

Develops payroll operation outsourcing services for large companies

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For inquiries concerning the report, please contact info@stock-r.org

【4489 Payroll Sector : Information & Communication】

Fiscal Year		Net sales	YoY	Operating profit	YoY	Ordinary profit	YoY	Profit	YoY	EPS	BPS	DPS
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(yen)	(yen)	(yen)
Mar. 2021		7,487	3.2	1,224	6.4	1,152	7.8	758	4.2	43.4	605.8	0.0
Mar. 2022		8,207	9.7	1,416	15.7	1,360	18.1	1,089	43.7	61.1	681.6	5.0
Mar. 2023	CE	8,890	8.3	1,470	3.8	1,413	3.9	970	-11.0	54.0	-	10.0
Mar. 2023	E	8,884	8.2	1,437	1.5	1,375	1.1	944	-13.4	52.6	713.6	10.0
Mar. 2024	E	9,755	9.8	1,637	13.9	1,581	15.0	1,097	16.2	61.1	759.7	15.0
Mar. 2025	E	10,711	9.8	1,976	20.7	1,925	21.8	1,336	21.8	74.4	814.1	20.0

Note: CE(company expectations),E(Stock Research Center expectations)
Source: Stock Research Center

1. Corporate Overview

Payroll's primary business is the business process outsourcing of the payroll operations. The company's outsourcing service of payroll operations is characterized by its full-scope approach. It encompasses not only payroll and regular bonus operation services, but also various peripheral work concerning payroll operations, including seasonal services such as year-end tax adjustment assistance, human resource-related services such as management of changes to personal information and direct response with its client companies' employees.

2. Financial Analysis

The company's net sales grew at an annualized rate of 7.4% over the three-year period from fiscal year ended March 2019 to fiscal year ended March 2022 due to an increase in client companies as well as the number of people for which payroll processing was handled. The pre-tax profit margin improved by 2.5 percentage points from 14.1% in fiscal year ended March 2019 to 16.6% in fiscal year ended March 2022. This is primarily attributable to a decrease in financial expenses in line with a decrease in interest-bearing debt. In a comparison of financial indicators with similar companies, Payroll is rated highly in terms of operating profit margin.

3. Non-Financial Analysis

The source of the company's intellectual capital is the process-related expertise accumulated over a quarter-century of providing full-scope payroll operation outsourcing services to large companies with more than 1,000 employees, a brand built on a proven track-record and the founders who have taken the lead in building the brand.

4. Corporate Strategy Analysis

The company has three growth strategies: organic growth in the large company market, the acquisition of new customer groups and the provision of payroll statistical analysis data.

5. Analyst Evaluation

We have high regard for the company's intellectual capital and management strategies related to payroll operation outsourcing for large companies. Meanwhile, the services for medium-sized companies and the provision of statistical analysis data for payroll calculation, which are parts of the company's growth strategy, are new offerings for clients. As such, their contribution to the company's performance is unclear. We will closely monitor the performance of new services scheduled for release in fiscal year ending March 2024 and beyond.

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