

# FY2024 2Q Financial Results

The logo graphic consists of a thick blue line that forms a partial frame. It starts from the left edge, goes down, then turns right to pass behind the word 'PAYROLL', and then continues to the right edge. Another vertical line segment goes up from the top edge, turns right to pass behind the word 'PAYROLL', and then continues down to the bottom edge. The word 'PAYROLL' is centered within this frame.

# PAYROLL

November 13, 2023

**Payroll Inc.**

[www.payroll.co.jp](http://www.payroll.co.jp)

1	FY2024/2Q Financial Results	pp.3-12
2	FY2024 Second Half Business Operation	pp.13-17
3	FY2024 Full-year Financial Forecasts	pp.18-19
4	FY2024 Shareholder Return	pp.20-21
	Appendix	pp.22-23

1

## FY2024/2Q Financial Results

Highlights of FY2024  
2Q Financial Results

**Sales revenue**

**+ 10.5%** YoY

Page 5

**Operating income**

**+ 3.5%** YoY

Page 5

**ARR from new orders**

**210 million yen**

Page 7

**ARR from new operations**

**370 million yen**

Page 8

**ARR from backlog of orders**

**520 million yen**

Page 9

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

**0.13%**

Page 10

Consolidated Financial  
Results of FY2024 2Q

Revenues and operating income have been healthy.

(millions of yen,%)

Revenues and  
operating income have  
been healthy.

Revenues  
4.23 billion yen  
+10.5% year on year  
Operating Income  
520 million yen  
+3.5% year on year

	FY2024 2Q		FY2023 2Q		Changes Rate of increase (%)	
	performance	%	performance	%	changes	%
Revenues	4,203	100.0	3,803	100.0	+399	+10.5
COGS	3,027	72.3	2,701	71.0	+325	+12.0
Gross Margin	1,175	28.0	1,101	29.0	+74	+6.8
SGA	677	16.1	624	16.4	+53	+8.6
Operating Income	524	12.5	507	13.3	+17	+3.5
Income before Income Tax	507	12.1	479	12.6	+27	+5.8
Profit	351	8.4	329	8.7	+22	+6.8

### FY2024 2Q Topics

- Preparation for the provision of the on-demand payment system “e-pay sugumo.”  
Concluded a basic agreement with GMO Payment Gateway, Inc. (securities code: 3769, Prime Market of TSE), for the launch of services in the spring of 2024.
- Release of sale of “BPaaS 1.0,” which enables clients to adopt flexible payroll processing services.  
We made efforts to offer services to not only large enterprises, but also SMBs, and received orders from 4 companies in the first half of FY 2024.
- We started the fee-charging service “e-pay HR KPI,” a human capital report for improving corporate value, and received orders from about 80 companies in the first half of FY 2024.
- Start of the comprehensive payroll processing outsourcing service for Seven-Eleven Japan Co., Ltd.

※ enterprises=clients with over 1,000 employees

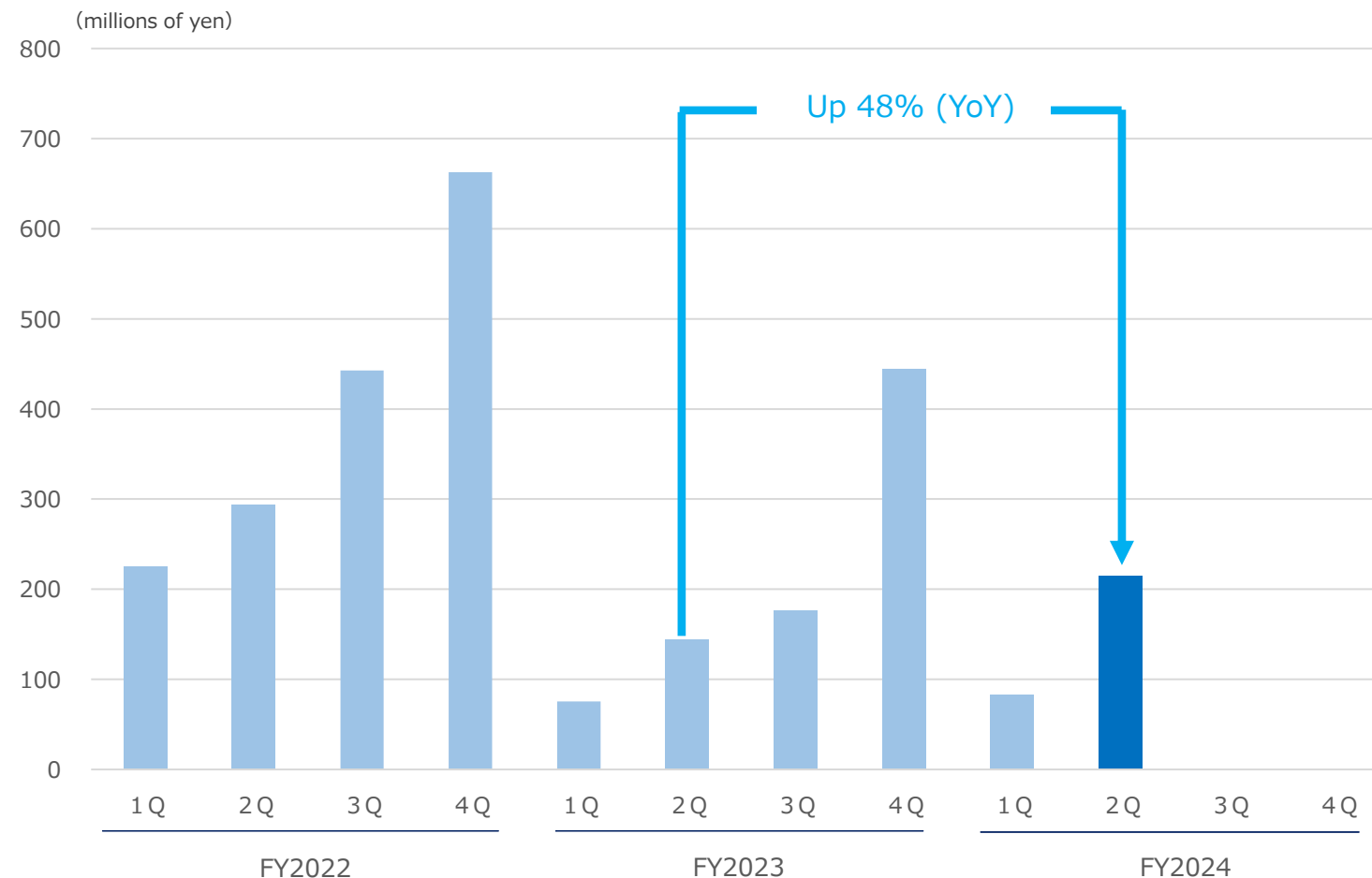
※ SMB=small and medium business with 100-1,000 employees

# New Order : ARR

New Order (ARR) :  
210 million yen,  
up 48% (YoY)

The order receiving  
environment remains  
unchanged and we will keep  
focusing on receiving more  
orders.

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



※New Order : ARR = Estimated annual sales revenue (running fees only) from new business operations we undertook

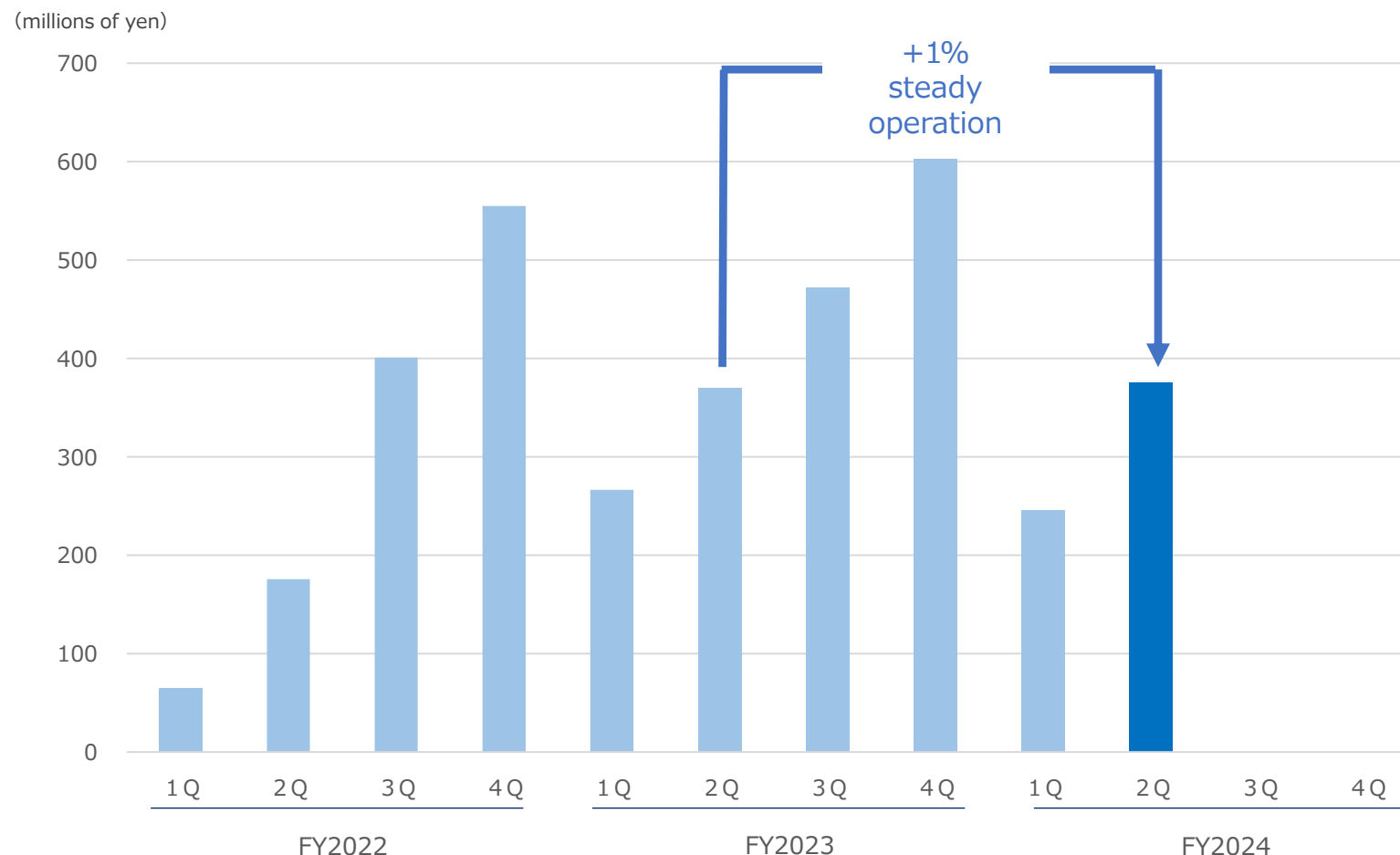
# Operating (New Clients): ARR

Operating (New Clients)  
ARR: 370 million yen, up 1%  
(YoY)

Progressed as planned as the operation of systems for major clients started like in 2Q of the previous term, in parallel with the smooth launch of P3, a new cloud service.

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

Healthy in the second quarter, too



※Operating (New Clients): ARR = Estimated annual sales revenue (running fees only) from new business operations we undertook



# ARR from started operation and order backlog ARR

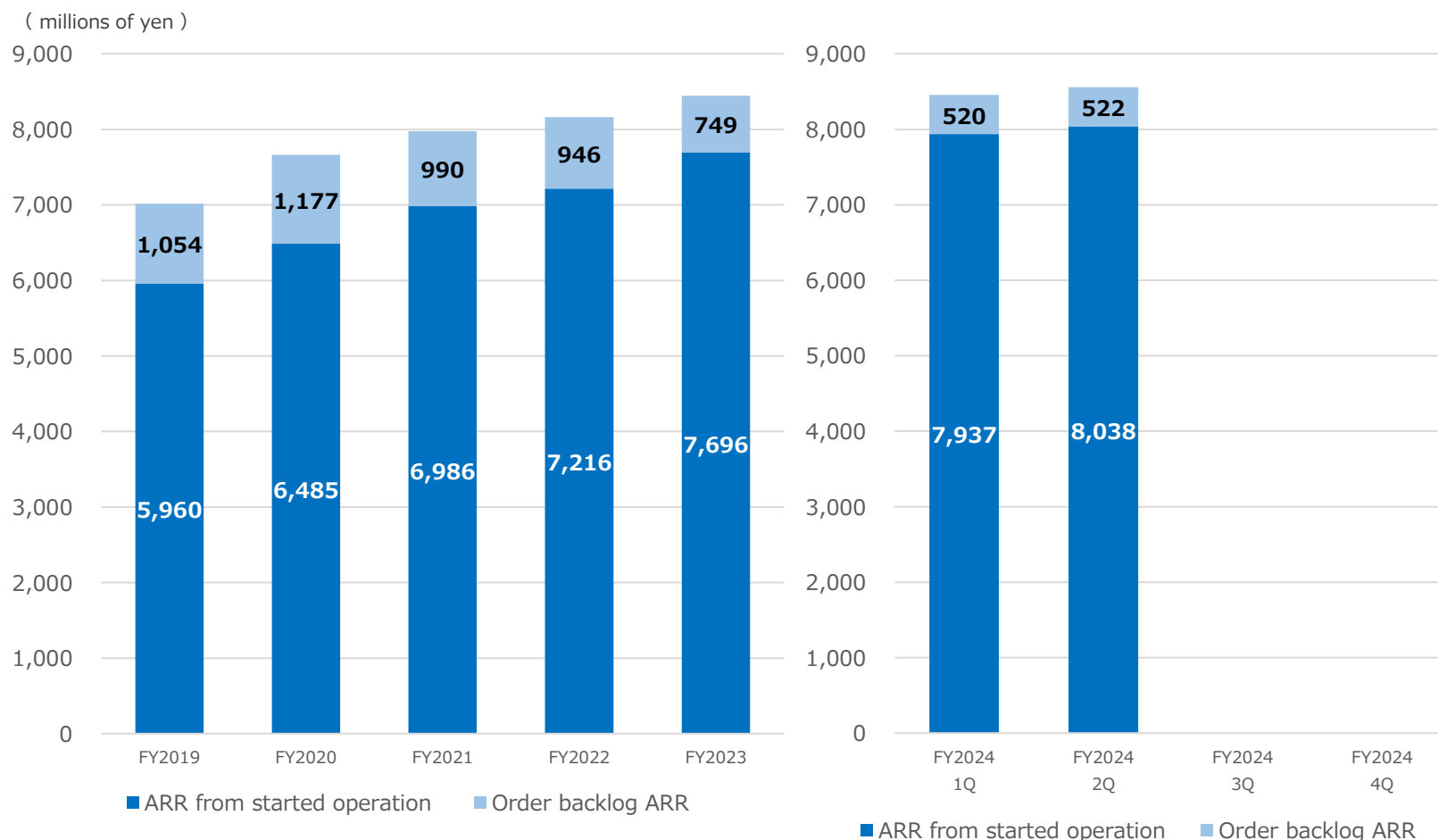
ARR from started operation: 8.03 billion yen  
(up 340 million yen from the end of the previous term)

Order backlog ARR: 520 million yen  
(down 220 million yen from the end of the previous term)

ARR from started operation +  
Order backlog ARR:  
8.56 billion yen  
(up 110 million yen from the end of the previous term)

Revenues increased due to the rise in ARR from started operation. Order backlog ARR increased slightly from the first quarter, and is expected to grow in the second half, including that of BPaaS for SMBs.

## Variations in ARR from started operation and order backlog ARR



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

※ARR from started operation: Revenues from already started continuous transactions per year

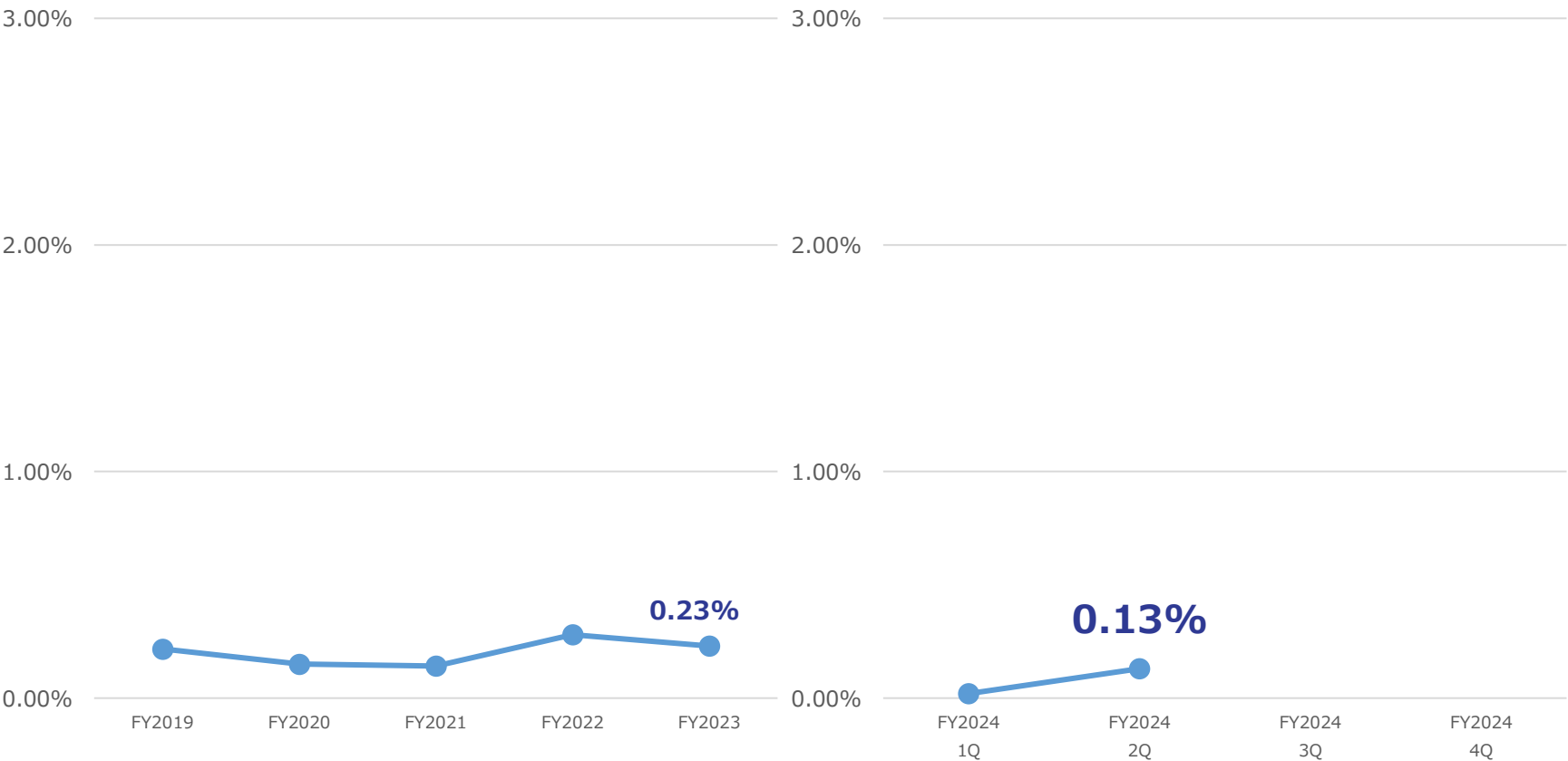
※Order backlog ARR: Total revenues from transactions for which orders have been placed and actual operations are to be conducted.

Churn rate  
(Ave. monthly churn rate)

Churn Rate: 0.13%

Churn rate has remained low and favorable.

Churn rate (Ave. monthly churn rate)

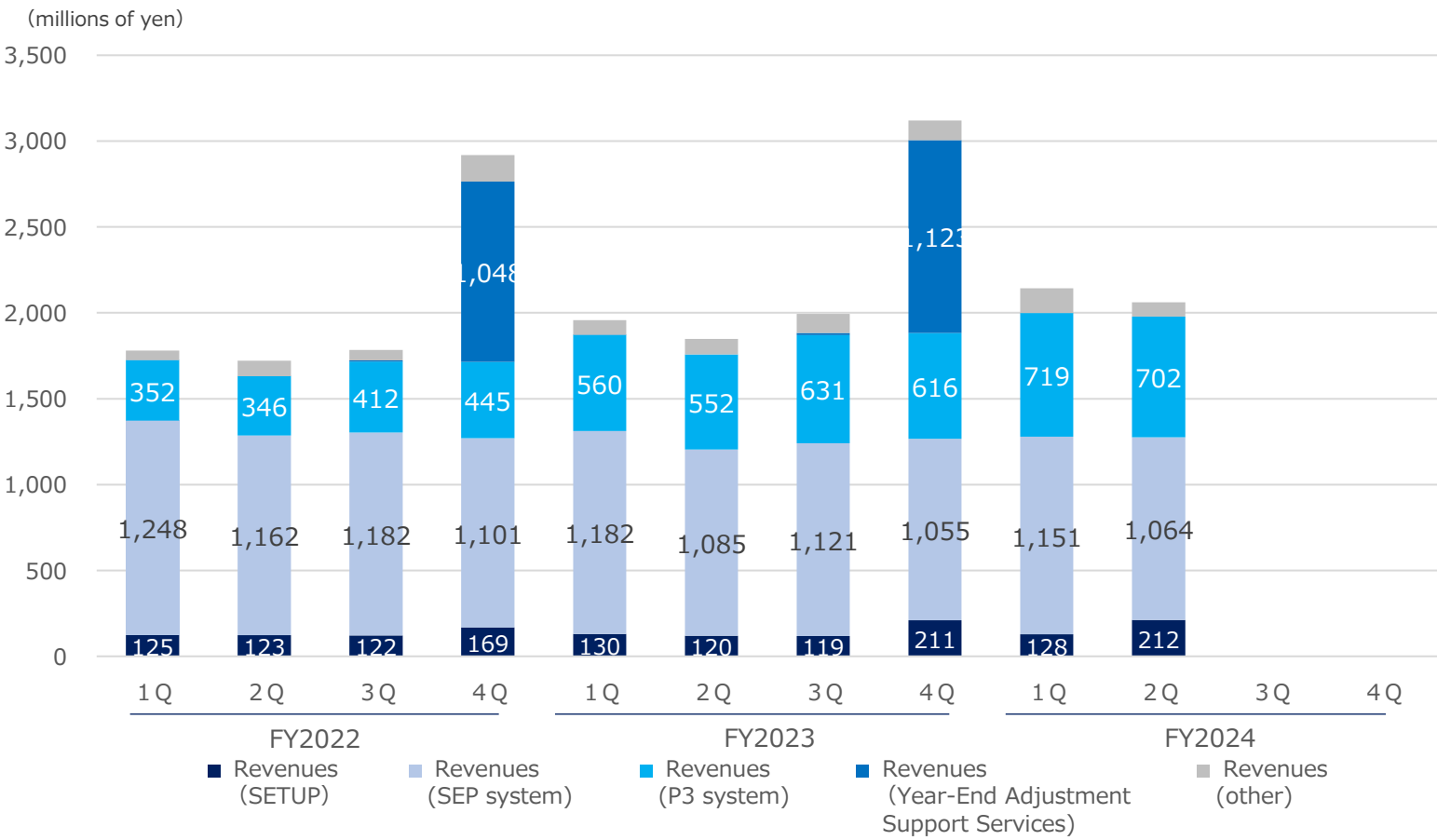


※ Churn Rate= (lost client ARR ÷ (existing client ARR of the previous year end + new client ARR)) ÷Elapsed Months  
※ Lost client ARR : ARR of clients terminated  
※ Exiting client ARR of the previous year end : ARR of clients operated at the year end  
※ New client ARR : ARR of new client operated this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

# Revenues

Sales revenue grew year on year (the cumulative second quarter), mainly thanks to the healthy performance of the new cloud system P3.

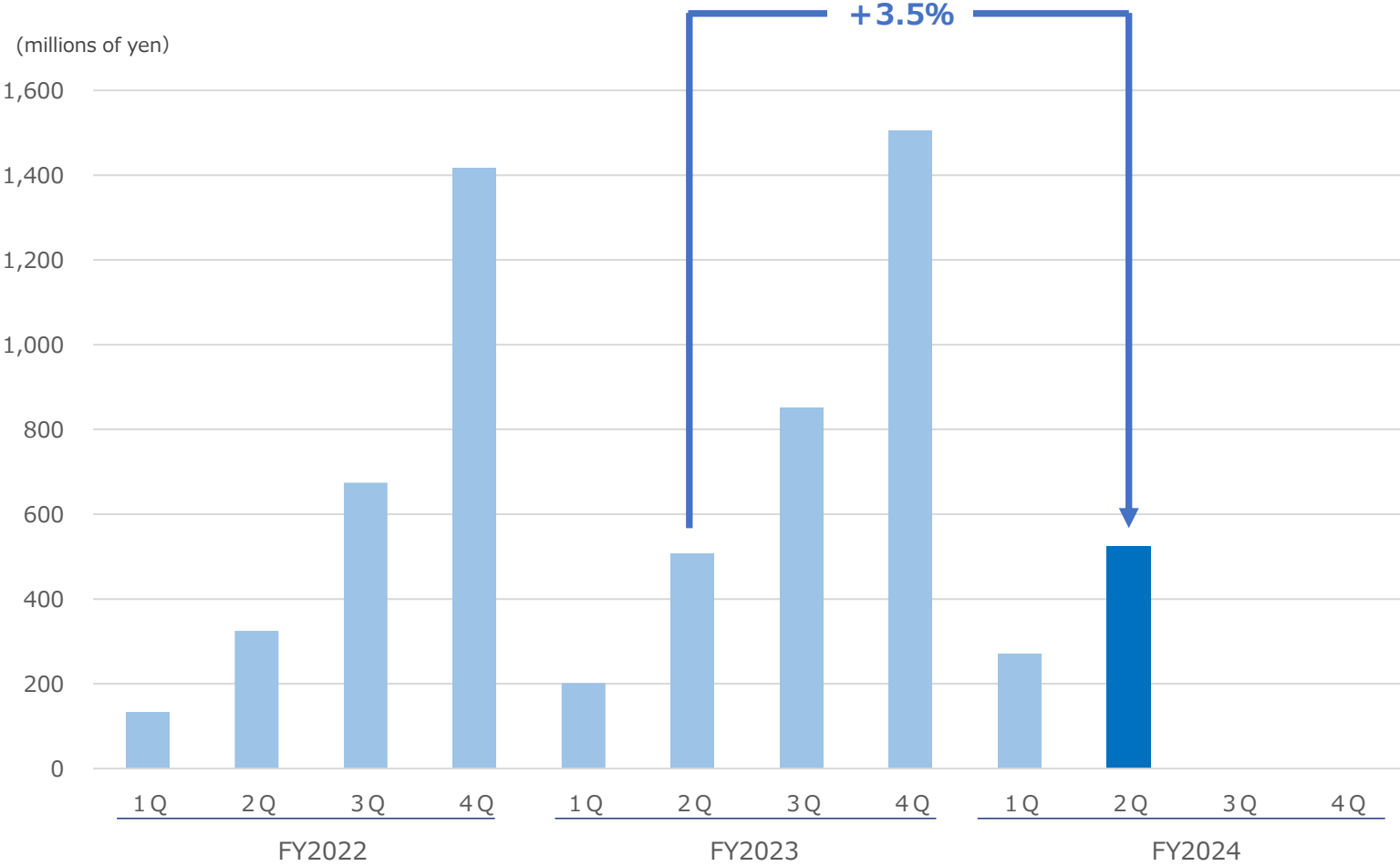
## Revenues (Amount by the Quarter)



※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 : Revenues from year-end adjustment support services

Operating income

Operating income (cumulative amount in each fiscal year)



2

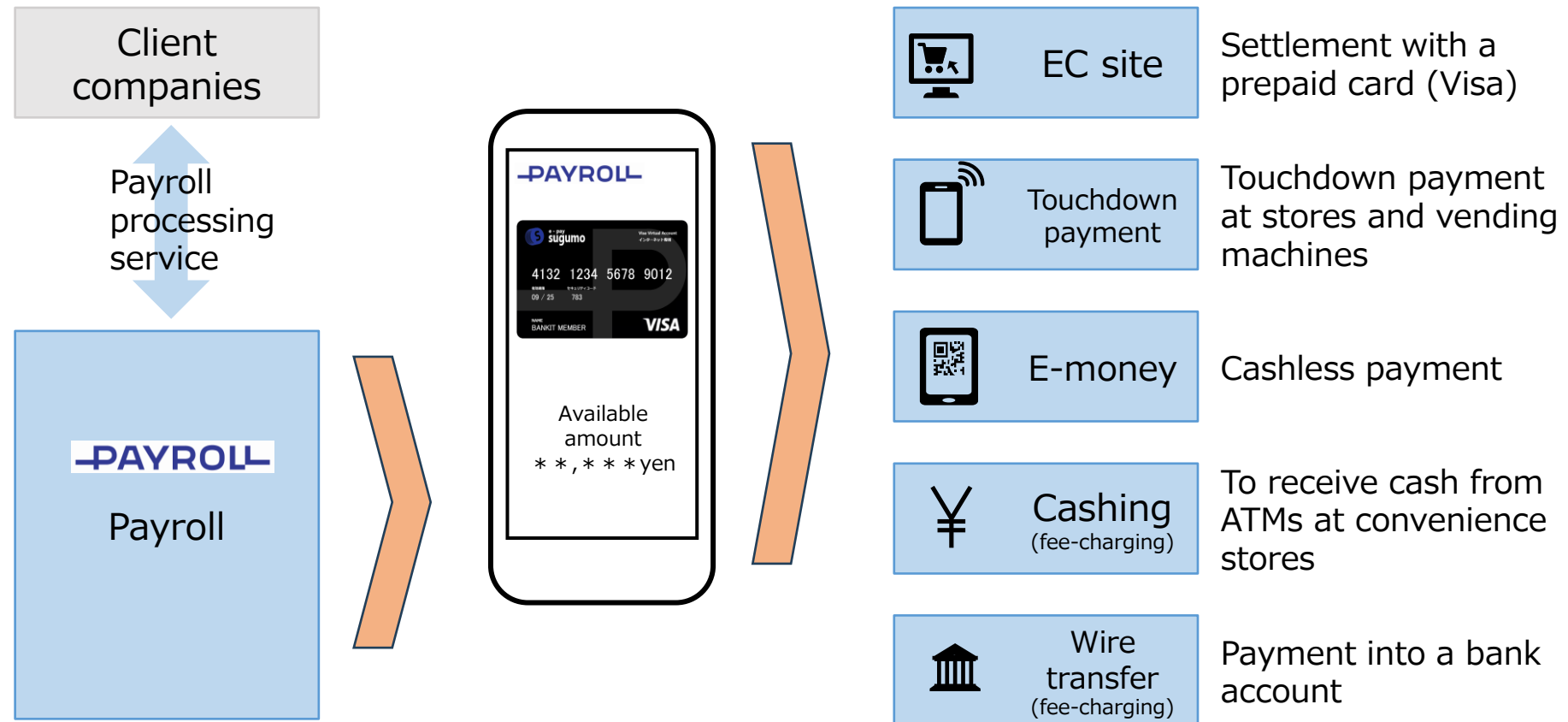
## FY2024 Second Half Business Operation

# On-demand Pay "e-pay sugumo"

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## Preparation for the operation of the on-demand payment system "e-pay sugumo" (to be launched in the spring of 2024)

Service of allowing each user to receive his/her salary  
according to his/her work performance in advance without  
paying any commissions and settle payments



Schematic diagram of the "e-pay sugumo" service  
After the launch of this service in the spring of 2024, we will expand  
services for client companies and their employees step by step.

**Preparation for the operation of the on-demand payment system  
“e-pay sugumo” (to be launched in the spring of 2024)**

**Employees can receive and use their salaries in their favorite ways whenever they want before the specified payday.**

**Merits for employees**



Charge-free

Shopping with prepaid salary without any commissions



Easy to use

Reloading convenience cards and receiving cash

**Merits for companies**



Enhancement of recruitment

Contributing to the enhancement of recruitment



Maintenance of workforce

Reducing the risk of resignation of employees by enriching welfare



Charge-free operation

Companies do not need to pay operation fees, such as the system usage fee.

**Business expansion based on “BPaaS1.0” targeted at SMBs, too**

**Offering our service to not only enterprises, but also SMBs**

We engage in marketing targeted at mainly subsidiaries (SMBs) of existing client enterprises and received orders from 4 companies in the first half of FY2024.

“BPaaS 1.0 comprises a minimum basic service required for payroll processing of clients and optional services available when needed. This retains the staff in charge of payroll for the time being and enables initial cost reduction of outsourcing, thus achieving flexible streamlining of business operations and personnel placement for each client.

We are explaining the necessity of outsourcing of non-core tasks in the future to companies, including prospective clients, and will continue sales activities so as not to miss business chances.

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



## **“e-pay HR KPI” service for reporting on human capital**

**Addressing the needs for disclosure of non-financial information, including information on human capital**

Launched fee-charging services in August this year, and received orders from about 80 companies in the first half of FY2024.

Client companies require information on human capital and statistics managed by our company in “e-pay HR KPI” due to growth of investments in ESG and interest in SDGs.

Our company aims to become a company that offers business process undertaking and human capital information disclosure services for personnel/labor affairs and payroll processing and lead the domain of personnel/labor affairs.

3

## FY2024 Full-year Financial Forecasts

FY2024 Full-year  
Financial Forecasts

FY2024 Full-year Financial Forecasts

No revision to the earnings forecast  
announced at the beginning of FY 2024

(millions of yen,%)

	FY2024 Full-year		FY2023 Full-year		Changes Rate of increase (%)	
	Forecasts	%	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
Profit	1,133	11.6	1,016	11.4	+117	+11.5

4

## FY2024 Shareholder Return

## Shareholder Return

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

**To maintain the return to shareholders by increasing dividends stably and continuously**

### FY2024

Interim dividend (scheduled for December 8, 2023) 7.50 yen

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

### Variation in payout ratio

FY2022 8.2%

FY2023 17.6%

FY2024 23.6% (Scheduled)

We will distribute surplus to shareholders while increasing dividends stably and continuously.

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.

# Appendix

Variations in quarterly consolidated results

Regarding seasonal fluctuations in performance

As one of payroll processing services, we offer a service of supporting year-end adjustment, and sales revenue and profit tend to be larger in January (the fourth quarter). Accordingly, business performance varies from quarter to quarter in the same fiscal year.

For details, please refer to page 18 of the securities report submitted on June 28, 2023.

Revenues and profit grew year on year

(millions of yen,%)

	FY2023								FY2024							
	1Q		2Q		3Q		4Q		1Q		2Q		3Q		4Q	
	Perfor- mance	%	Perfor- mance	%	Perfor- mance	%	Perfor- mance	%	Perfor- mance	%	Perfor- mance	%	Perfor- mance	%	Perfor- mance	%
Revenues	1,957	100.0	1,846	100.0	1,994	100.0	3,119	100.0	2,142	100.0	2,060	100.0				
COGS	1,412	72.2	1,288	69.8	1,352	67.8	2,200	70.5	1,527	71.3	1,500	72.8				
Gross Margin	544	27.8	557	30.2	642	32.2	919	29.5	615	28.7	560	27.2				
SGA	342	17.5	281	15.2	328	16.5	366	11.7	344	16.1	333	16.2				
Other Revenues	0	0.0	29	1.6	30	1.5	97	3.1	0	0.0	26	1.3				
Other Expenses	0	0.0	0	0.0	0	0.0	1	0.1	0	0.0	0	0.0				
Operating Income	201	10.3	305	16.6	344	17.3	648	20.8	270	12.6	253	12.3				
Income before Income Tax	187	9.6	291	15.8	332	16.7	628	20.1	261	12.2	245	11.9				
Profit	128	6.6	200	10.8	228	11.4	459	14.7	181	8.5	169	8.2				

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.



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