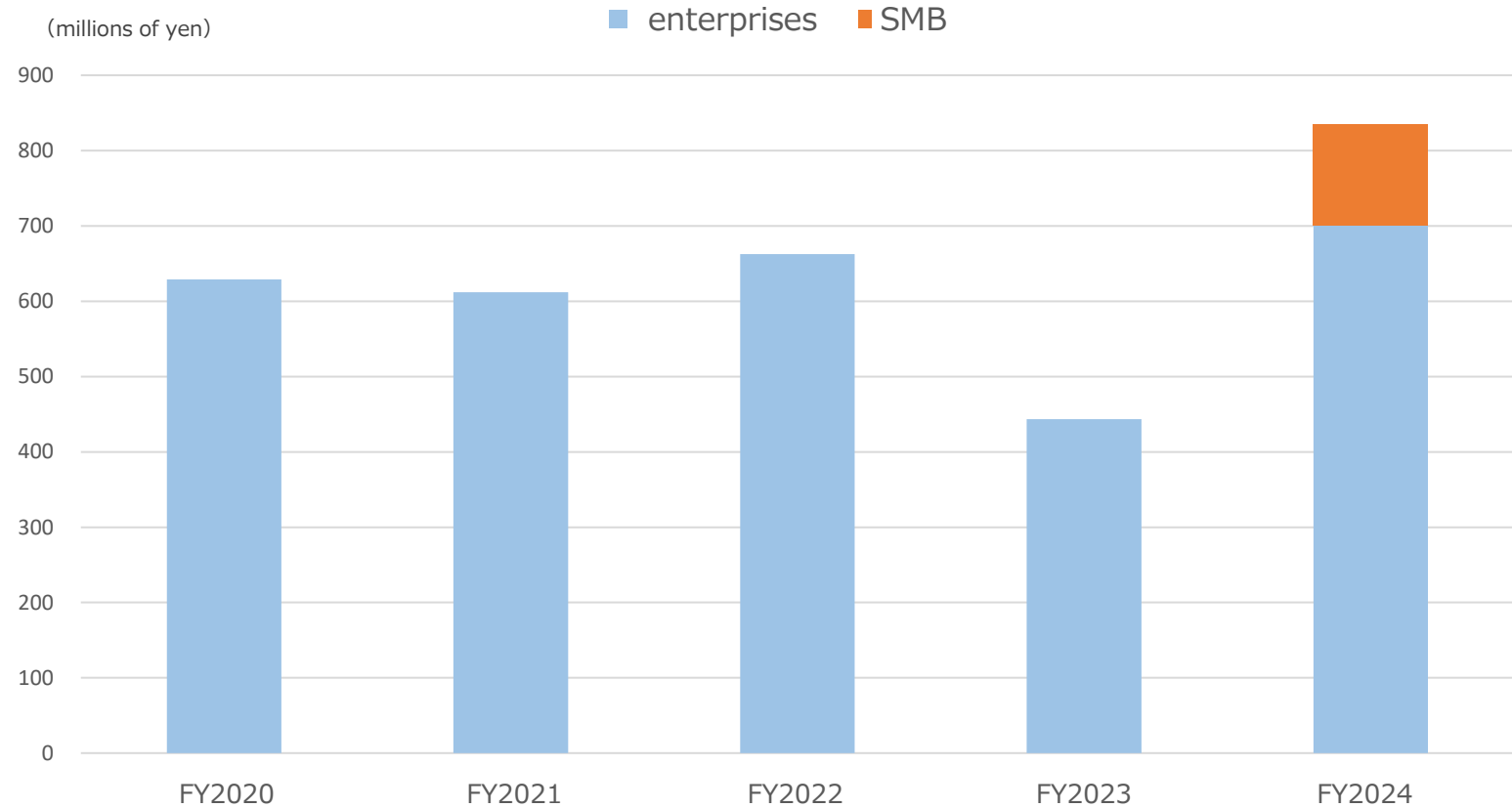
Operating income: 1.70 billion yen, up 13.4% (YoY)

**FY2024
New Order Plan(ARR)**

New Order(ARR) :
830 million yen,
up 88% (YoY)

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

Rebound of the number of orders from enterprises, and the net increase of new orders from SMB



ARR (Annual Recurring Revenue) = Estimated annual sales revenue (running fees only) from new business operations we undertook
 enterprises = client companies with over 1,000 employees
 SMB = small and medium-sized enterprises with 100-1,000 employees

Direction of business operation

- Several activities for enterprises are in progress, and we will take advantage of opportunities to expand our business, by never missing out on the payroll and HR operation efficiency needs of customers, including new clients.
- Released the service BPaaS 1.0 for SMB in March 2023, and have already started sales promotion targeting the subsidiaries of existing clients.
- Started preparations for the entry to the field of “salary payment with digital money.”
Aim to expand business with “On-demand Pay.”
- Released “Pay Gap Report,” which discloses information on human capital and indicates measures for human capital. Scheduled to start the fee-charging service “e-pay HR KPI,” a human capital report for customers based on “Pay Gap Report” (summer to autumn in 2023).

※ enterprises = client companies with over 1,000 employees

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

※ BPaaS: Abbreviation for Business Process as a Service; an integrated service that comprehensively provides BPO, cloud computing, and infrastructure including BCP and information security

We aim to achieve the upper end of the forecast range in the third year of the mid-term management plan (FY2025)

Due to the rebound of the number of orders from enterprises, the net increase of new orders from SMB, etc.



	Results			Mid-term plan		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Revenues	7,252	7,485	8,207	8,890	9,742	11,700 10,570 ~
Operating Income	1,152	1,225	1,416	1,470	1,701	2,450 1,890 ~
EBITDA	2,076	2,244	2,562	2,700	3,039	3,650 3,080 ~

Mid-term management plan

(disclosed on May 12, 2022)

Sales and profit will keep increasing.

The progress of business performance in FY2024 is weak, but we aim to achieve the upper end of the forecast range in the third year of the mid-term management plan, through the receipt of orders from enterprises and the net increase of BPaaS for SMB.

3

Shareholder Return

Shareholder Return

The annual dividend for FY 2024: 15 yen, up 5 yen from the previous year

To keep increasing dividends stably

FY 2023

Term-end dividend (scheduled for June 12, 2023) 10.00 yen

FY 2024

Interim dividend (scheduled for early December 2023) 7.50 yen
Term-end dividend (scheduled for early June 2024) 7.50 yen

(Dividend per share)

We will distribute surplus to shareholders while increasing dividends stably.

For this term, we plan to pay an annual dividend of 15 yen/share, up 5 yen/share from the previous term.

In the previous year, we paid a term-end dividend only, but this term, we will pay an interim dividend as well as a term-end dividend for flexible return to shareholders.

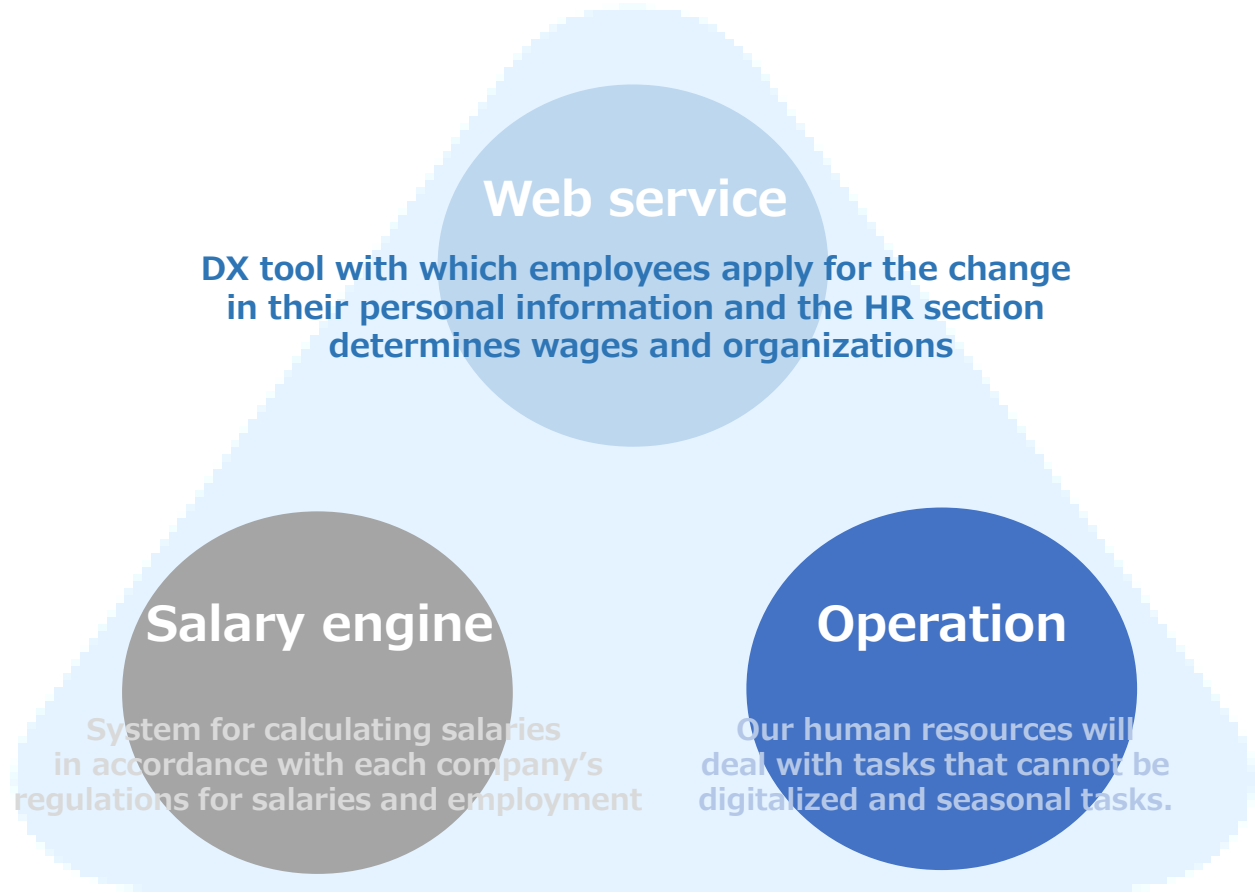
4

Advantage of Payroll

Advantage of Payroll
Development of
indispensable functions

Payroll processing requires three functions.

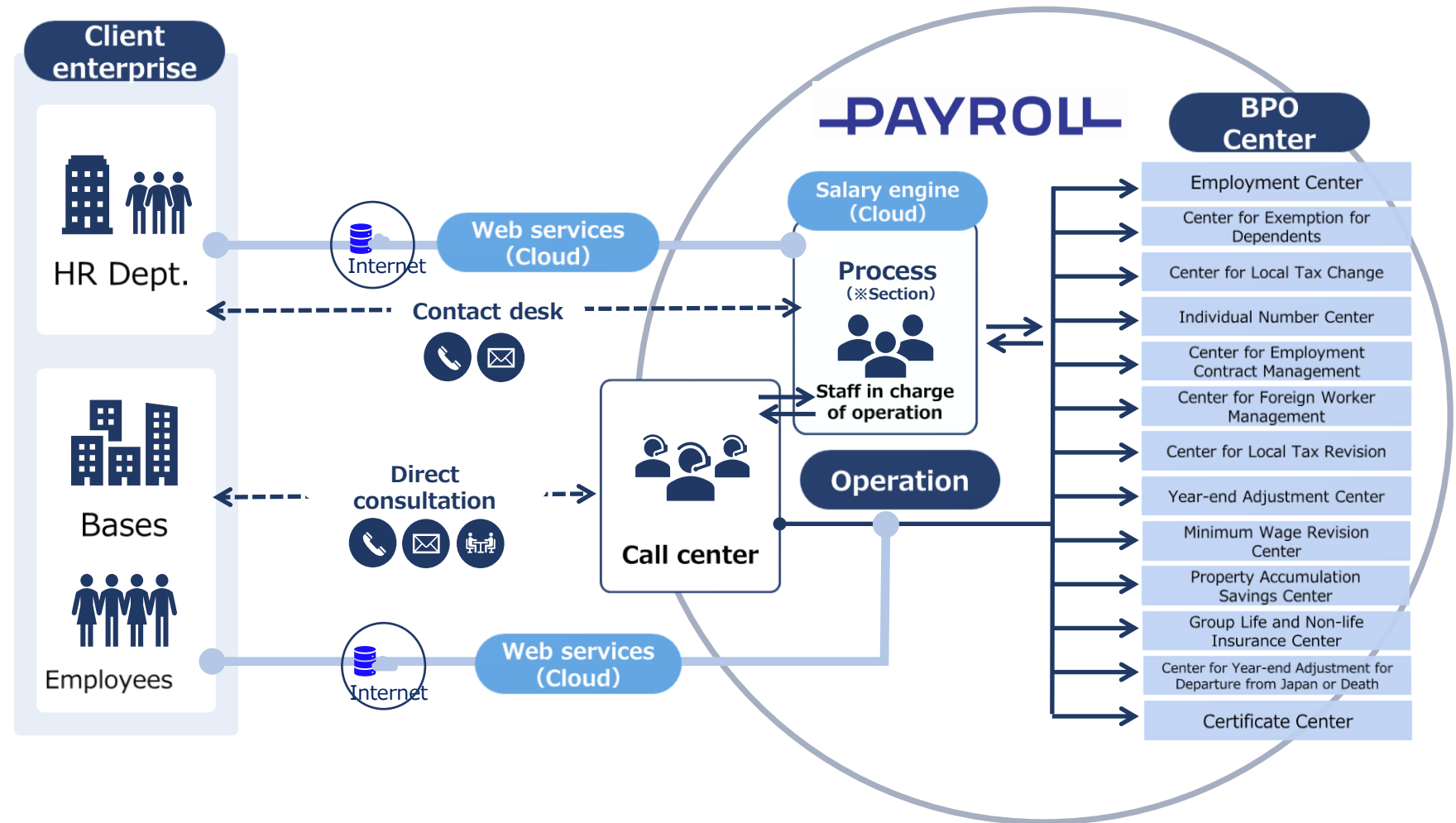
For enterprises, only our company develops indispensable functions, and offers services that cannot be imitated by competitors.



enterprises = client companies with over 1,000 employees

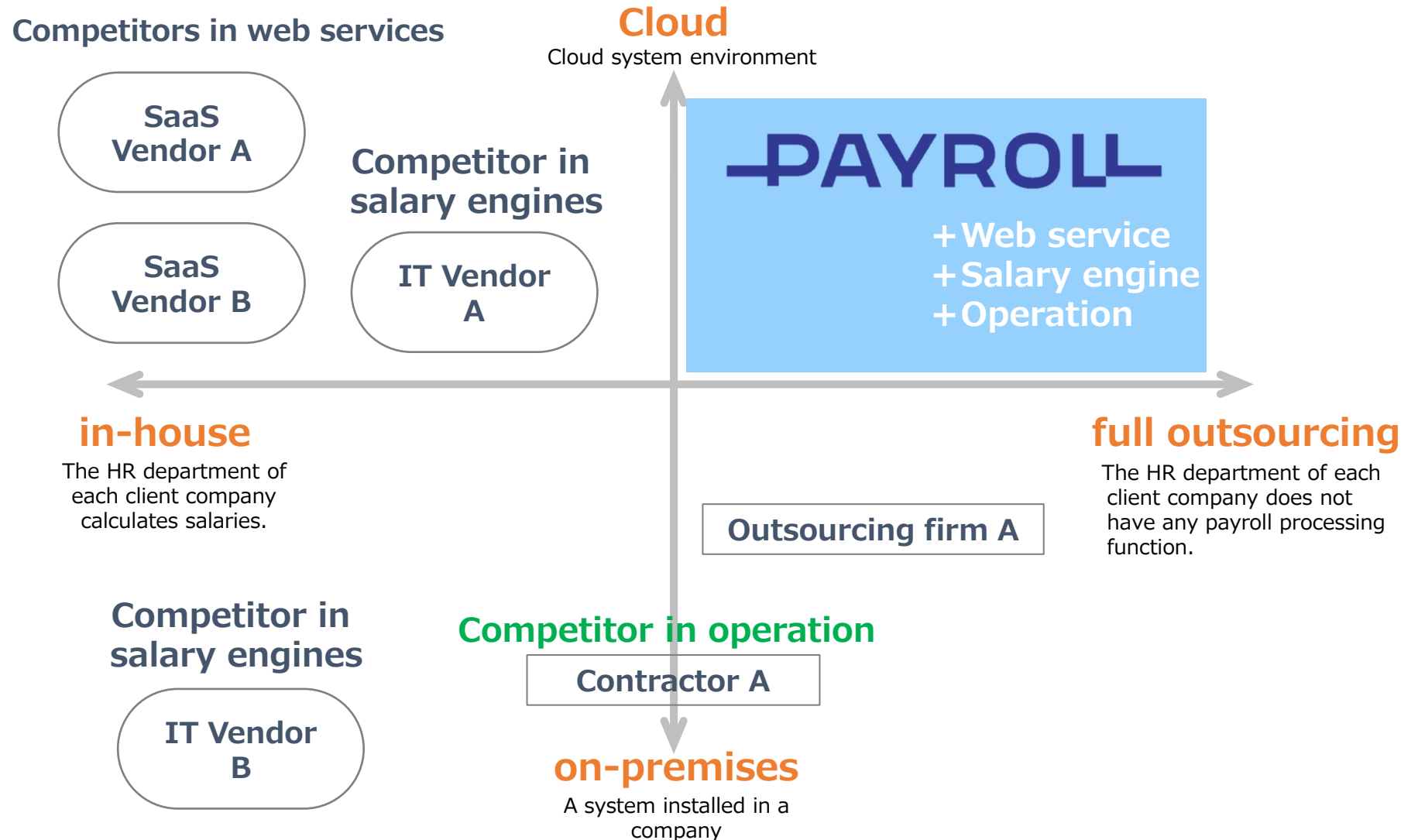
Services developed by undertaking tasks from enterprises for over 20 years

To fully deal with outsourced tasks after developing operation systems and BPO Center



Advantage of Payroll
Full outsourcing

Only our company can deal with fully outsourced tasks.



Advantage of Payroll Cases of Clients

(Some of our clients who permitted us to disclose their logos.)

Client companies that fully outsourced payroll processing to us

We have calculated salaries for **1.07 million employees** of enterprises.




enterprises = client companies with over 1,000 employees

Undertaking payroll processing for clients in all kinds of industries

Advantage of Payroll Cases of Clients

(Some of our clients who permitted us to disclose their corporate names.)




Manufacturing industry

Auto parts makers	14,000 employees
Semiconductor manufacturers	8,000 employees
Pharmaceutical companies	4,500 employees
Machining product makers	4,300 employees
Calbee	4,500 employees




Restaurant, accommodation, wholesale, and retail industries

Convenience store chains	205,000 employees
McDonald's Company (Japan)	176,000 employees
Coffee shop chains	55,000 employees
Sushi-go-round chain	50,000 employees
Supermarket chains	28,000 employees



Public corporations, municipalities, and schools


Corporations operating vocational schools	5,900 employees
National corporations for R&D	4,800 employees
Toyo University	2,900 employees
External bodies of the Tokyo Metropolitan Government	1,700 employees
National corporations for R&D	1,500 employees



Information & telecommunication industry

EC/IT service providers	14,000 employees
DNA	2,400 employees
Microsoft Japan	2,200 employees
Social media operators	2,000 employees
Salesforce, Inc.	1,600 employees

We have calculated salaries for **1.07 million employees of 255 enterprises.**



Financial and insurance industries

AXA Life Insurance	8,000 employees
Foreign-affiliated life insurance companies	4,900 employees
Tokai Tokyo Securities	2,900 employees
Life insurance companies	2,200 employees
Japanese banks	1,900 employees



Industries of services, childcare, etc.

Bellsystem24	27,800 employees
Cinema complexes	5,100 employees
ENEOS Wing	5,100 employees
Swing Corporation	3,700 employees
VSN	3,000 employees

enterprises = client companies with over 1,000 employees

5

Long-term business vision

Long-term business vision
Expansion of BPaaS 1.0

To expand business by offering “BPaaS1.0” to SMB, too

To offer the service to not only enterprises, but also SMB

We are facing a significant turning point, as companies will prioritize securing personnel for core business operations, and outsource payroll processing, which is a non-core task.

The released **“BPaaS 1.0”** is composed of the minimum basic service for payroll processing and optional services that can be adopted by clients if necessary.

With this, it will be possible to reduce the costs for retaining the staff in charge of salary management and for outsourcing related tasks, which have been problems with outsourcing, and streamline business operations and flexibly deploy personnel according to the status of business operations in client companies.

By offering our payroll processing service to not only enterprises, which can take full advantage of business process outsourcing (BPO), **but also SMB,** we aim to grow as a software infrastructure enterprise that supports the base of client enterprises.

enterprises=clients with over 1,000 employees

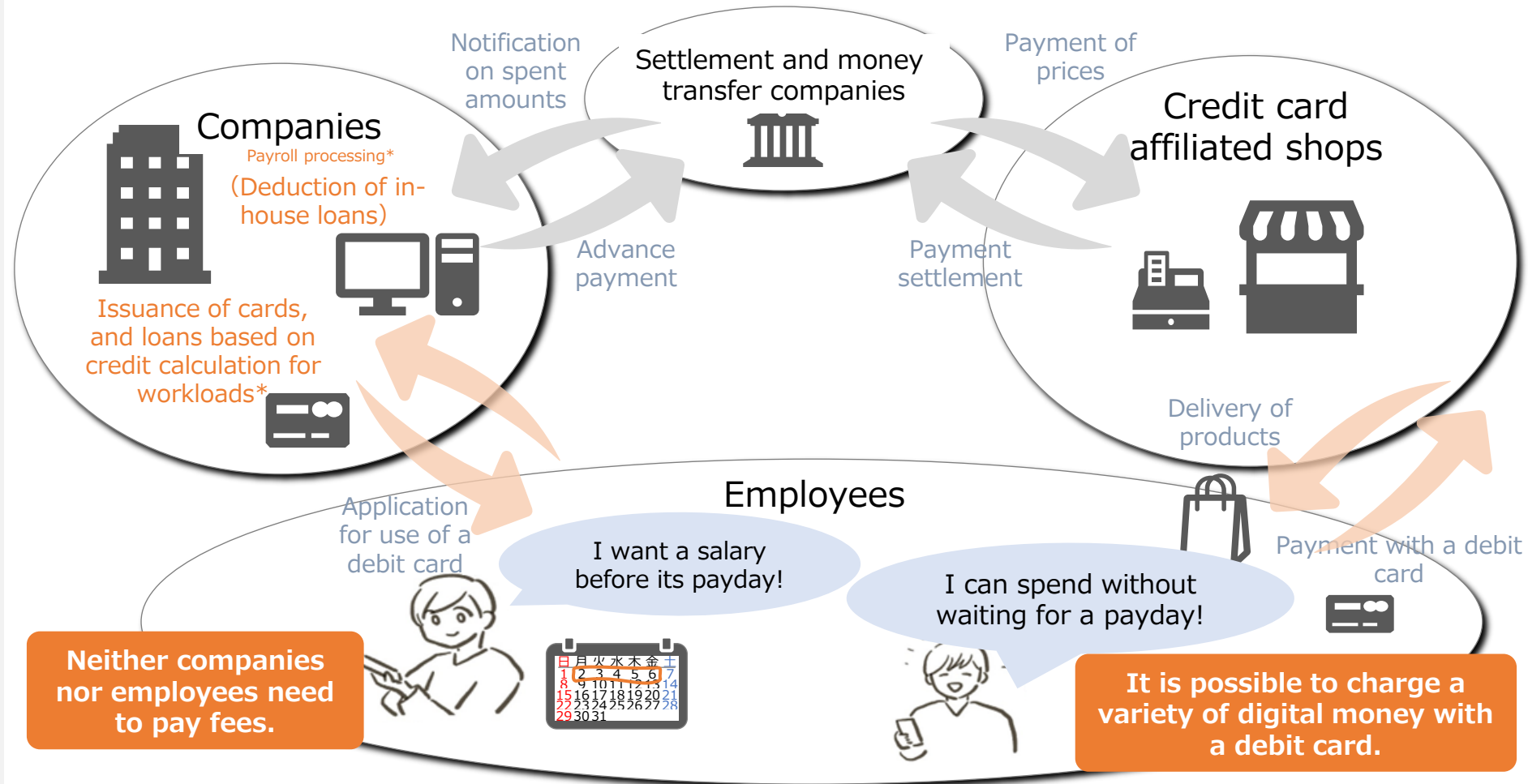
SMB=small and medium business with 100-1,000 employees

BPaaS: Abbreviation for Business Process as a Service; an integrated service that comprehensively provides BPO, cloud computing, and infrastructure including BCP and information security

Long-term business vision
On-demand Pay

Beyond payment with digital money – Business expansion with On-demand Pay

Advance payment of salaries with no fees charged to employees



*Our company calculates credit amounts and salaries required for loans.

Long-term business
vision
Contribution to society

PAYROLL

**We hope to impress clients with our know-how and
experience.**

We recognize that our business can contribute to society and our company is indispensable to society, and we have social responsibility.



To keep offering new products and services

Currently, we offer all kinds of services for payroll processing. We will pursue the fields of payroll processing and personnel affairs thoroughly, and become a vendor for dealing with outsourced tasks to satisfy clients in all services.

Business vision
We aim to become the Japanese standards.

Possibility of significant changes in Japanese systems

- Change in the pension system
- In the Labor Standards Act, employees will be classified into “employees whose salaries are determined by working hours” and “employees whose salaries are determined by their performance.”
- Taxes, social insurance premiums, and pension premiums will be collected based on social security and tax numbers.
- Year-end adjustment will be no longer conducted, and all of citizens will file a tax return.

Salary payment methods will change considerably.

- The wire transfer for salary payment will decrease, due to the permission for salary payment with digital money.
- It will be possible to withdraw salaries from any of smartphone settlement services and bank accounts.



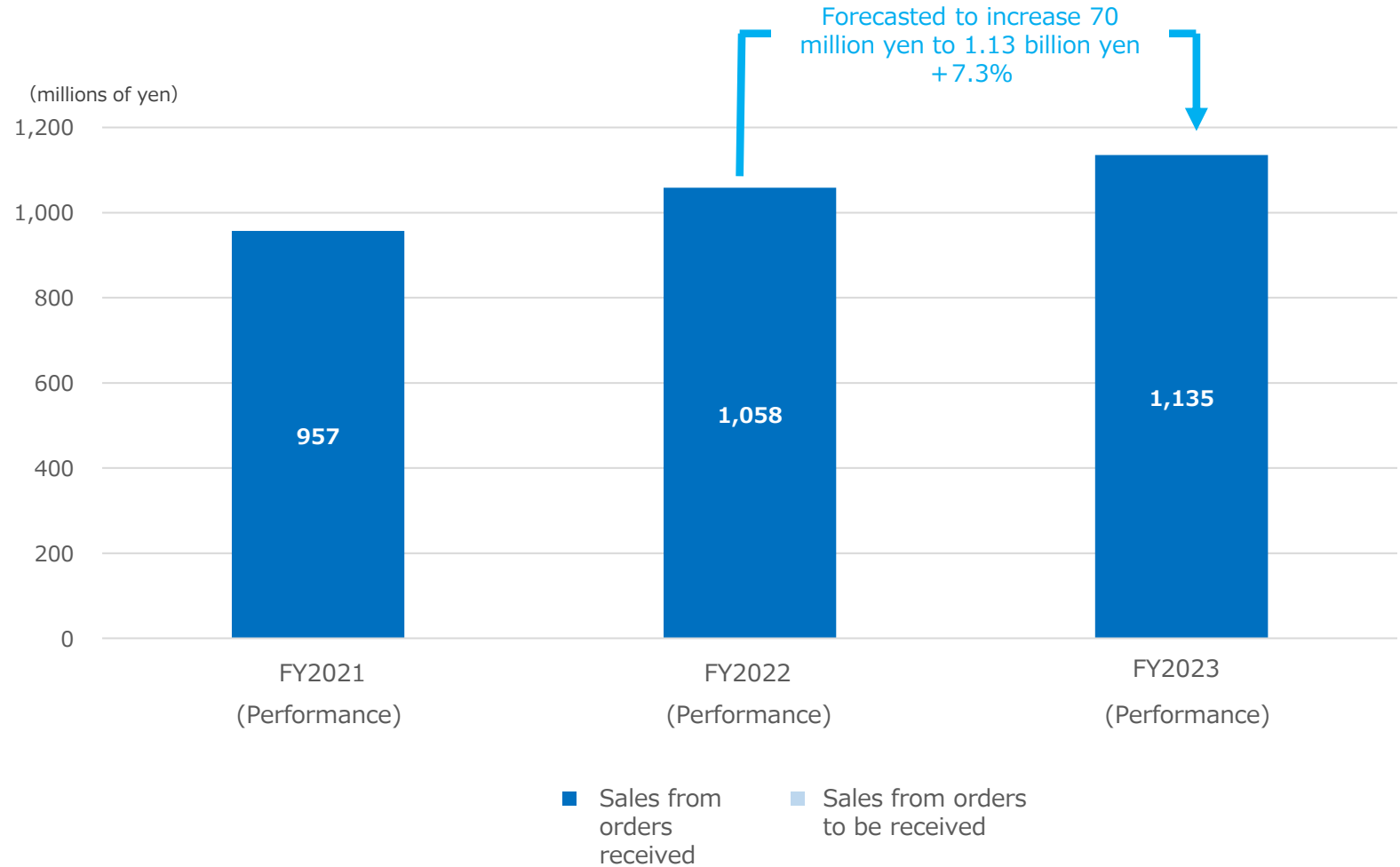
We will do business while trying new approaches and releasing new products and services constantly.

Our payroll processing service will be the Japanese standard, with clients commenting “By entrusting Payroll, it is possible to adapt to changes in the world, so its service is reliable.”

Appendix

Variation in Sales Revenue from Year-End Adjustment Support

Variation in Sales Revenue from Year-End Adjustment Support (yearly)



The forecasts and forward-looking statements in this document are based on our company's judgment at the time when this material was prepared and include potential risks and uncertainties.

Therefore, please be aware that changes in various factors may cause actual results and performance to differ materially.



PAYROL