

# Axis Co., Ltd.

## Financial Results for FY12/22

February 13, 2023



Securities code: 4012/ Tokyo Stock Exchange Standard Market

- I Consolidated Financial Results for FY12/22**
- II Full-year Business Forecasts for FY12/23**
- III Medium-term Management Plan**

# I Consolidated Financial Results for FY12/22



## Net sales

**5,854** million yen

(+22.6% YoY)

(+4.9% vs. forecast)

## Operating income

**576** million yen

(+14.2% YoY)

(+14.4% vs. forecast)

## Operating income margin

**9.8%**

(-0.8ppt. YoY)

(+0.8ppt. vs. forecast)

### ■ Key points

- ✓ **Net sales: +22.6 % YoY (+4.9% vs. forecast), growing over 20% for 2 consecutive years**  
**Operating income: + 14.2 % YoY (+ 14.4% vs. forecast), growing over 10% for 3 consecutive years**
- ✓ **Both net sales and operating income achieved record highs.**
- ✓ **Strong corporate investment in IT systems, including digital transformation (DX). In particular, orders for public services and information/communications increased.**
- ✓ **Operating income margin decreased by 0.8 ppt. YoY due to upfront investments, but remained at a high level of 9.8%.**
- ✓ **COVID-19, the situation in Ukraine, the depreciation of the yen, higher resource prices had no impact on our performance.**

# Summary of the Profit-and-Loss Statement

**Strong corporate investment in IT systems, including DX, with a significant increase in sales and profits compared to the previous year. In sales, CAGR significantly exceeded the planned target of 13.2% in the medium-term management plan and reached 22.6%.**

**The expansion of the growth strategy has led to an increase in the proportion of business partners compared to initial expectations. Gross profit margin decreased, but operating income increased owing to higher sales.**

(Million yen)

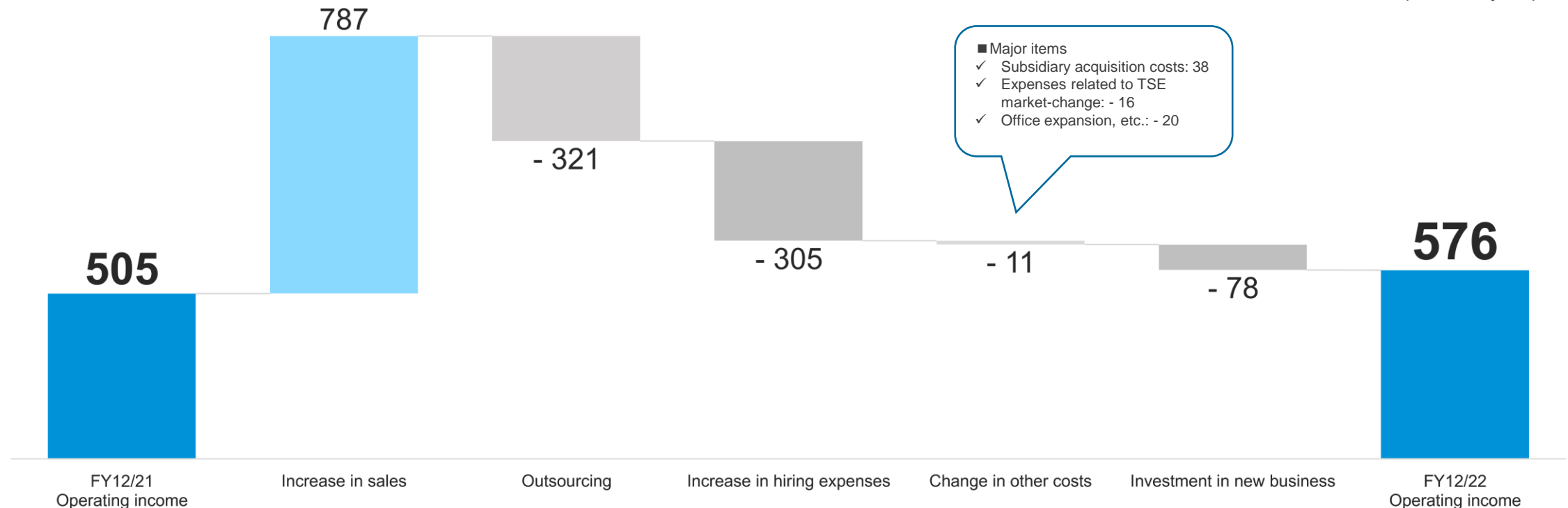
	FY12/21 (consolidated)	FY12/22 (consolidated) Full-year forecasts	FY12/22 (consolidated)	YoY		Vs. forecasts	
				Change	Pct. change	Change	Pct. change
Net sales	4,774	5,580	<b>5,854</b>	+1,080	22.6%	+274	4.9%
Gross profit	1,293	1,519	<b>1,495</b>	+201	15.6%	-23	-1.6%
Operating income	505	504	<b>576</b>	+71	14.2%	+72	14.4%
Ordinary income	528	515	<b>586</b>	+58	11.0%	+71	13.9%
Net income attributable to owners of parent	349	348	<b>390</b>	+40	11.7%	+42	12.1%
Net income per share (yen)	87.30	85.82	<b>97.05</b>	+9.75	11.2%	+11.23	13.1%
Gross profit margin	27.1%	27.2%	<b>25.5%</b>		-1.6p		-1.7p
Operating income margin	10.6%	9.0%	<b>9.8%</b>		-0.8p		+0.8p
Ordinary income margin	11.1%	9.2%	<b>10.0%</b>		-1.1p		+0.8p

# Analysis of Factors Behind Changes in Operating Income

Increased as the significant growth in sales absorbed profit-decreasing factors, such as increased personnel expenses for engineers and investment in new businesses.

## Analysis of factors behind changes: operating income

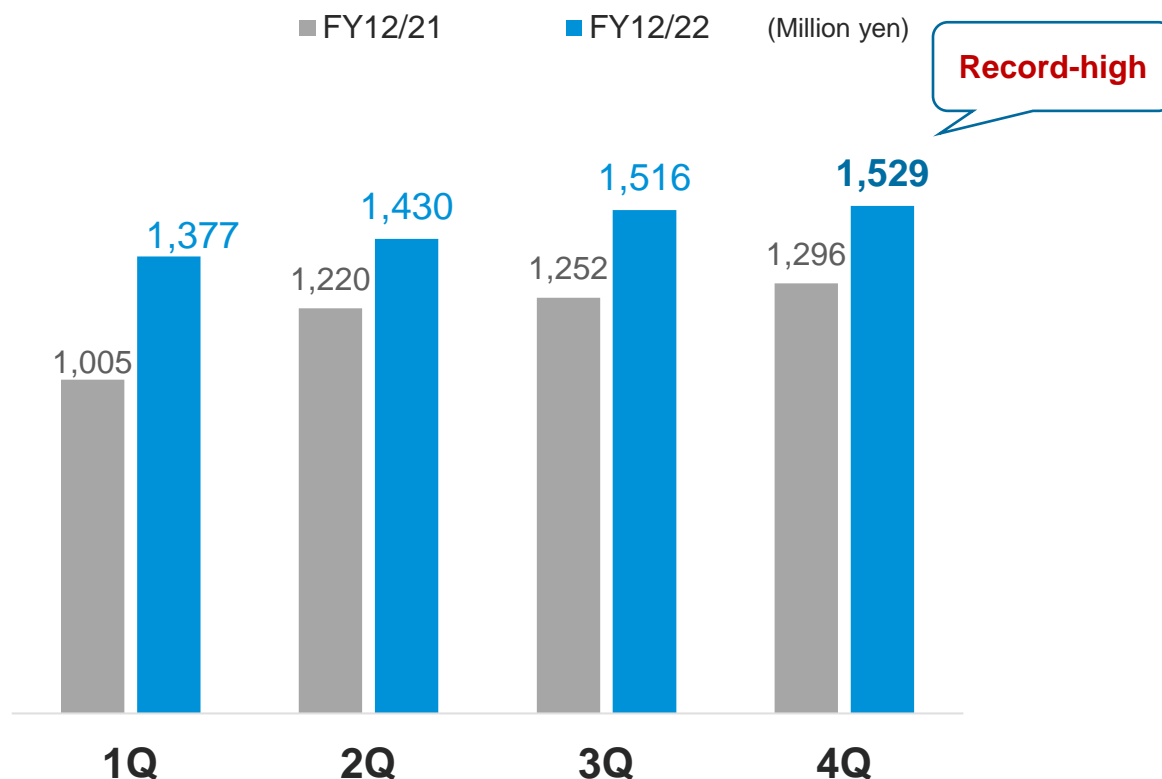
(Million yen)



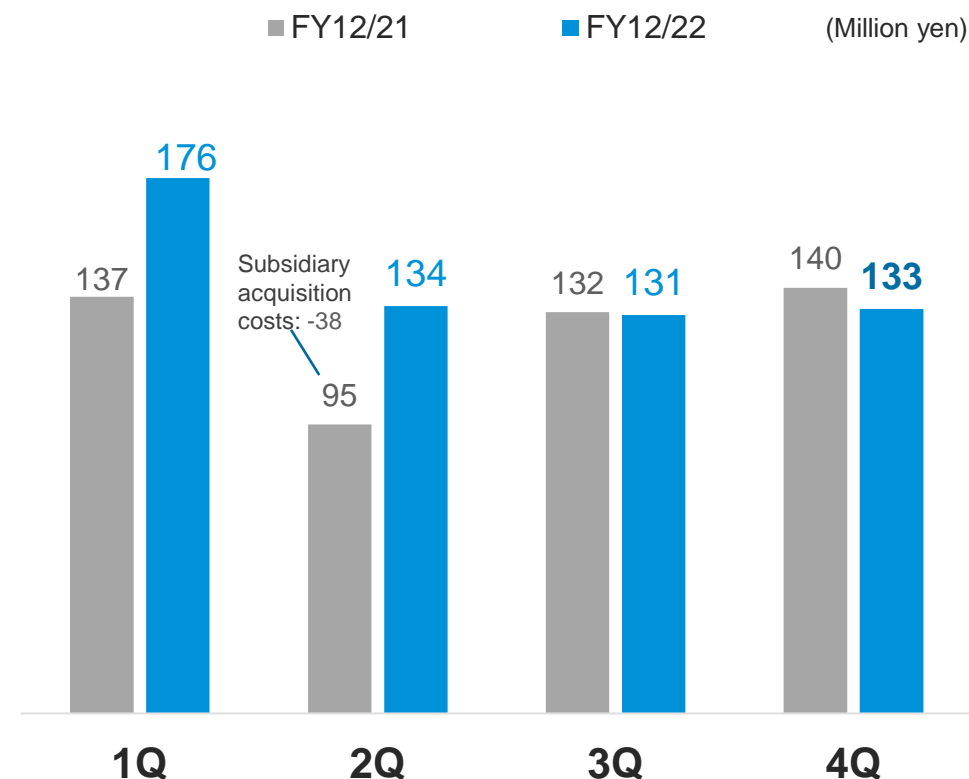
# Variation in Quarterly Performance

Strong performance by quarter, with sales reaching a record high for each quarter.

## Net sales



## Operating income



Increase in personnel expenses due to strengthening of sales activities and increase of floor space for business expansion

# Sales of Each Business and Major KPIs

Backed by robust corporate IT spending, including DX, the System Integration Business performed well and the order backlog increased.

In IT Services Business, the cloud service KITARO (real-time operation management service) remained solid.

(Million yen)

		FY12/21	FY12/22	YoY	
				Change	Pct. change
System Integration (SI)		4,513	<b>5,569</b>	+1,056	23.4%
IT Services (IT)		260	<b>285</b>	+24	9.4%
Total (net sales)		4,774	<b>5,854</b>	+1,080	22.6%
<b>Major KPIs</b>					
SI	Backlog of orders [million yen]	1,054	<b>1,304</b>	+249	23.6%
SI	Number of projects	252	<b>302</b>	+50	19.8%
SI	Average project orders (thousand yen)	17,911	<b>18,449</b>	+538	3.0%
IT	No. of vehicles managed with "KITARO" [vehicles]	7,985	<b>8,067</b>	+82	1.0%

\*Cloud services, security services, and digital consulting services are consolidated into IT Services Business.  
In the previous fiscal year, the Company did not launch security services and digital consulting services.



# Sales by Business: System Integration Business

The System Integration Business, including consolidated subsidiaries, remained strong.

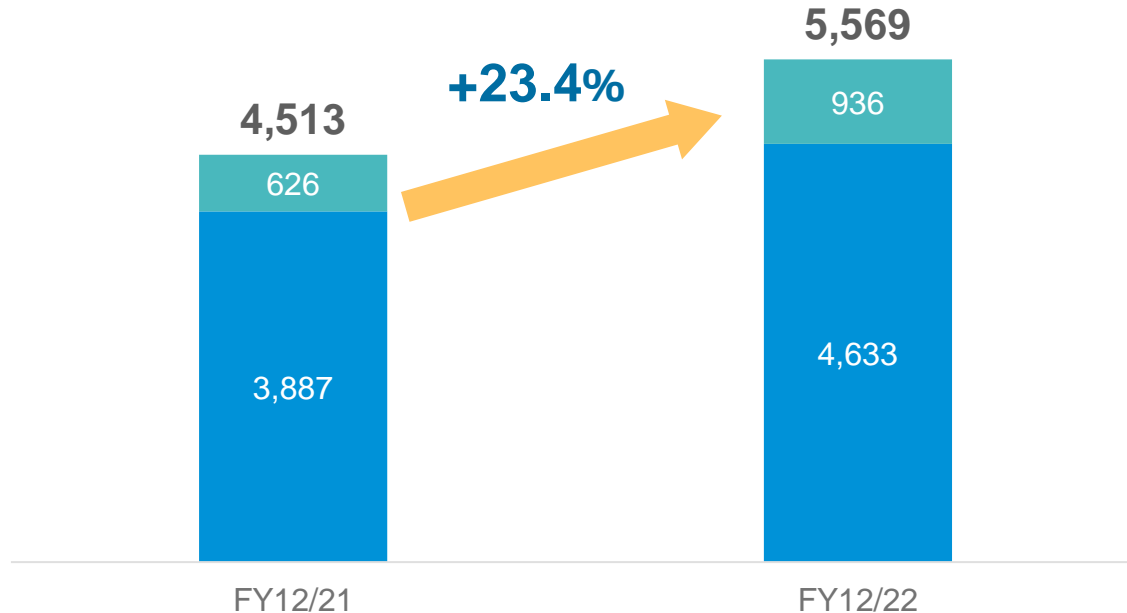
Sales increased owing to the start of direct transactions with new financial-sector customers and the receipt of orders for large-scale financial-related projects.

Our credibility improved owing to the stock market listing, increasing number of engineers and partners.

Order backlog increased steadily both quarter-on-quarter and year-on-year.

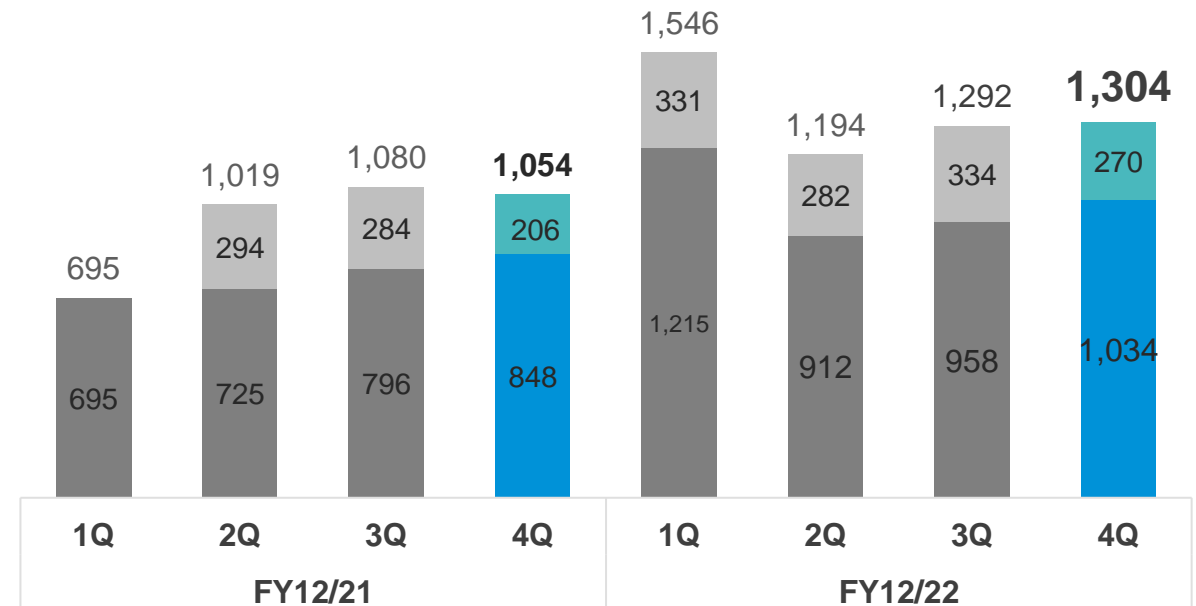
## SI Business: sales

■ Axis ■ Consolidated subsidiary (Million yen)

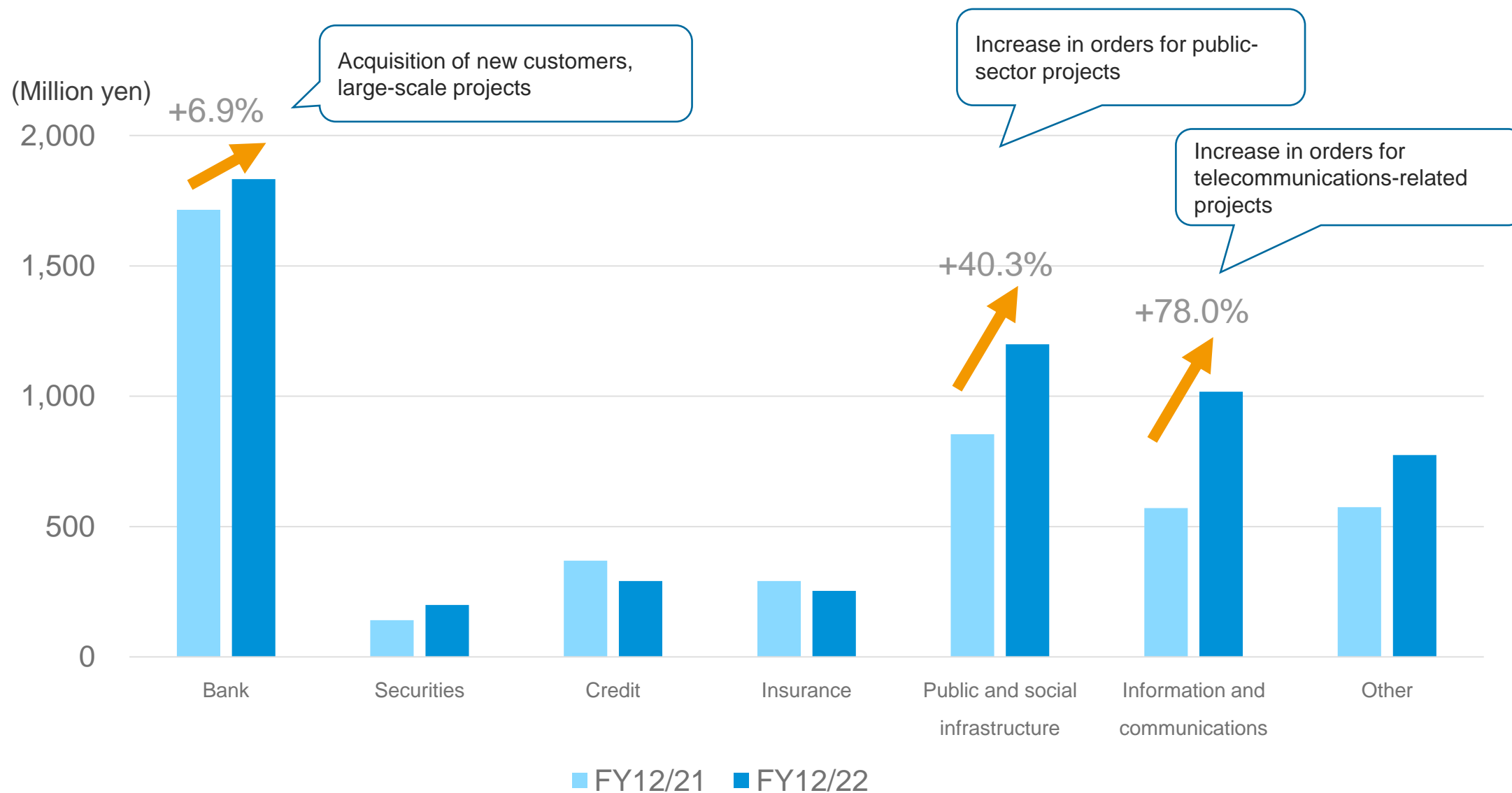


## Quarterly Order Backlog

■ Axis ■ Consolidated subsidiary (Million yen)



# Sales by Business: System Integration Business: Sales by Customer Category



IT Services Business remained firm due to increase in the number of subscribers to KITARO cloud service.

The number of contracts increased slightly from the previous fiscal year.

In Security and Digital Consulting, the launch of new services and business alliances went according to plan, but there was a delay in the start of full-scale sales activities and staff development.

## IT Services Business: Sales

(Million yen)

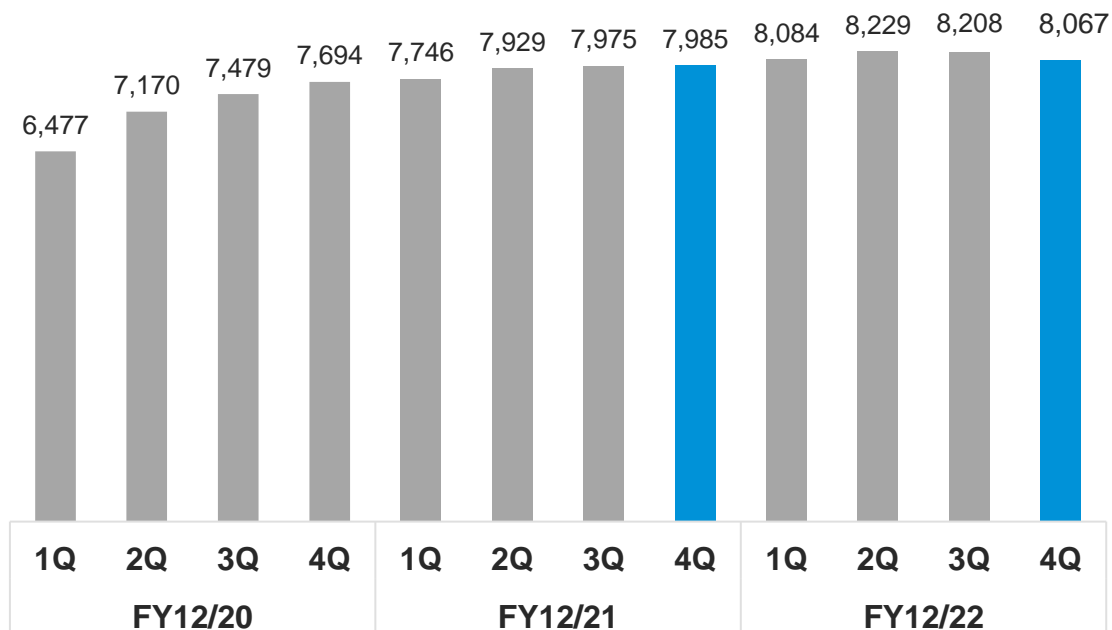
+9.4%



FY12/21

FY12/22

## Trends in the number of contracts for KITARO



1Q

2Q

3Q

4Q

FY12/20

1Q

2Q

3Q

4Q

FY12/21

1Q

2Q

3Q

4Q

FY12/22

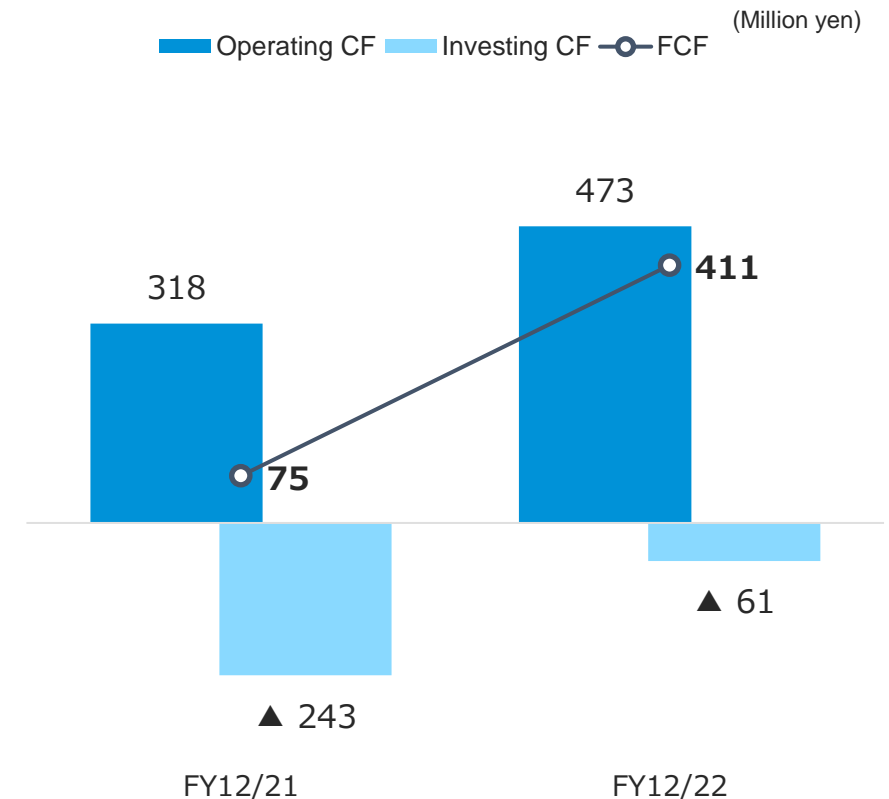
# Balance Sheet and Cash Flows

Net assets increased steadily due to the increase in profits. Shareholders' equity ratio rose by 3.2ppt. to 72.9%, maintaining a high-level of financial stability. Interest-bearing debt was reduced to zero, shifting to debt-free management. Cash and cash equivalents increased by 290 million yen will be used for investment in human resources, including recruitment, and other growth investments to increase corporate value. There were no significant capital expenditures, and the free cash flow (FCF) rose sharply by 330 million yen YoY.

## Major figures in B/S

	FY12/21	FY12/22	YoY change
Current assets	2,567	<b>2,931</b>	+364
Cash and deposits	1,768	<b>2,063</b>	+294
Accounts receivable and contract assets	707	<b>804</b>	+96
Inventory assets	35	<b>13</b>	-21
Fixed assets	529	<b>555</b>	+25
Goodwill	276	<b>245</b>	-30
Total assets	3,097	<b>3,487</b>	+389
Liabilities	939	<b>943</b>	+4
Accounts payable	151	<b>200</b>	+49
Interest-bearing liabilities	116	<b>—</b>	-116
Liabilities for retirement benefits	214	<b>246</b>	+32
Net assets	2,158	<b>2,543</b>	+385
Total liabilities and net assets	3,097	<b>3,487</b>	+389
Capital-to-asset ratio	69.7%	<b>72.9%</b>	+3.2p

## Major Cash Flows

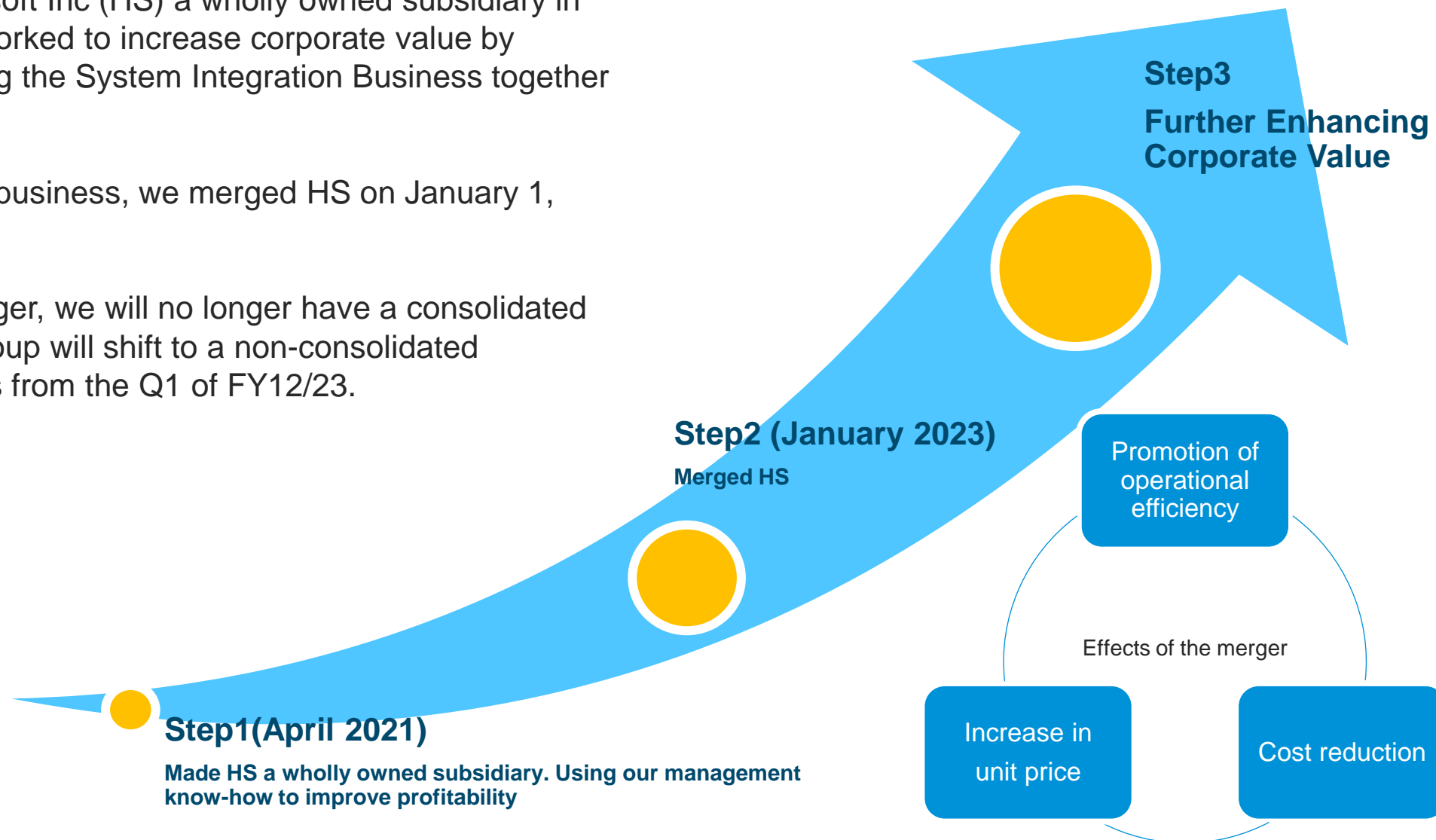


# Absorption Merger of a Consolidated Subsidiary

Since making Humansoft Inc (HS) a wholly owned subsidiary in April 2021, we have worked to increase corporate value by growing and expanding the System Integration Business together with HS.

To further expand the business, we merged HS on January 1, 2023.

As a result of this merger, we will no longer have a consolidated subsidiary, and our group will shift to a non-consolidated settlement of accounts from the Q1 of FY12/23.



## Acquired “Kurumin” certification as a company that supports childcare for employees

On 17 May 2022, the Tokyo Labour Bureau of the Ministry of Health, Labour and Welfare granted Kurumin certification to our company as a company that supports child care.



Based on the Act on Advancement of Measures to Support Raising the Next Generation of Children, the Ministry of Health, Labour and Welfare certifies companies that meet certain requirements, such as formulating and implementing action plans to help employees balance work and childcare, as a company that supports childcare.

We will continue to work to create an environment in which all employees can work with enthusiasm by promoting "work style reforms" such as balancing work with childcare and nursing care and improving the rate of paid leave taken.

## Acquired “Silver Certification”, an excellent health company

In December 2021, we issued a "Declaration of a Healthy Business" to the Tokyo Federation of Health Insurance Associations, and in recognition of our efforts in health management, we obtained the "Certification of Silver" as an excellent health enterprise on August 9, 2022.



Silver certification is a system that certifies companies that have achieved certain results in terms of 100% regular health check-ups, use of health check-up results, development of a health-promoting environment, food, exercise, non-smoking and practical work on health promotion and the workplace environment, thereby signalling their commitment to health promotion throughout the company.

As an excellent company in terms of health, we will continue to work to create an environment in which all employees can work enthusiastically in good physical and mental health and promote health management.



## Endorses the activities of Sport Hinomaru Kids and has been a sponsor since 2014.

In FY2022, we presented sports towels to the volunteer staff who support the Games as an Axis Prize for 6 tournaments and events.



Our company endorses the activities of Hinomaru Kids, a sport that strengthens the bonds between parents and children, and has been a co-sponsor since 2014. We will continue to work for a society where children can spend their time cheerfully.

## Support for the 16th Charity Bazaar at the Youth Welfare Centre

On October 2 (Sun), our employees took part in the 16th Charity Grand Bazaar (organised by the Supporting Committee of the Youth Welfare Center) as volunteer staff.

The proceeds from the bazaar are used as operating funds for children's homes and children's self-reliance support facilities.

We will continue to support the Youth Welfare Center to help as many children as possible to become independent and to connect them to a brighter future.



Youth Welfare Center, a social welfare corporation: <http://wfc.or.jp/>

## KITARO cloud services

### Fully compliant with the revised Road Traffic Law (mandatory alcohol checks)-Began sales of alcohol detection devices at the end of September 2022-

The data linkage with the alcohol detection device and the video calling feature enables efficient and reliable recording of test results.



We will continue to provide a variety of services to help realize a safe and secure society.

\*The mandatory alcohol check through the use of detection devices is indefinitely postponed.

## Cooperating with KITARO, a cloud-based service, in demonstration tests of Tokimobi, a mobile service utilizing small mobility implemented by TOYOTA CONIQ Pro, Inc

TOYOTA CONIQ Pro, Inc (Headquarters: Chiyoda-ku, Tokyo; President: Satoshi Nagata) has cooperated in the demonstration experiment of the "Tokimobi" mobility service using compact mobility vehicles at Tokiwa Park in Ube City, Yamaguchi Prefecture, by providing a location information acquisition function.

Tokimobi in Tokiwa Park: <https://coubic.com/tokimobi-tqp>

The terminal used in this demonstration experiment is a terminal with a built-in battery that can last up to six months after being recharged due to its low power consumption communication system. In the future, we plan to use the knowledge gained from this demonstration experiment to expand the scope of the Kitaro service to include bicycles, motorcycles, and BEVs, areas that have been difficult for the Kitaro service to support in the past, in order to respond to all customer needs.





## Sales of next-generation endpoint security Deep Instinct with cyber insurance auto-attachment started.

In October 2022, we began selling Jyro Security Deep Instinct with cyber insurance auto-attachment, which compensates for up to 10 million yen, through an alliance with Mitsui Sumitomo Marine Fire Insurance Co., Ltd. (head office: Chiyoda-ku, Tokyo; director and president: Shinichiro Funabiki).

<https://jyro-security.com/service/deep-instinct/>



Jyro Security is a total security service brand that offers a full range of cybersecurity diagnostics, operation, maintenance, and digital forensics, which Axis, which has strengths in system-development, has launched. It was launched in 2022 with the aim of raising the base of security in Japan by facing the ideal cybersecurity of small and medium-sized companies.

Going forward, we will continue to pursue the optimal solution for cybersecurity for small and medium-sized companies and provide it at prices that are easy to introduce.

## Started handling ImmuniWeb®, a penetration test product

ImmuniWeb®, a PTaaS (Penetration Test as a Service) product from Switzerland, enables automatic security checks at each stage of development. It solves the lack of consideration for security that has been a problem in conventional system development, and enables the development of more secure products.

PTaaS, which solves web system vulnerabilities, can be provided more quickly and at a lower cost than with conventional systems.



ImmuniWeb® is used in 60 countries globally. In Japan, the number of inspections increased by +88% in FY2021 compared to the previous year. It is registered in the Information Security Service Register. (Registration no. 021-0018-20)

## Entered into a business alliance with en-Japan Co., Ltd. for the purpose of developing content for digital human resource education (July 21)

The digital human resources development service provides educational programs using En Japan's En-college Online.  
In the future, the two companies will not only utilize the Encourage system, but also develop and provide content for digital human resources development while keeping abreast of customer and market needs.

## Launched support for the introduction of various cloud services to promote corporate operational efficiency

Examples of Sponsored Companies and Services



■ Digital consulting services:

<https://www.axis-net.co.jp/consulting/>

## Certified as a "DX Certified Business Operator" by METI

Certified as a 'DX Certified Operator' under the Ministry of Economy, Trade and Industry's DX certification system as of June 1, 2022.



The government will certify companies that are willing to promote DX, such as by developing a management vision, strategy and system, in accordance with the Information Processing Promotion Law and in response to the basic points of the Digital Governance Code, which outlines the responses required of management in the face of social transformation through digital technology.

Going forward, we will continue to strive to improve corporate value by promoting DX that contributes to human lifestyles and to society/company.

## Ⅱ Full-year Business Forecasts for FY12/23



## Net sales

**6,734** million yen  
(+15.0% YoY)

## Operating income

**634** million yen  
(+10.0% YoY)

## Operating income margin

**9.4%**  
(-0.4ppt. YoY)

## ■ Key points

- ✓ Forecast 15% increase in sales and 10% increase in operating income, the 4th consecutive year of higher sales and profits, and record highs.
- ✓ Corporate investments in IT systems, including DX (financial, growth areas and direct-user project orders are expected), is expected to be strong.
- ✓ Operating income margin is expected to decrease by 0.4ppt. YoY to 9.4% due to aggressive investing in human resources for further growth.
- ✓ Plan to continue paying a commemorative dividend as an ordinary dividend and **increase the dividend by 5 yen to a total of 15 yen per share.**
- ✓ Impact of high resource prices and price hikes on business performance is assumed to be minimal.

# Full-year Business Forecasts for FY12/23

Expecting continued strong corporate IT investments, including DX.

In the System Integration Business, sales are expected to increase by 820 million yen and sales in the IT Services Business are expected to increase by 50 million yen.

(Million yen)

		FY12/22 (consolidated)	Full-year forecasts for FY12/23 (non-consolidated)	YoY	
				Change	Pct. change
Net sales		5,854	6,734	+879	15.0%
	System Integration (SI)	5,569	6,391	+821	14.7%
	IT Services Business(IT)	285	343	+58	20.3%
Gross profit		1,495	1,726	+230	15.4%
Operating income		576	634	+57	10.0%
Ordinary income		586	649	+62	10.7%
Net income attributable to owners of parent		390	461	+71	18.4%
Net income per share (yen)		97.05	111.27	+14.22	14.7%
Gross profit margin		25.5%	25.6%		0.1p
Operating income margin		9.8%	9.4%		-0.4p
Ordinary income margin		10.0%	9.6%		-0.4p
<Assumptions for the business forecasts>					
SI	No. of projects [projects]	302	305	+3	+1.0%
SI	Average project fee [thousand yen]	18,449	20,954	+2,510	13.6%
SI	Sales per employee [thousand yen]	14,065	14,329	+264	1.9%
IT	No. of vehicles managed with KITARO [vehicles]	8,067	9,027	+960	11.9%

\*Transitioned to non-consolidated accounting from FY12/23. Year-on-year comparisons are with consolidated results for FY12/21.

Year-on-year comparisons stated in the "Forecast of non-consolidated business results for the fiscal year ending December 2023" in the Summary of Business Results for the Year Ended December 31, 2022, are in comparison with non-consolidated results.

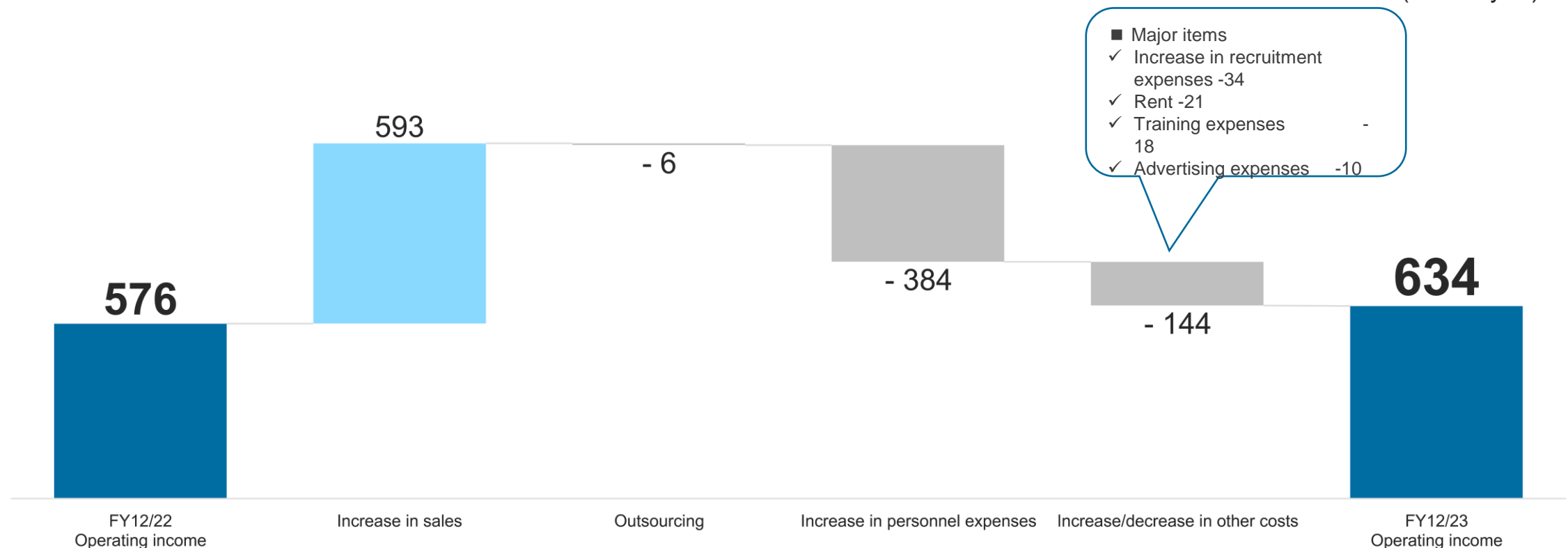
# Analysis of Factors Behind Changes in Operating income

Assumptions that there will be no impact from higher resource and material prices. Sales are expected to continue expanding due to robust corporate IT spending.

Operating income is expected to increase substantially, absorbing the increase in personnel expenses due to mid-career recruitment of engineers and the increase in head office staff.

Analysis of factors behind changes: operating income

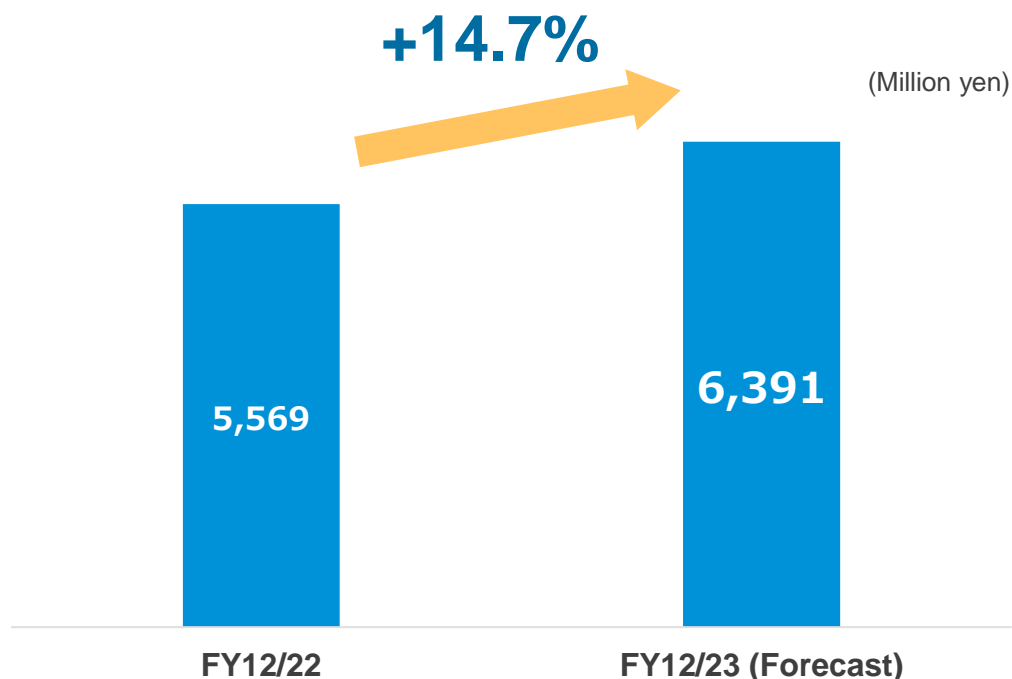
(Million yen)



Corporate DX/IT spending is expected to remain strong, including cloud system development projects.

Aiming to both expand scale and improve profitability by increasing the order system and shifting to highly profitable projects.

Net sales: **6,391** million yen



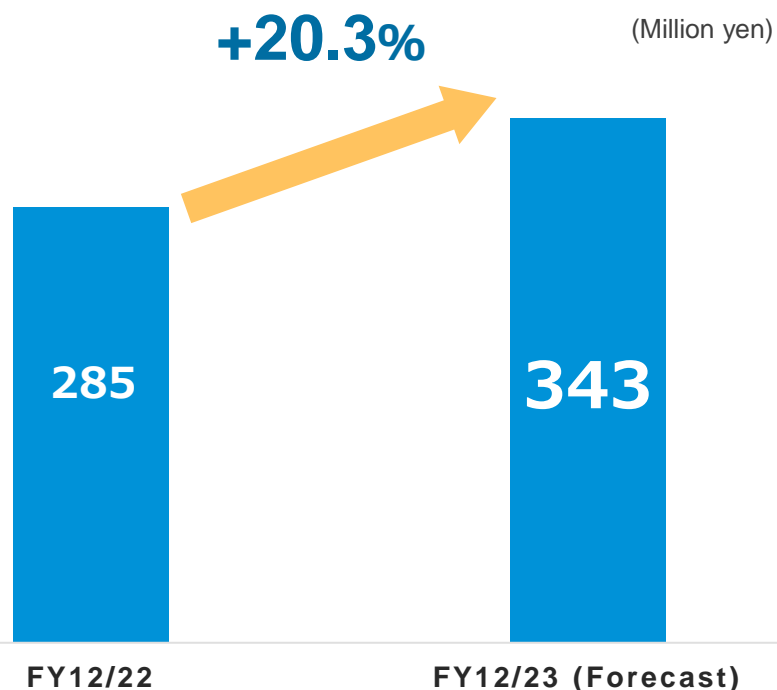
Priority Measures	
Shift to highly profitable projects	
	Focus on growth areas such as support for introduction of cloud systems and direct-order projects
	Further increase in the financial, public and social infrastructure sectors, where we have strengths
Increase order system	
	Aim for a partner ratio of 40% or more
	Build a strong business relationship by fostering a sense of co-creation with partners
Aggressive investment in human resources	
	Strengthen expertise in growth areas, such as cloud migration projects utilizing AWS
	Continue to expand recruitment of new graduates and mid-career employees
	Further enhancement of employee training to develop their skills early

# Sales Forecast by Business: IT Services Business

Demand for cloud services is expected to recover due to a decline in the number of KITARO subscribers (compared with FY12/21). Aim to diversify customers by upgrading functions in KITARO and providing new services.

Security and digital consulting services have undertaken activities to stabilize their business.

## Net sales: 343 million yen



Priority Measures	
• Cloud services	
	For KITARO, we plan to increase the contract to 9,027 units (+960 units) at the end of the fiscal year through aggressive advertising activities.
	Plan to start offering new services
• Security services	
	Provide human resources services for security operation centers and vulnerability diagnosis
	Sales of security products such as endpoints
• Digital consulting services	
	Focus on streamlining back-office operations of SMEs
	Expand and improve services/products to support digitization to meet diverse DX requirements

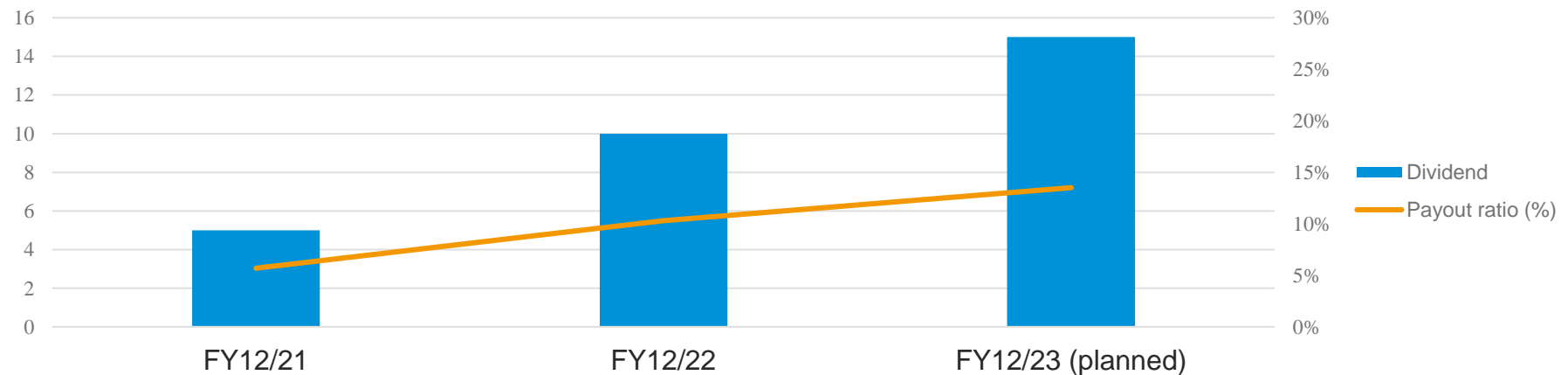


## Shareholder return:

Annual dividend increased by 5 yen per share to a total of 15 yen

A total dividend payment of **15.0 yen per share is planned**. This is due to the continuation of the commemorative dividend from the previous year's transition to the TSE Standard Market as an ordinary dividend, and an **increase in 5 yen per share** for the current year.

Although we will need to invest in growth, we will continue to emphasize shareholder returns and our policy is to pay stable dividends.



Annual dividend per share	5 yen	10 yen	15 yen
Dividend payout ratio	5.7%	10.3%	13.5%

## Ⅲ Medium-term Management Plan

This part is a re-publication of an extracted version of the Medium-Term Management Plan 2025, disclosed on November 11, 2021.



## **Make Contributions by Digital**



## 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)**

# 2025 Management Targets

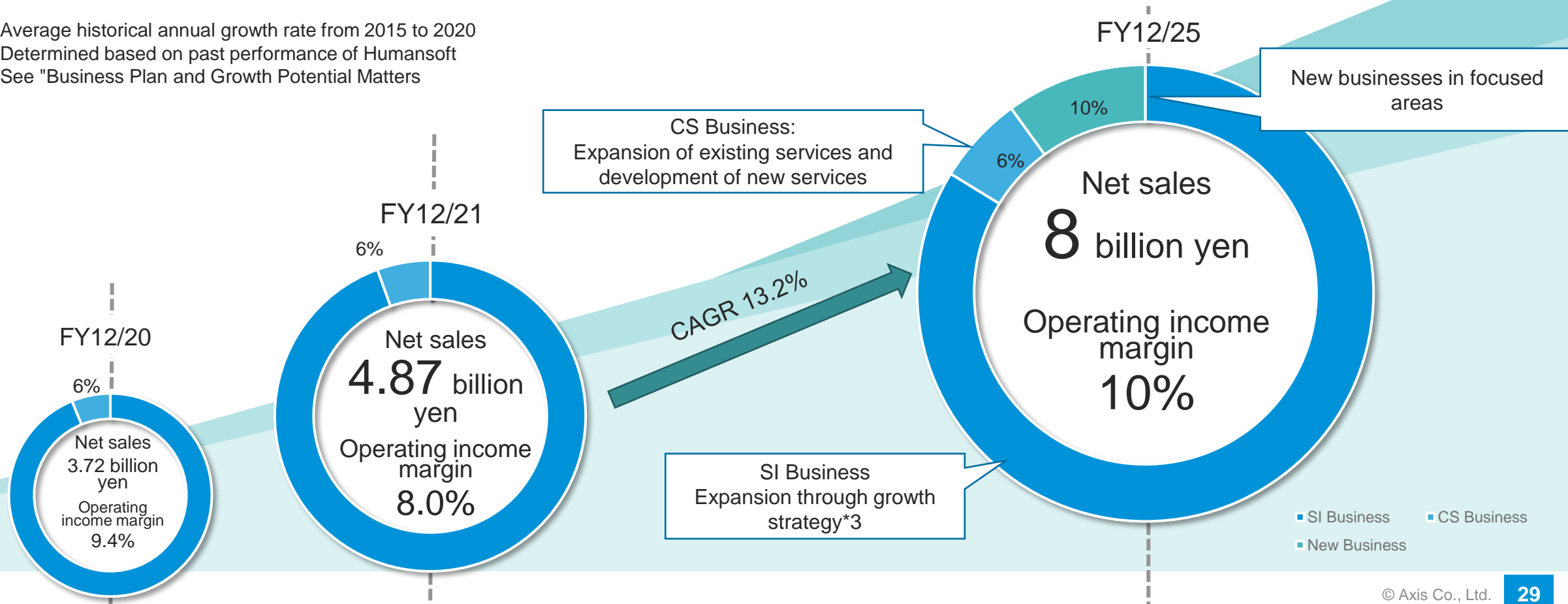
Based on the historical average annual growth rate\*1 (11.2%), the average annual growth rate is expected to be 13.2%, adding new business sales to the average growth rate of 10%\*2 of existing business.

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

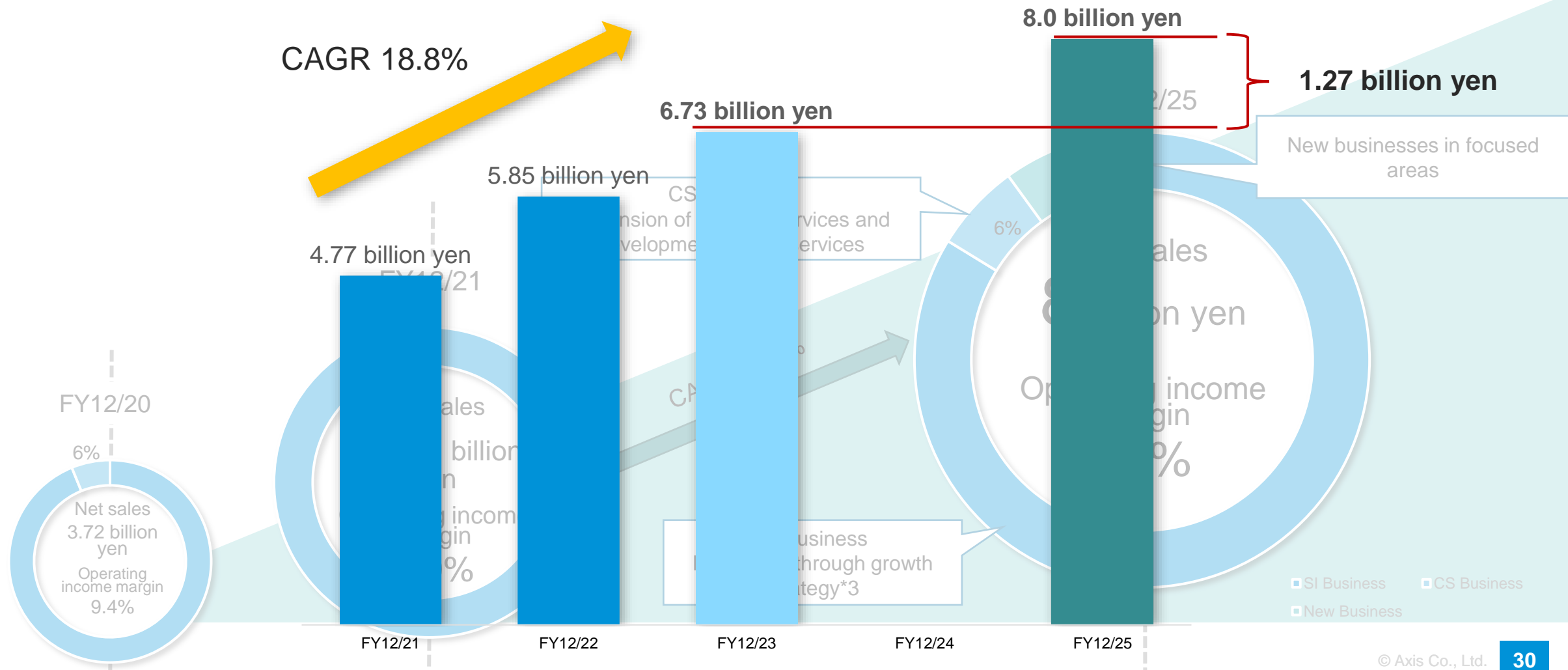
\*3: See "Business Plan and Growth Potential Matters"



# Management Targets for 2025: Progress

In FY12/23, net sales are expected to be 6.73 billion yen, and the CAGR from 2021 to 2023 is 18.8%, significantly exceeding the target of 13.2%, and is scheduled to progress ahead of schedule

Plan to formulate a new medium-term plan, in light of the progress.



## <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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# Thank you for your attention.



Securities code: 4012/ Tokyo Stock Exchange Standard Market