

# Axis Co., Ltd.

## Explanatory Material on Financial Results for FY12/21

February 25, 2022



Securities code: 4012/Tokyo Stock Exchange Mothers Market

- I Consolidated Financial Results for FY12/21**
- II Launch of New Businesses**
- III Full-year Business Forecasts for FY12/22**
- IV Medium-term Management Plan**

# I Consolidated Financial Results for FY12/21



## Net sales

**4,774** million yen  
(+28.2% YoY)

## Operating income

**505** million yen  
(+43.9% YoY)

## Operating income margin

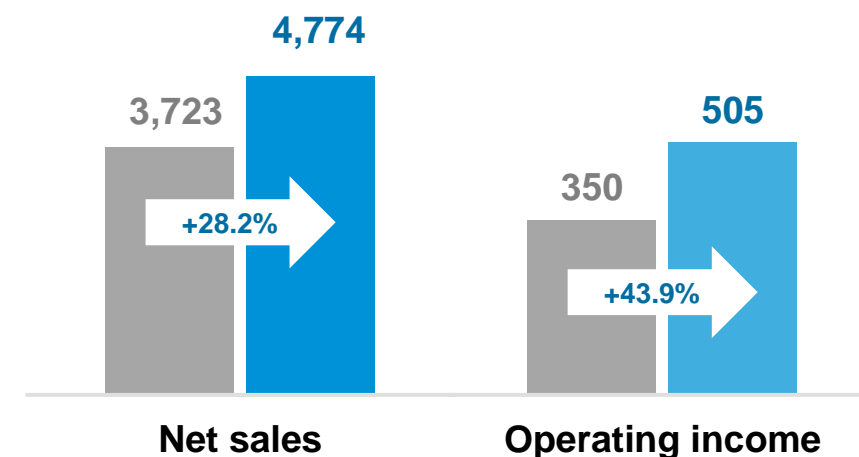
**10.6%**  
(+1.2p YoY)

### ■Key points

- ✓ Net sales: +28.2% YoY, Operating income: +43.9% YoY
- ✓ Significant increase in sales and profits, absorbing M&A-related expenses
- ✓ Strong corporate needs for digital transformation (DX). Both the SI Business and the CS Business performed well.
- ✓ Operating income was 10.6%, exceeding the management target of 10%, due to an increase in gross margin from an increase in high-profit projects.

### YoY comparison of core business

(Million yen)



# Summary of the Profit-and-Loss Statement

Corporate investment in IT systems, including DX, was healthy. In addition to the consolidation of subsidiaries, the number of projects increased more than expected, slightly exceeding the upwardly revised figures, and achieving an increase in both sales and profits year-on-year.

Profitability improved both in amount and ratio due to an increase in high-profit projects and reduced costs.

(Million yen)

	FY12/20 (non-consolidated)	FY12/21 (consolidated)	YoY	
			Pct. change	Pct. change
Net sales	3,723	<b>4,774</b>	+1,051	<u>28.2%</u>
Gross profit	941	<b>1,293</b>	+352	<u>37.5%</u>
Operating income	350	<b>505</b>	+155	<u>43.9%</u>
Ordinary income	364	<b>528</b>	+163	<u>44.9%</u>
Net income attributable to owners of parent (Figures for FY12/20 are net income)	258	<b>349</b>	+91	<u>35.0%</u>
Gross profit margin	25.3%	<b><u>27.1%</u></b>	+1.8p	
Operating income margin	9.4%	<b><u>10.6%</u></b>	+1.2p	
Ordinary income margin	9.8%	<b><u>11.1%</u></b>	+1.3p	

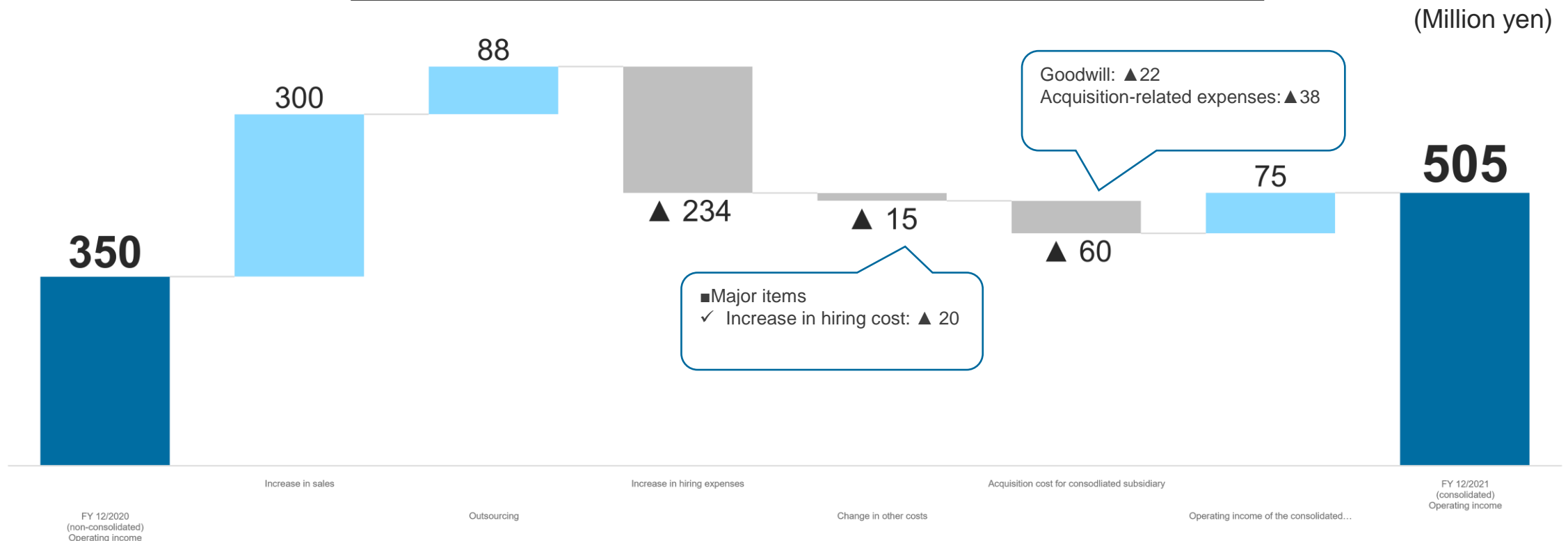
# Analysis of Factors Behind Changes in Operating Income

In addition to an increase in high-profit projects, the outsourcing ratio temporarily declined due to higher-than-planned hiring of engineers.

Profits increased as increased marginal profit margins offset the negative factors such as increased personnel costs due to enhanced recruitment of engineers and acquisition costs of consolidated subsidiaries, etc.

Operating income margin is 10.6%, exceeding the management target of 10%

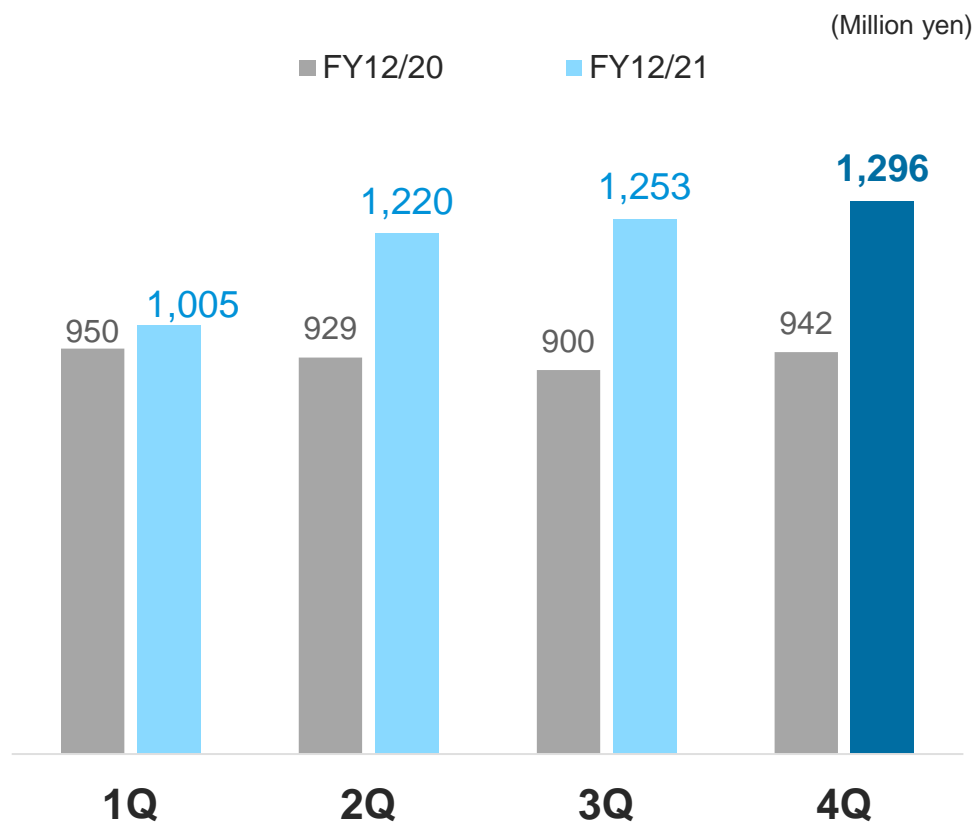
## Analysis of factors behind changes: operating income



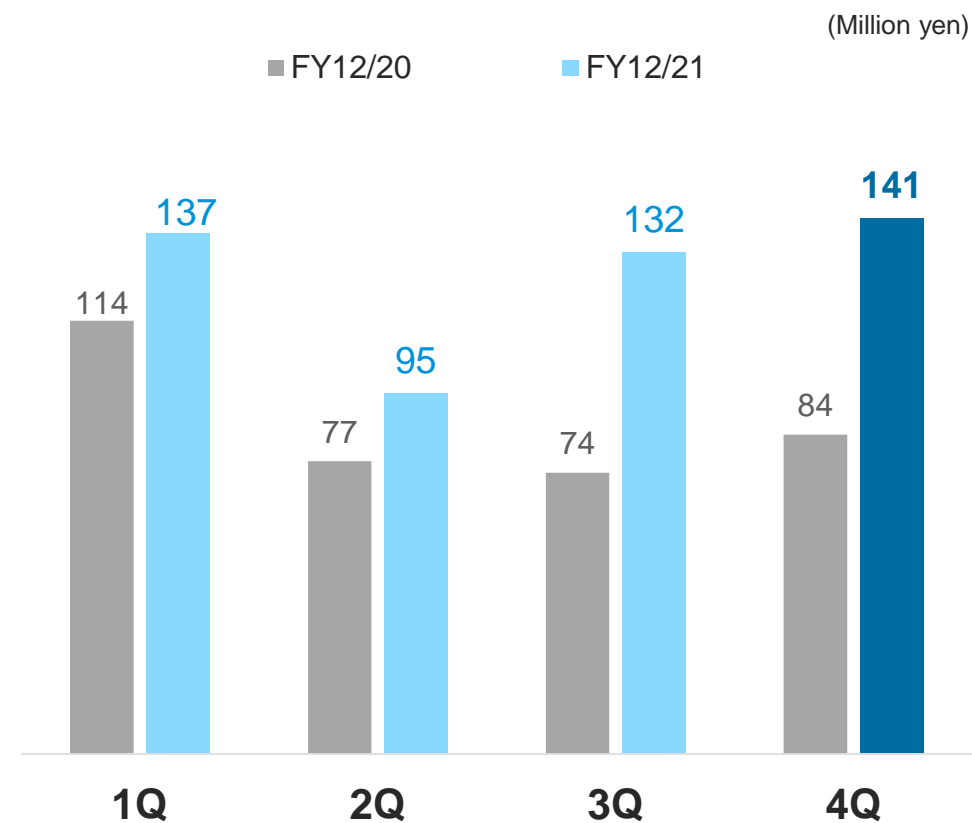
# Variation in Quarterly Performance

Strong performance by quarter, achieving record-high net sales and operating income in Q4

## Net sales



## Operating income



# Sales of Each Business and Major KPIs

Corporate IT-related investment, including digital transformation (DX), has been firm, and both SI Business and CS Business showed favorable performance.

In SI Business, performance was strong in both Humansoft Inc., our new subsidiary, and the parent company.

(Million yen)

		FY12/20 (non-consolidated)	FY12/21 (consolidated)	YoY	
				Change	Pct. change
System Integration (SI)		3,482	<b>4,513</b> <b>(3,887)</b>	+1,031 (+405)	<u>29.6%</u> (11.6%)
Cloud Service (CS)		240	260	+20	8.3%
Total (net sales)		3,723	<b>4,774</b>	+1,051	<u>28.2%</u>
Major KPIs					
SI	Backlog of orders [million yen]	633	<b>1,054</b> <b>(848)</b>	+421 (+215)	66.5% (33.9%)
CS	No. of vehicles managed with "KITARO" [vehicles]	7,694	<b>7,985</b>	+291	3.8%

\*Figures in parentheses are non-consolidated figures of Axis



# Sales by Business: Strong Performance in SI Business

Both parent company (Axis) and Humansoft Inc. performed well.

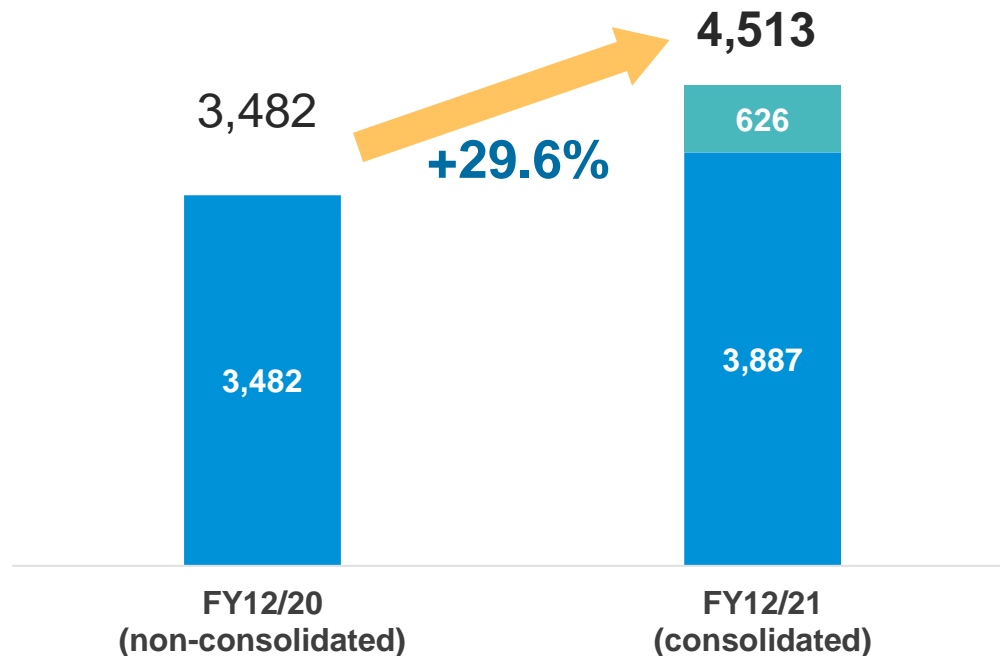
Steady increase in projects in growth areas, such as support for the introduction of cloud system for core systems.

Order backlog increased steadily at the parent company, but temporarily decreased at subsidiaries because it was in between projects.

## SI Business Net sales

(Million yen)

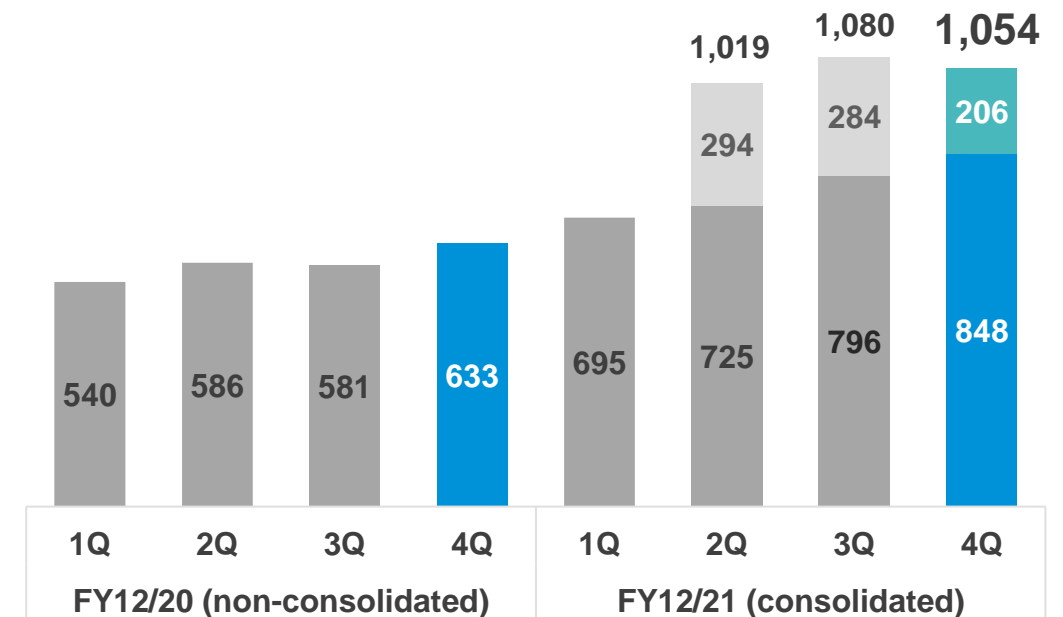
■ Axis non-consolidated ■ Humansoft (subsidiary)



## Quarterly Order Backlog

(Million yen)

■ Axis non-consolidated ■ Humansoft (subsidiary)



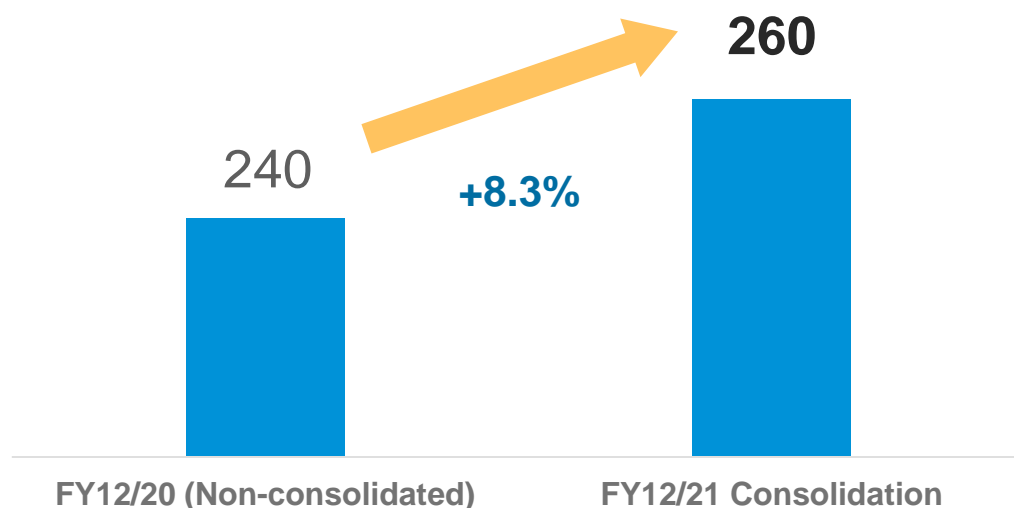
CS Business remained steady due to an increase in the number of subscribers to its core services “KITARO”, a real-time operation control system.

Sales of IoT equipment also increased due to increased sales of “KITARO x Dashcam” and “KITARO x Digital tachograph”.

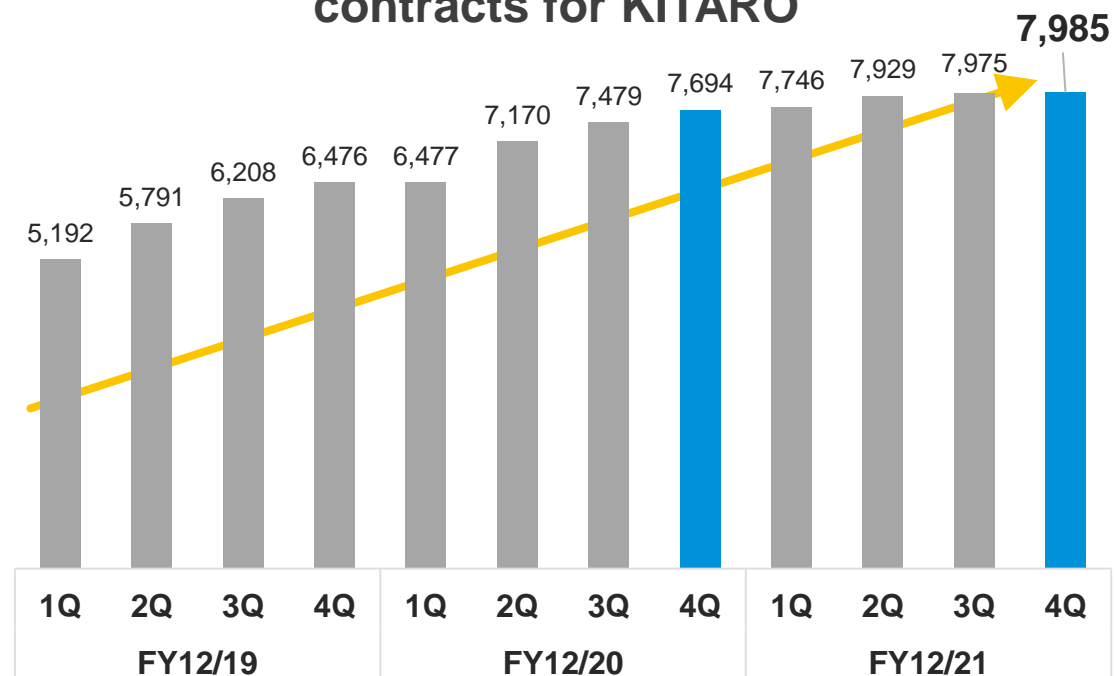
Temporary decrease in contracts by SMEs due to spread of infections caused by Delta strain of COVID-19.

CS Business  
Net sales

(Million yen)



Trends in the number of  
contracts for KITARO



Net assets increased steadily due to the increase in profits.

The equity ratio maintained a sound level at 69.7%, despite an increase in interest-bearing debt and an increase in investment cash flows due to the consolidation of Humansoft as a subsidiary.

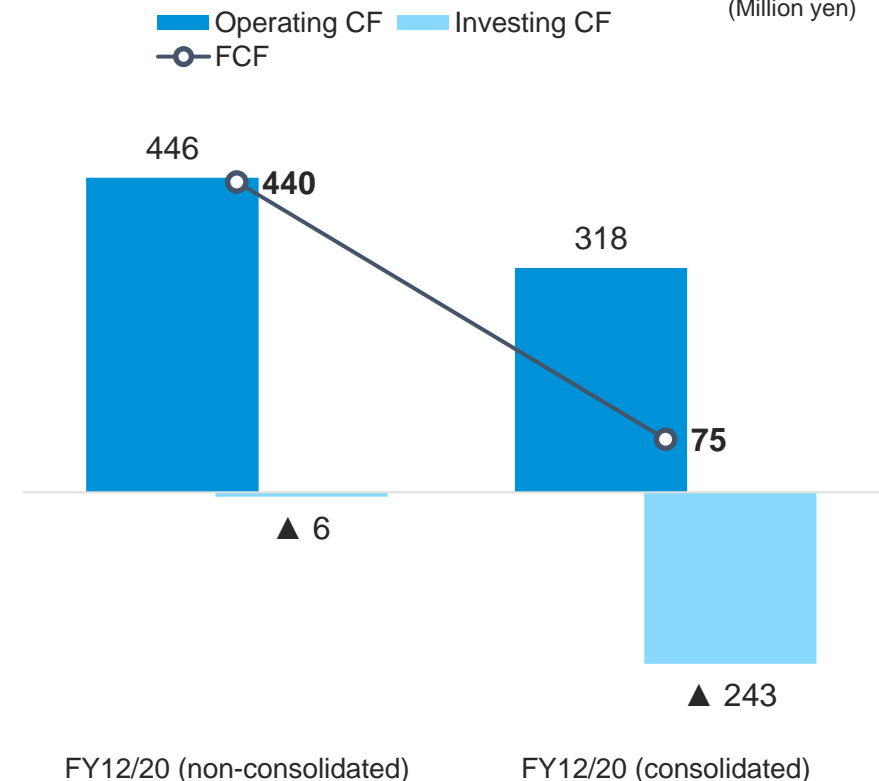
Major figures in B/S

(Million yen)

	FY12/20 (non-consolidated)	FY12/21 (consolidated)	YoY change
Current assets	2,246	2,567	+321
Cash and deposits	1,707	1,768	+61
Accounts receivable	475	707	+232
Inventory assets	29	35	+6
Fixed assets	241	529	+288
Goodwill	2	276	+274
Total assets	2,487	3,097	+610
Liabilities	681	939	+258
Accounts payable	109	151	+42
Interest-bearing liabilities	—	116	+116
Reserve for employees' retirement benefits	183	—	-183
Liabilities for retirement benefits	—	214	+214
Net assets	1,806	2,158	+352
Total liabilities and net assets	2,487	3,097	+610
Capital-to-asset ratio	72.6%	69.7%	-2.9

Major CFs

(Million yen)

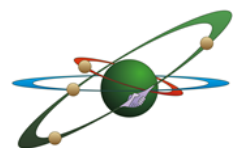


# Topics: Made Humansoft Inc. a Consolidated Subsidiary

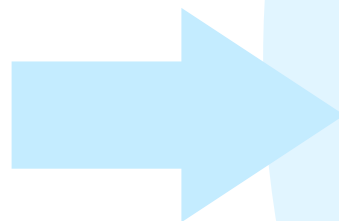
Acquired Humansoft Inc., whose main business is system integration, and make it a consolidated subsidiary on April 1.

Diversify into areas not covered by us and strengthen the personnel system of the Group as a whole.

Transitioned from FY12/21 to consolidated accounting due to the acquisition



株式会社ヒューマンソフト



One-stop support for the planning, design, development, construction, operation, and maintenance of network infrastructure and information systems, based on knowledge and experience cultivated in system construction for telecommunications carriers, businesses, and government agencies

**Strengthening the group structure and expanding business domains through consolidation**

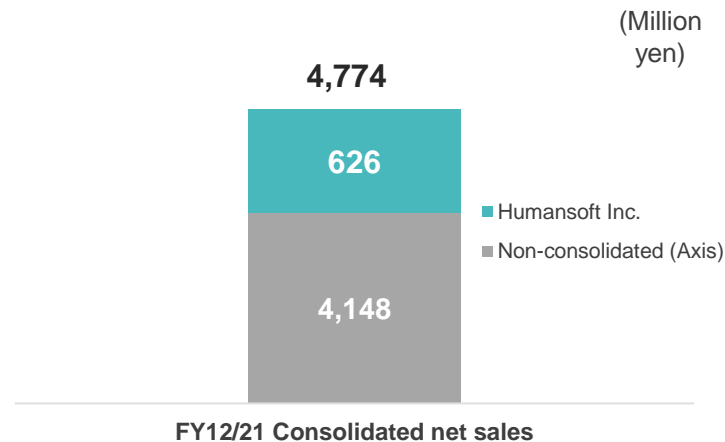
**One-stop support from planning, design, development, construction, operation, and maintenance management of network infrastructure and information systems, mainly for telecommunications carriers and government agencies.**

**Especially with a wealth of experience in maintenance and operation.**

## Corporate profile

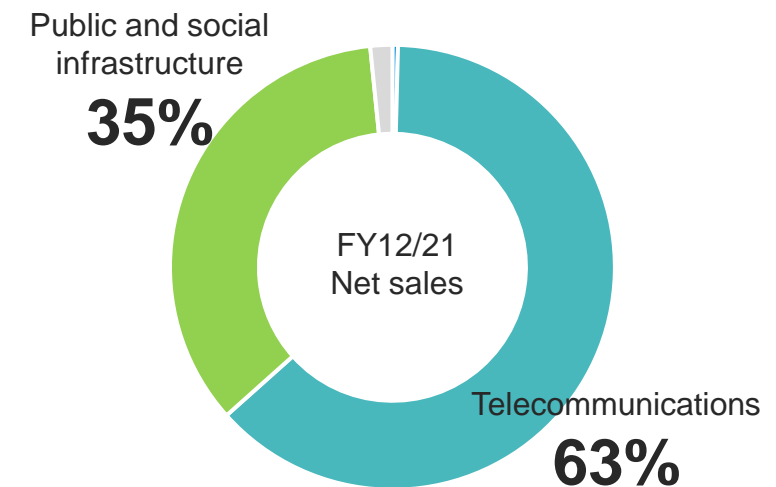
Company name	Humansoft Inc.
Established	Oct. 1994
Representative	Junetsu Matsumaru, President and Representative Director
Capital	43 million yen (as of Dec. 31, 2021)
Number of employees	56 (as of the end of December 2021)

## Business scale (Results)



**Net sales: 626 million**  
**Operating income: 75 million**  
(recorded for 9 months in FY12/21)

## Net sales composition by customer industry



- Approximately 63% are telecommunications field
- About 35% are public and social infrastructure field

## II Launch of New Businesses

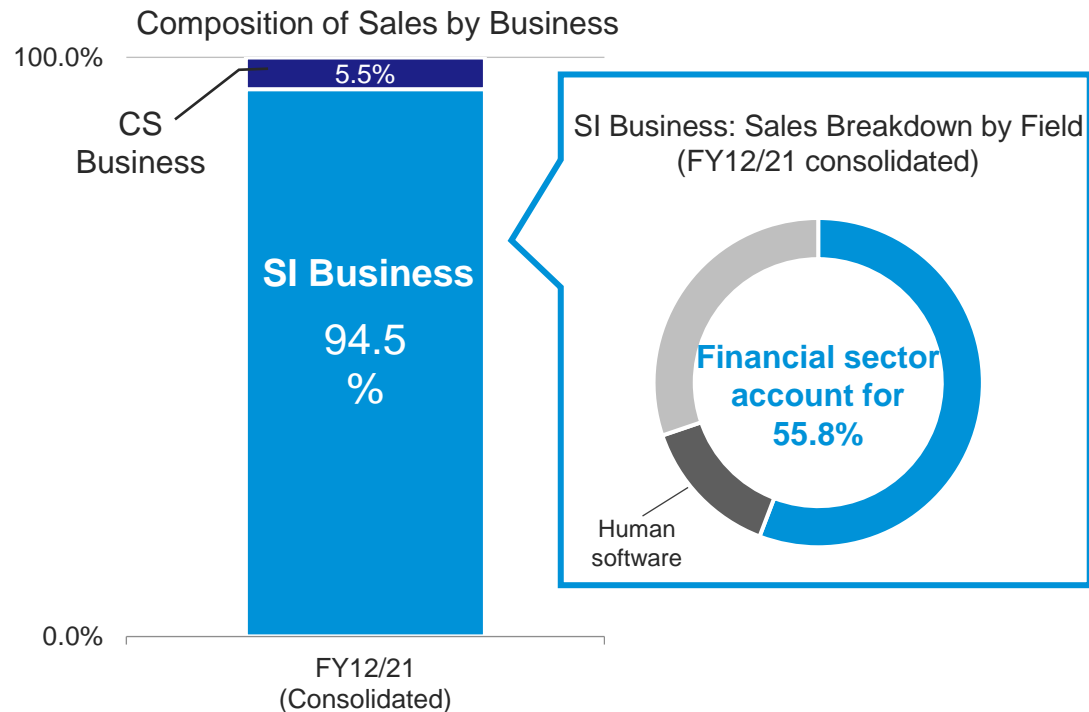


# Our Group's Issues and Strengths

**SI Business accounts for about 95% of sales, and overconcentration on SI Business is an issue for business expansion in the IT business domain**

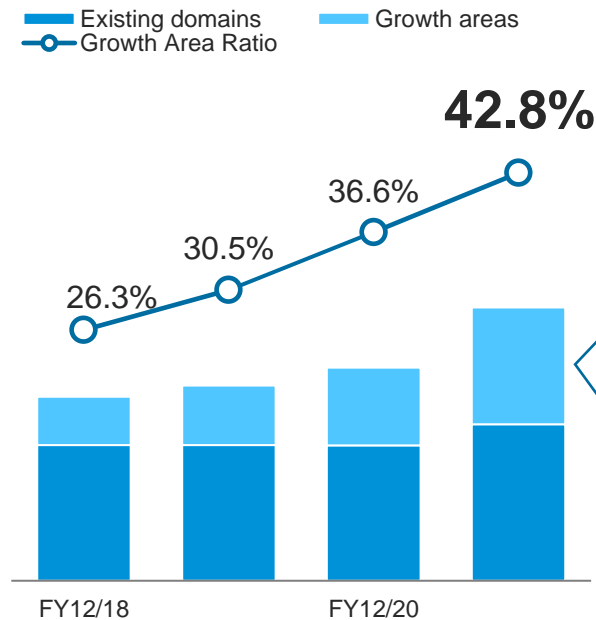
**We have a wealth of experience and expertise in the IT growth area. It is important to expand business using these resources.**

Issue: Approximately 95% of sales are concentrated in SI Business



Assets owned: Accumulate DX know-how by increasing projects in growth areas

Projects in growth areas are increasing every fiscal year, and know-how on DX is accumulated.



## Fintech-related

- Introduction of cloud system for financial business systems
- Construction of cashless payment platform
- Anti-money laundering

## Next-generation SI-related

- Introduce cloud system for business system (AWS)
- Introduction of Salesforce
- Support for use of RPA
- Operation by DevSecOps

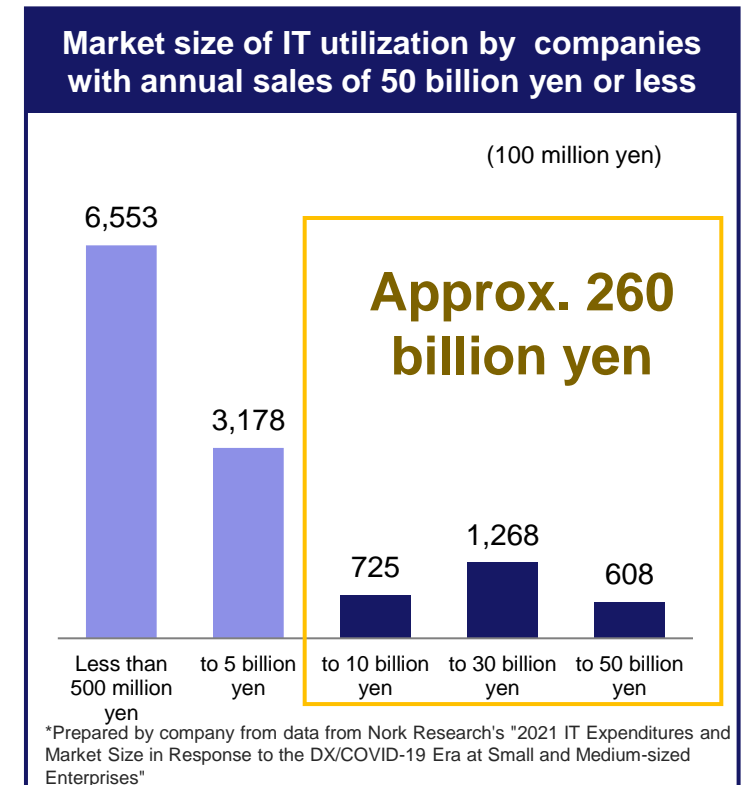
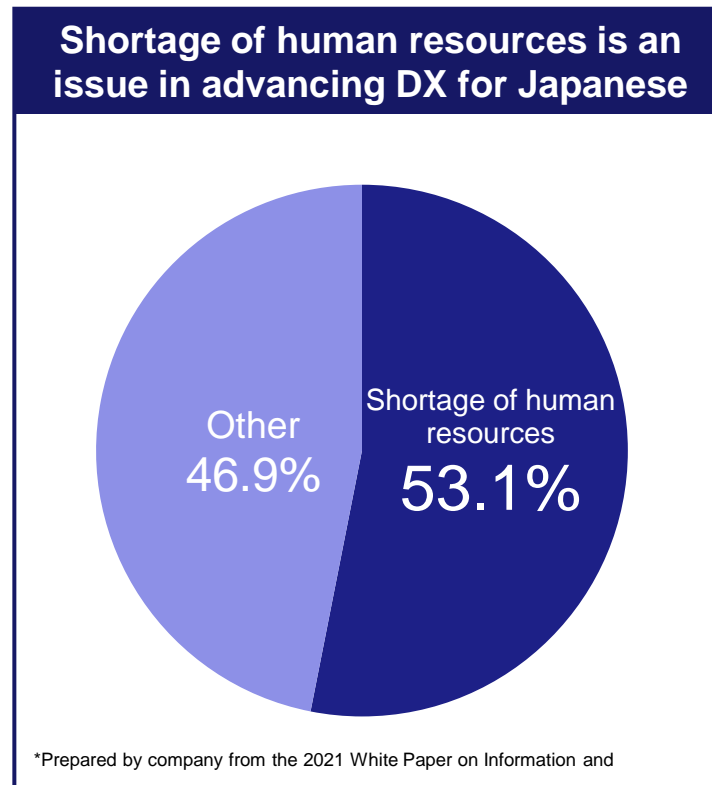
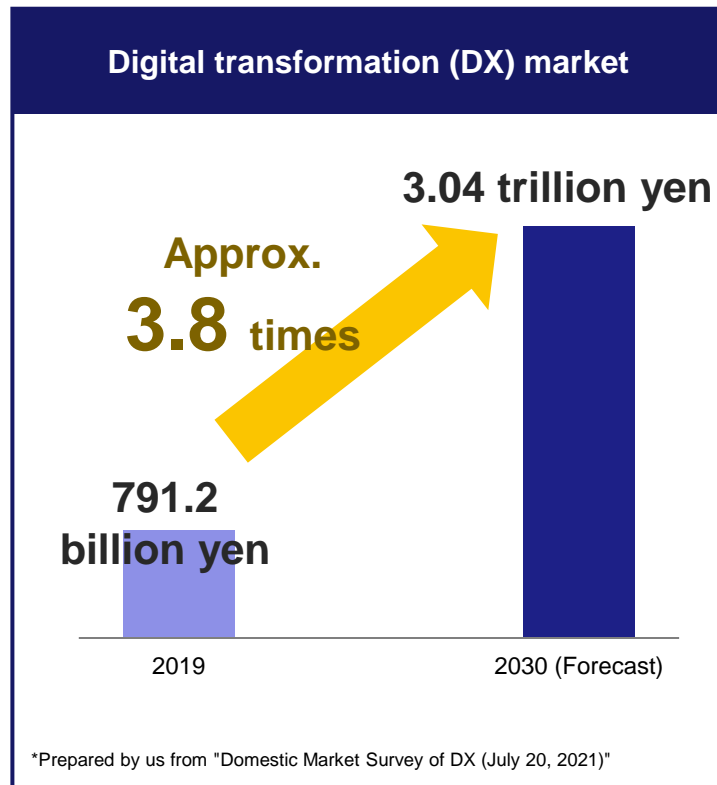
## IoT-related

- Telematics

# External Environment-1: Domestic Digitization Market Continues to Expand with DX

The domestic DX market is expected to exceed 3 trillion in 2030; the domestic digitization market is continuing to expand

On the other hand, domestic companies lack the in-house human resources to promote DX. In particular, DX promotion has become a major issue for SMEs, which are in need of a specialized company that is skilled in DX/IT.





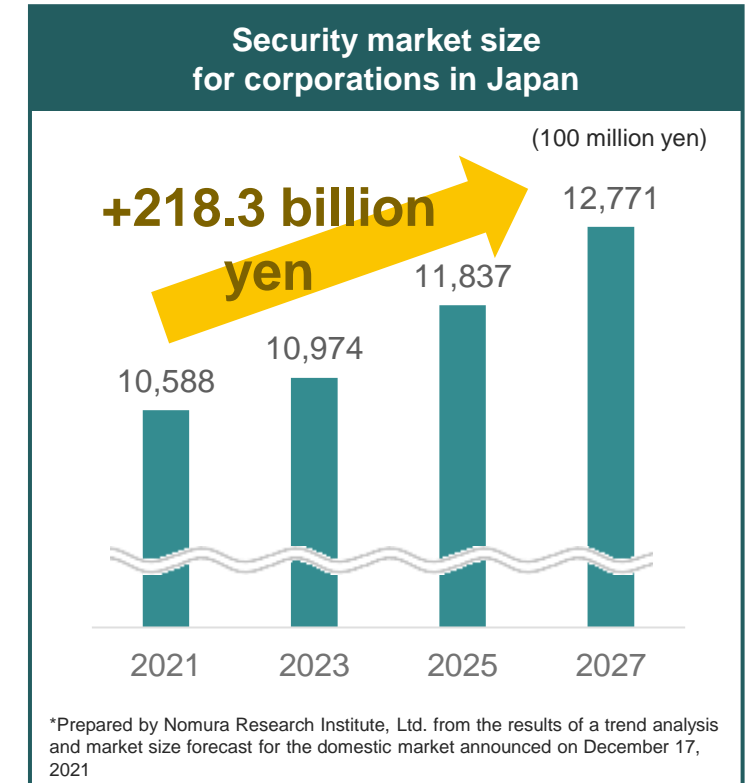
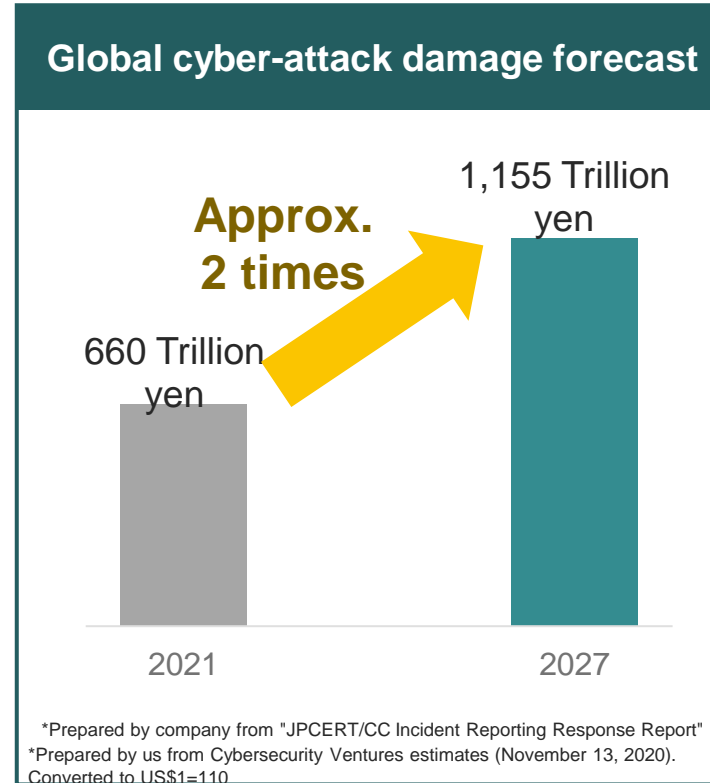
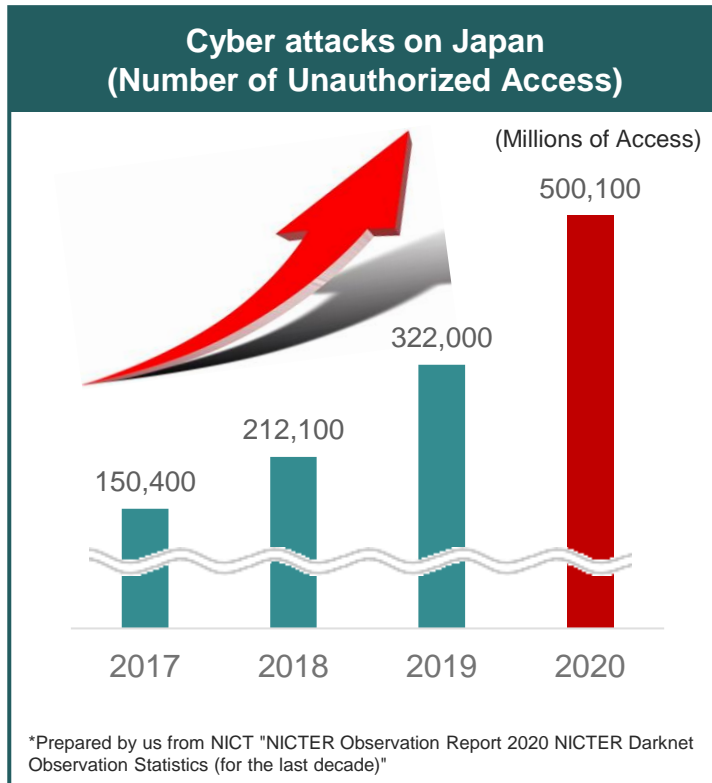
# External Environment-2: Expand of the Security Market Along with IT Expansion

The number of unauthorized access to Japan is rapidly increasing, and 500.1 billion cases were observed in 2020.

The amount of damage caused by cyber-attacks worldwide is predicted to be 1,155 trillion yen in 2027, approximately twice the amount in 2021.

In addition to DX initiatives, increased use of remote work, web conferencing, and cloud services due to the spread of COVID-19.

Supported by strengthened security measures, the domestic corporate security market is expected to grow to approximately 1.2771 trillion yen in 2027.



# Started Two New Businesses from FY12/22

Started digital consulting business by leveraging our accumulated experience and knowledge in analyzing issues and introducing cloud computing, and security business by leveraging our experience and knowledge in security.

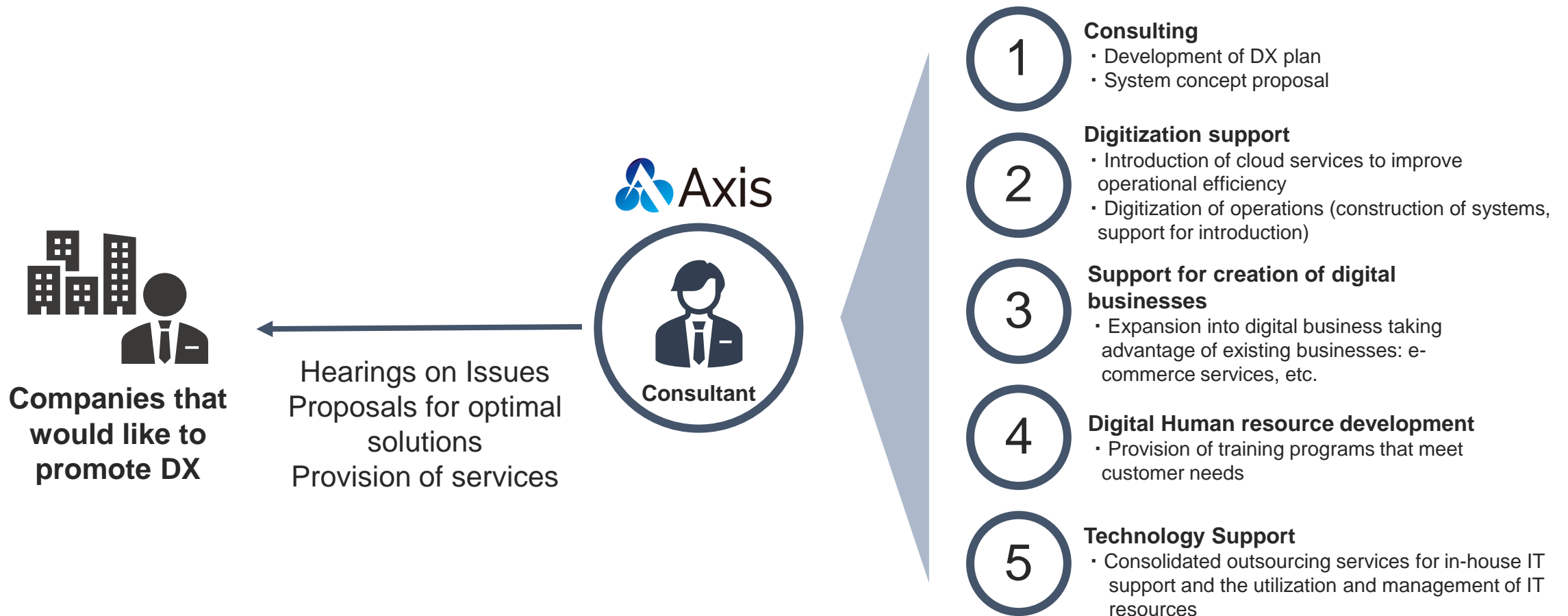
Accelerate overall corporate growth through synergies among businesses over the medium to long term, while expanding each business area.



In addition to consulting services, provide services such as education and outsourcing.

Propose optimal solutions tailored to customers, including not only support for digitization but also the creation of digital businesses.

Increase in SI Business orders is expected by entering the consulting field to improve unit prices and acquiring related systems integration businesses in a lump sum.



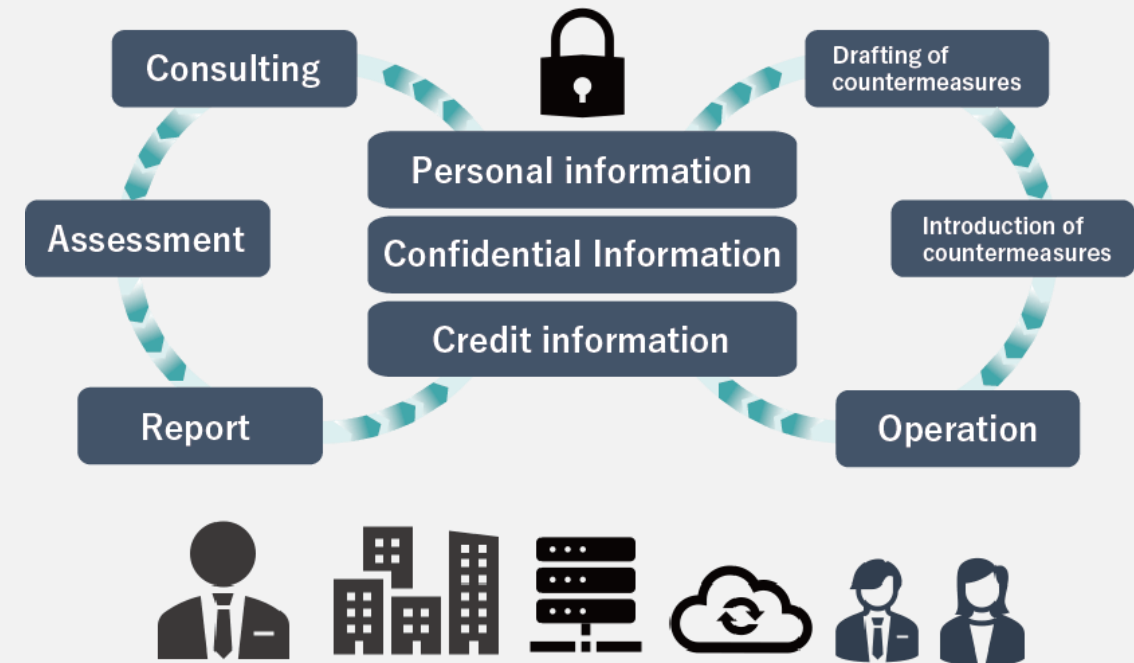
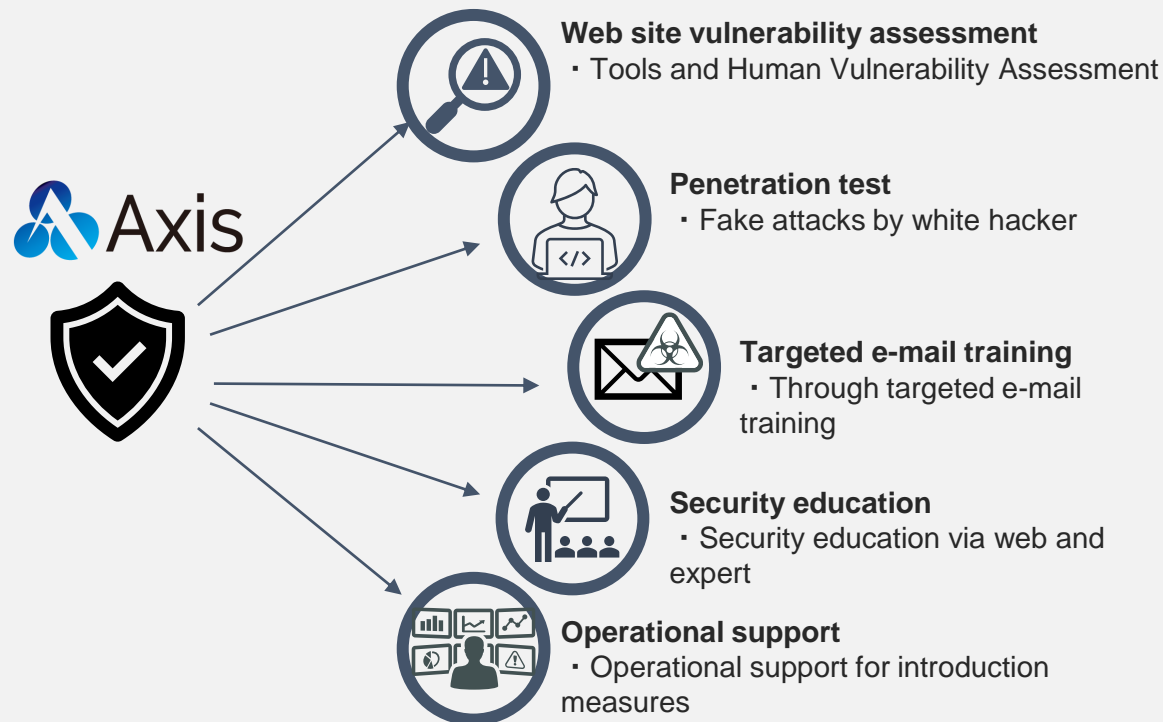
# Strategy for Security Business

Provide overall security-related services, including security consulting, introduction of security products, operational support, and vulnerability assessment.

Provide services to address systems and human vulnerabilities across large to high mid-sized and mid-sized companies.

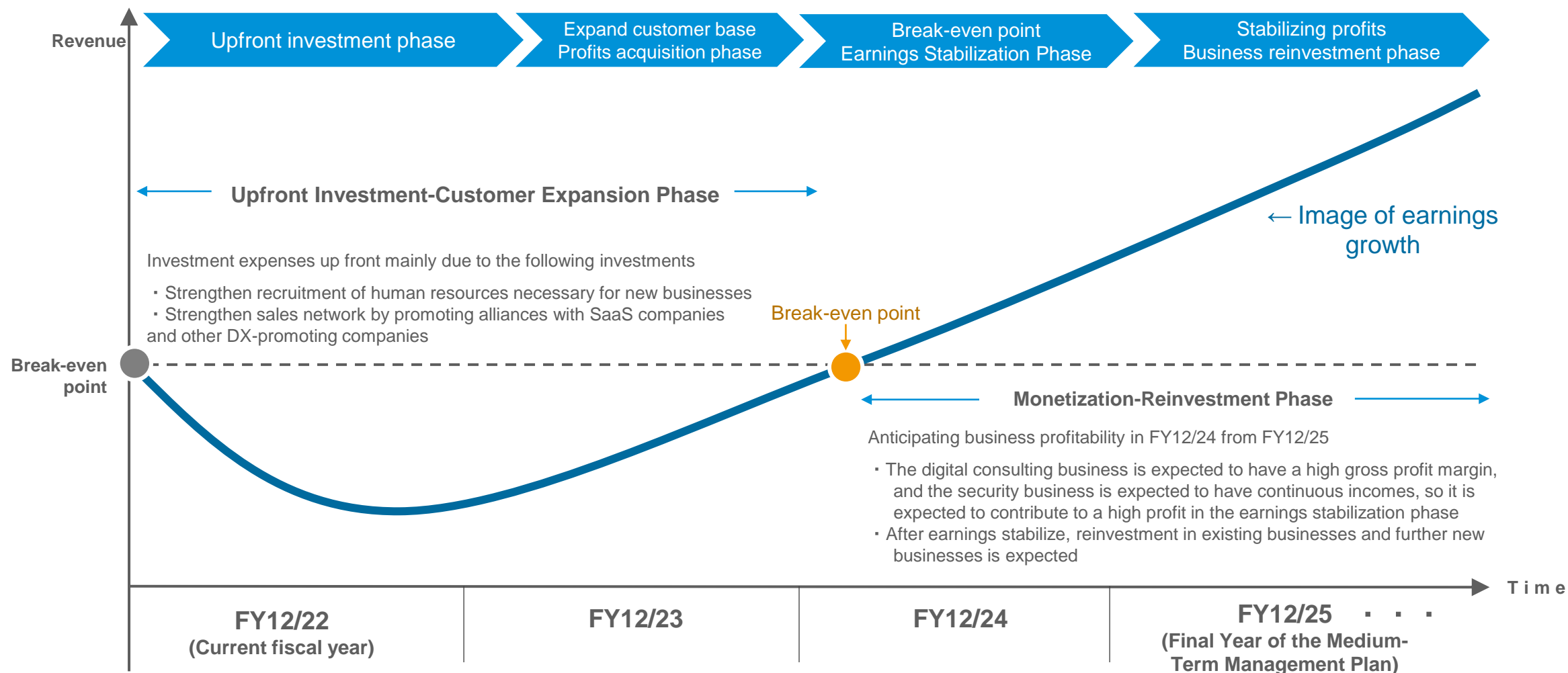
Planning security measures from a specialist's point of view and providing comprehensive support from introduction to operation.

Expect to increase sales by building ongoing relationships and using peripheral services by regularly providing vulnerability assessment.



# Expected to Become Profitable during the Period for Medium-term Management Plan after Upfront Investment

Initially, we anticipate upfront investment for business expansion and profitability within Medium-term Management Plan when launching new businesses. Both of the two businesses are expected to have high margin rate, and the Security business is expected to generate continuous profit. Contributing to the stabilization of our profitability and earnings over the medium to long term.



## III Full-year Business Forecasts for FY12/22



# Full-year Business Forecasts for FY12/22

Net sales are expected to increase significantly following the previous year due to strong demand.

Gross profit is expected to exceed the previous year's level in both amount and percentage due to the concentration on high-profit projects, maintaining the record-high level.

Due to upfront investment for new business startup, operating income and lower income slightly decreased from the previous year.

(Million yen)

	FY12/21 (consolidated)	Full-year forecast for FY12/22 (consolidated)	YoY	
			Change	Pct. change
Net sales	4,774	5,580	+806	16.9%
System Integration (SI)	4,513	5,209	+696	15.4%
Cloud Service (CS)	260	286	+26	10.1%
Other (New Business)	—	83	83	—
Gross profit	1,293	1,519	+226	17.5%
Operating income	505	504	-1	-0.1%
Ordinary income	528	515	-13	-2.5%
Net income attributable to owners of parent	349	348	-1	-0.3%
Gross profit margin	27.1%	27.2%		+0.1p
Operating income margin	10.6%	9.0%		-1.6p
Ordinary income margin	11.1%	9.2%		-1.9p
<Assumptions for the business forecasts>				
SI: No. of projects [projects]	252	249	-3	-1.2%
SI: Average project fee [thousand yen]	17,911	20,922	+3,011	16.8%
CS: No. of vehicles managed with KITARO [vehicles]	7,985	9,230	+1,245	15.6%

# Analysis of Factors Behind Changes in Operating income

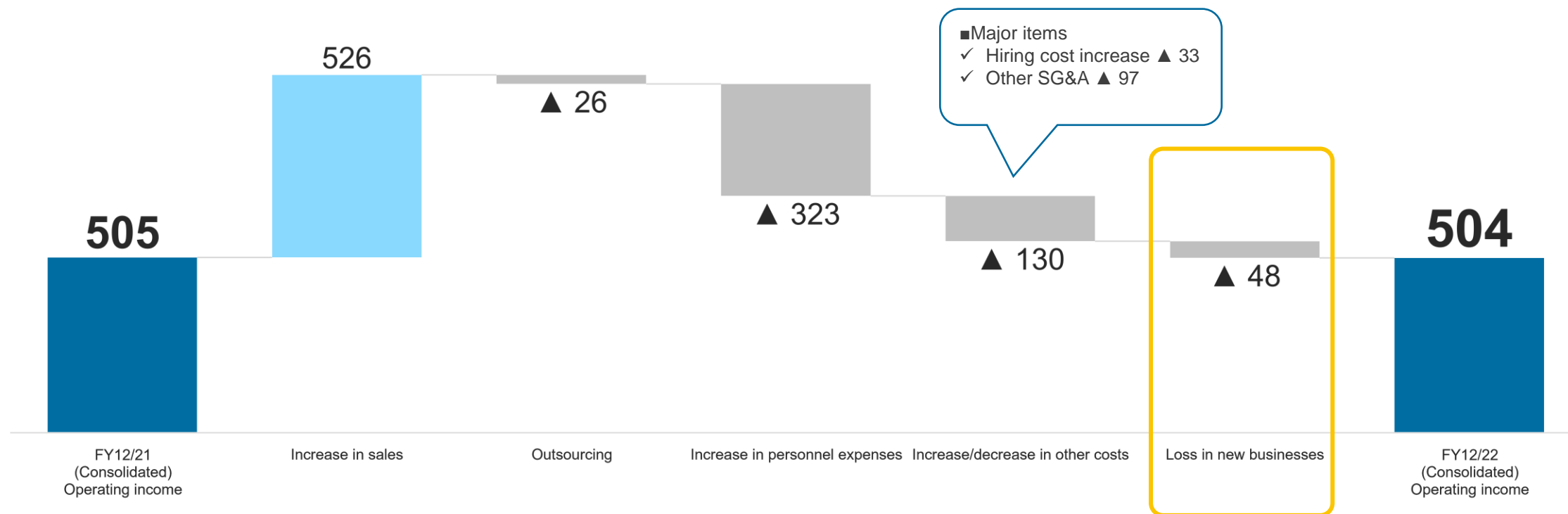
Significant increase in gross profit is expected due to the steady increase in sales.

Operating income slightly down due to investing in new businesses (strengthening DX/Security personnel recruitment, advertising, etc.)

Full-year performance of Humansoft was started to be recorded in our consolidated results from this fiscal year, contributing to the Group's earnings.

## Analysis of factors behind changes: operating income

(Million yen)





Corporate IT investment is expected to remain strong overall, and both Axis alone and Humansoft are expected to perform well.

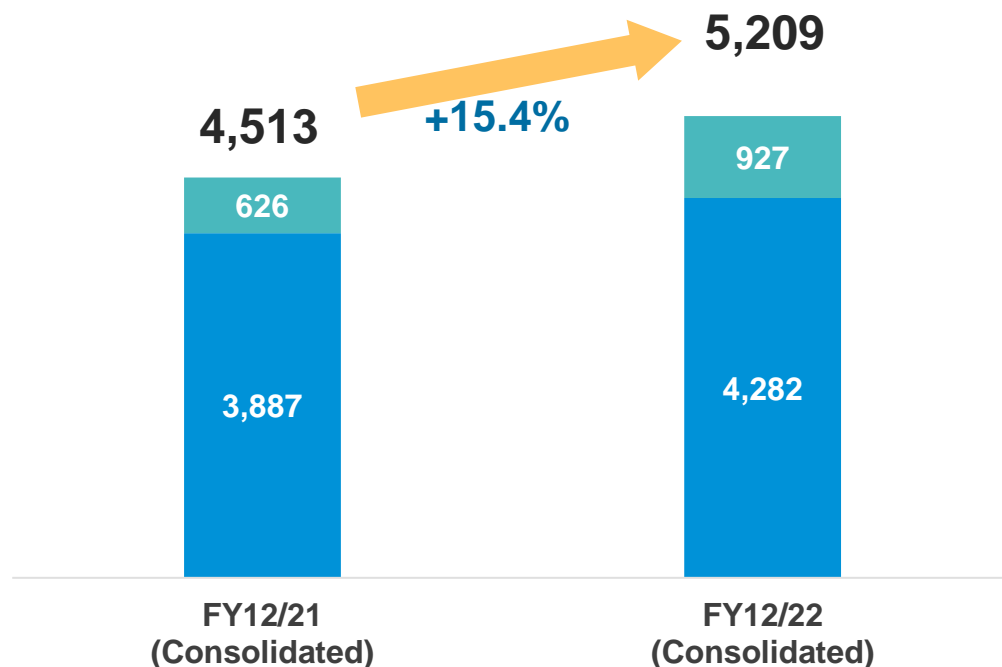
Highly profitable projects are expected to increase, including projects in growth areas such as support for cloud adoption and other projects, and projects in the financial field.

## SI Business Net sales

(Million yen)

■ Axis alone

■ Humansoft (subsidiary)



**Net sales: 5,209 million yen**

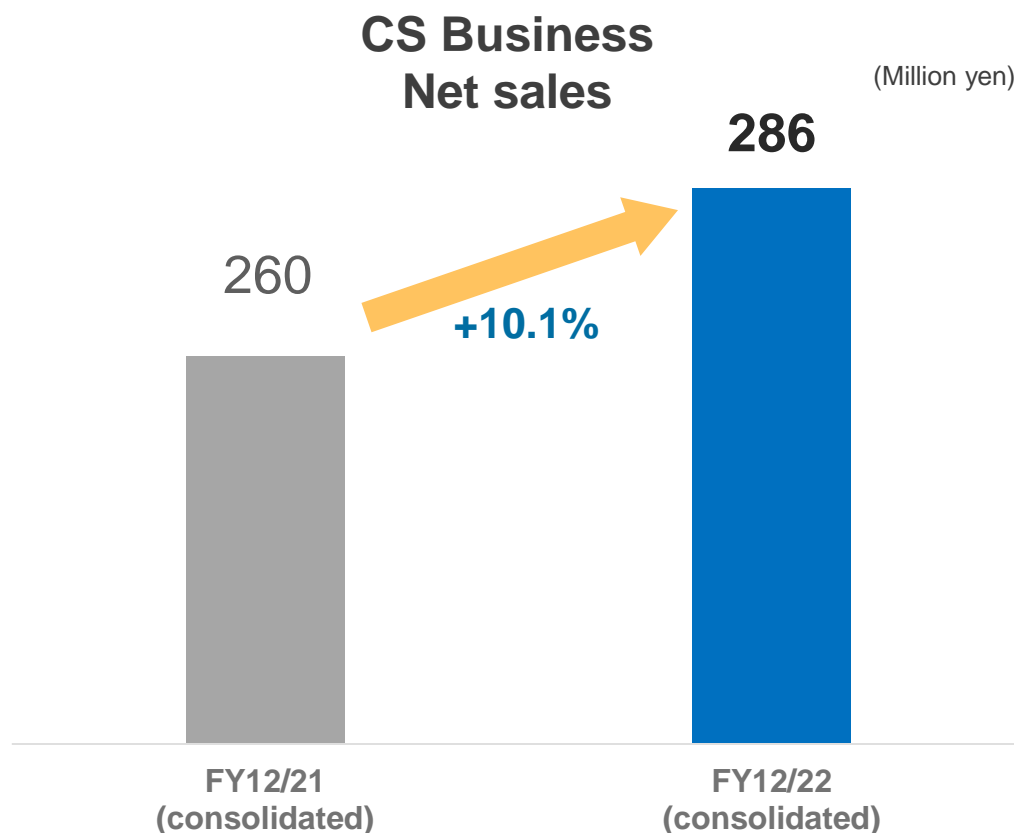
**YoY: +15.4%**

## ■ Segment Overview

- Strong demand for DX/IT, including cloud development projects.
- Axis on a non-consolidated basis is expected to increase 10.2% in sales, and humansoft is expected to increase 48.1% due to the recording of sales for 12 months from this fiscal year, which is a favorable forecast for the Group as a whole.
- Strengthen expertise in growth areas, such as cloud-based projects utilizing AWS, and shift to highly profitable projects.
- Strengthen employee training and recruitment to make employees more competitive as early as possible (improve occupancy rate).

Based on the assumption that there will be a return to demand in CS Business, which had been held back by COVID-19, we assume that KITARO will continue to be firm.

We expect to improve contract unit prices through proactive advertising, including expansion of advertising channels, as well as value-added improvements corresponding with the addition of functions.



**Net sales: 286 million yen**

**YoY: +10.1%**

## ■ Segment Overview

- Assuming that the impact of COVID-19 will be minor, we assume that demand will return to a recovery trend.
- Aggressive advertising; new contracts are expected to reach +1,245 units, with 9,230 units contracted at the end of the fiscal year.
- Expect double-digit growth in net sales due to diversification of contract plans and improvement in added value, such as provision of alcohol-checking functions.

# Sales by Business: Other (New Businesses)

Provision of digital consulting services and security services from the fiscal year under review.  
Upgrading the service provision system, advertising, etc. Planned to be profitable for FY12/24.

## Other (New Businesses) Net sales

(Million yen)

83

FY12/21  
(consolidated)

FY12/22  
(consolidated)

**Net sales: 83 million yen**

**YoY: -%**

### ■ Segment Overview

- Started services in FY12/22.
- Steady progress in improving the environment for providing services. Promote the acquisition of human resources specializing in digital consulting and security.

**Continue the 30th anniversary commemorative dividend for the previous fiscal year as an ordinary dividend, and plans to pay an annual dividend of 5 yen per share for the current fiscal year**

**While it will be necessary to invest in growth, we will continue to emphasize shareholder returns and implement a policy of paying stable dividends**

FY	Annual dividend per share		
	Interim	Year-end	Total
FY12/21	0.00 yen	5.00 yen (Commemorative dividend)	5.00 yen (Commemorative dividend)
<b>FY12/22 (Forecast)</b>	<b>0.00 yen</b>	<b>5.00 yen</b> (Ordinary dividend)	<b>5.00 yen</b> (Ordinary dividend)

## Ⅳ Medium-term Management Plan





## **Make Contributions by Digital**



# 2025 Management Targets

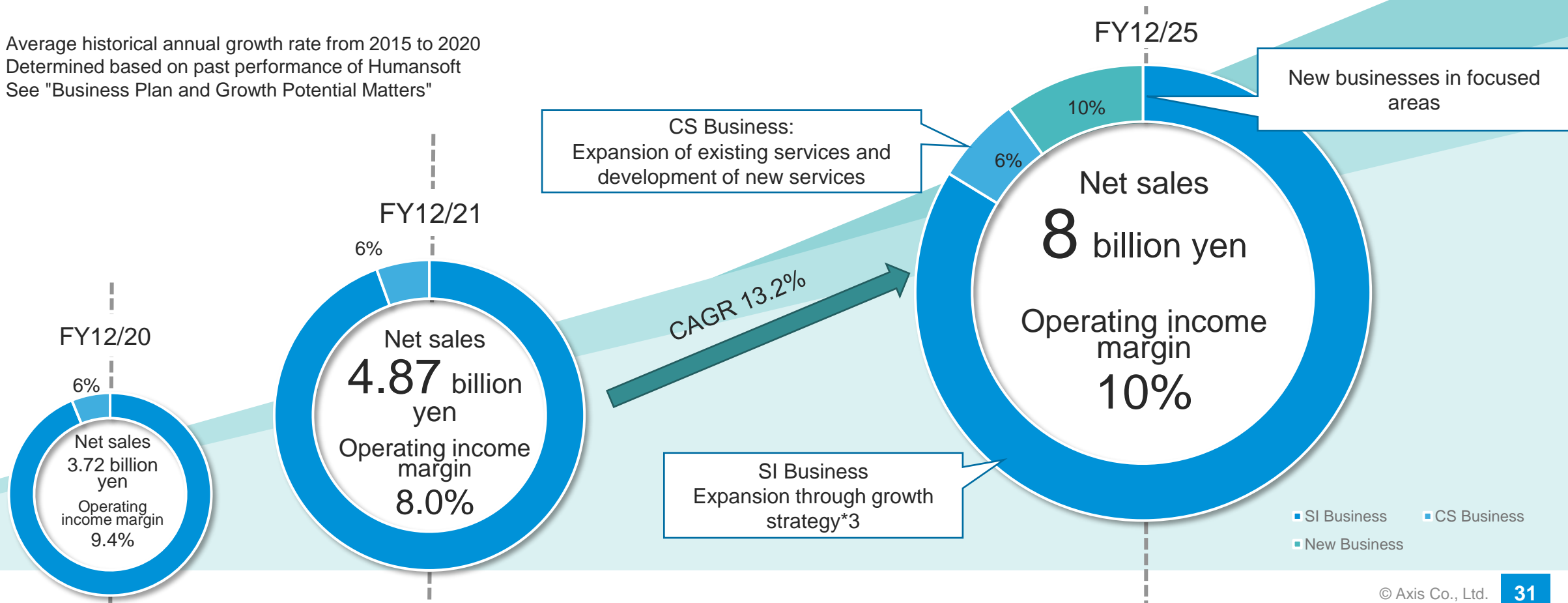
Based on the historical average annual growth rate\*1 (11.2%), the average annual growth rate is expected to be 13.2%, adding new business sales to the average growth rate of 10%\*2 of existing business.

Expand the current System Integration (SI) and Cloud Services (CS) businesses, while launching new businesses to support customers' digital management and stepping up to a further growth stage.

\*1: Average historical annual growth rate from 2015 to 2020

\*2: Determined based on past performance of Humansoft

\*3: See "Business Plan and Growth Potential Matters"





## FinTech

- Diversification of payments, introduction of electronic currencies, and new fintech services

## IoT

- High-speed networking, the use of MaaS services, and smart factories

## Digital governance

- Bringing administrative applications online and utilizing the open data held by the government and local governments

## Security

- Greater importance of safety and security, improved IT literacy, and a sophisticated security environment

## Digital consulting

- Improving operational efficiency, improving productivity, reforming corporate culture, and supporting the creation of new businesses through digitization



## SUSTAINABLE DEVELOPMENT GOALS



**In an evolving digital society,  
provide high-growth technologies and services**



**Provide better products and services  
to become a company with high existence value in  
society**



**Pursue further growth  
with an emphasis on the environment, society, and  
governance (ESG)**

## <Notes for Forward-Looking Statements>

The information contained in this material is based on a number of assumptions and does not guarantee or warrant the realization of future plan figures or measures.

Figures in this document have been rounded down to the nearest whole number and may not add up to the total.

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