

# Axis Co., Ltd.

## Financial Results for FY12/23 Q2 and New Medium-term Business Plan

August 28, 2023



Securities code: 4012/ Tokyo Stock Exchange Standard Market

- I Financial Results for FY12/23 Q2**
- II Full-year Business Forecasts for FY12/23**
- III New Medium-term Management Plan**

I

# Financial Results for FY12/23 Q2



## Net sales

**3,118** million yen  
(+11.0% YoY)

## Operating income

**331** million yen  
(+6.6% YoY)

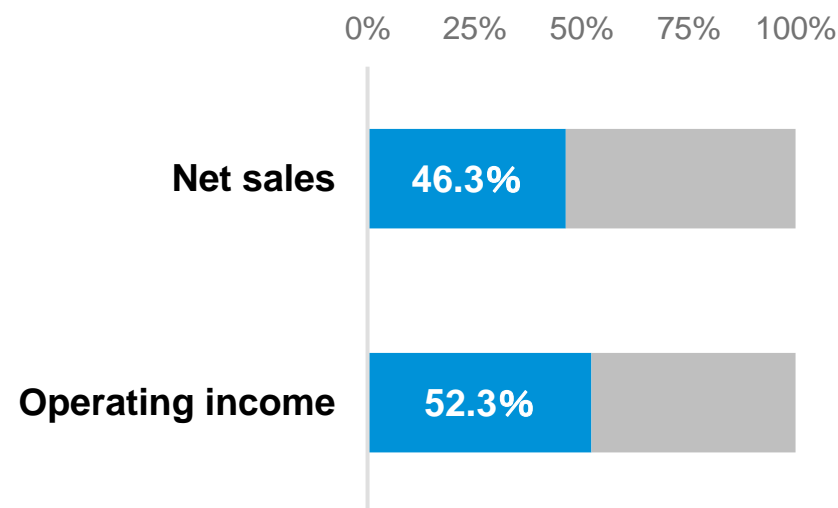
## Operating income margin

**10.6%**  
(-0.5ppt. YoY)

### ■ Key points

- ✓ Net sales increased by 11.0% YoY, and operating income also increased by 6.6%, showing a favorable performance.
- ✓ Strong corporate investment in IT systems, including digital transformation (DX). Order backlog also increased.
- ✓ Operating income margin remained at a high level of 10.6%.
- ✓ Higher resource and other prices had no impact on our performance.

### Progress rate to the full-year forecasts



# Summary of the Profit-and-Loss Statement

**Strong corporate appetite for IT investment, including DX, led to year-on-year increases in both sales and profit.**

**Net sales and each profit for Q2 reached record highs.**

**Profit margin declined slightly due to pay increases and other factors, but it has no significant impact on overall performance, and progress toward full-year forecasts was steady.**

(Million yen)

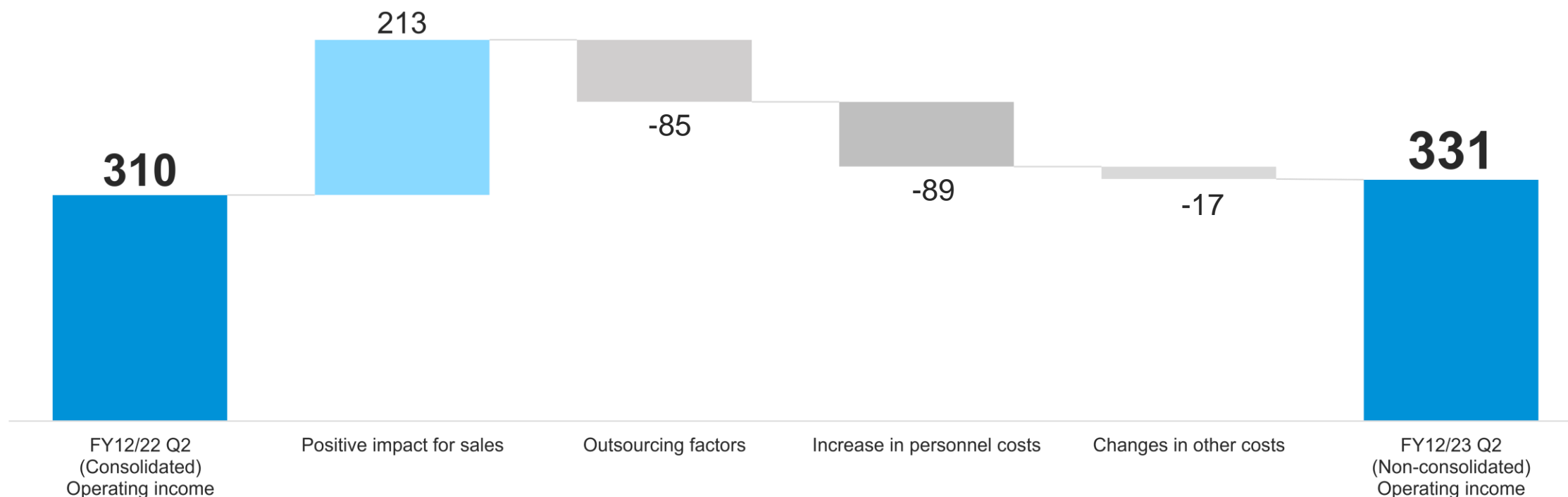
	FY12/22 Q2 (consolidated)	FY12/23 Q2 (non-consolidated)	YoY		Progress rate to the full-year forecasts (%)
			Change	Pct. change	
Net sales	2,808	<b>3,118</b>	+309	11.0%	46.3%
Gross profit	752	<b>813</b>	+61	8.2%	47.1%
Operating income	310	<b>331</b>	+20	6.6%	52.3%
Ordinary income	319	<b>343</b>	+23	7.5%	52.9%
Net income	204	<b>223</b>	+19	9.4%	34.4%
Net income per share (yen)	50.79	<b>54.83</b>	+4.04	7.9%	
Gross profit margin	26.8%	<b>26.1%</b>		-0.7p	
Operating income margin	11.1%	<b>10.6%</b>		-0.5p	
Ordinary income margin	11.4%	<b>11.0%</b>		-0.4p	

# Analysis of Factors for Changes in Operating Income

**Significant increase in sales absorbed factors that reduced profits, such as increased personnel costs for engineers and outsourcing costs, and profit growth was achieved.**

Factors for changes in operating income  
("-" indicates negative impact)

(Million yen)

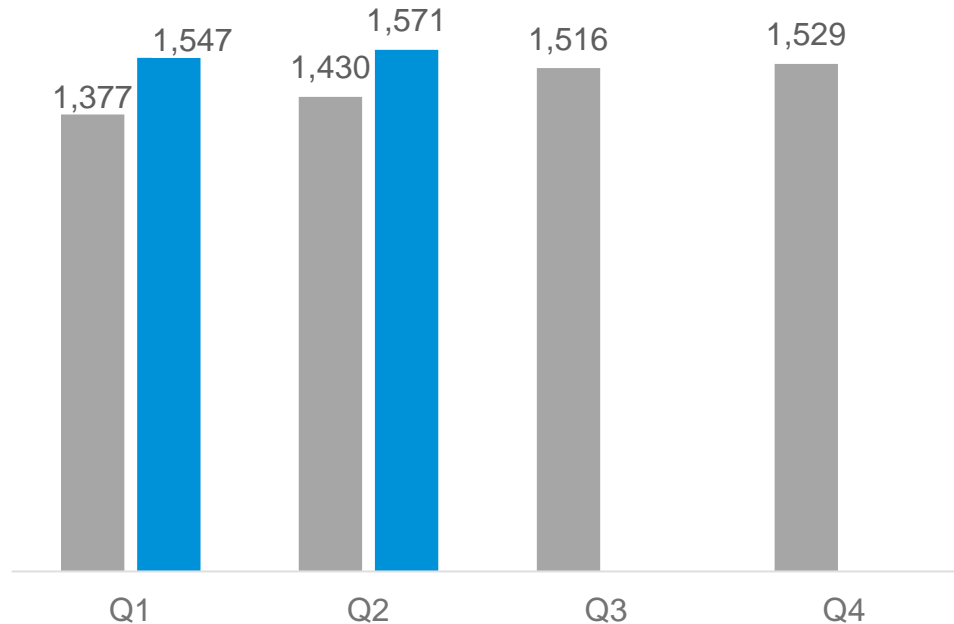


# Variation in Quarterly Performance

The overall performance was favorable, with record-high net sales and operating income for Q2.

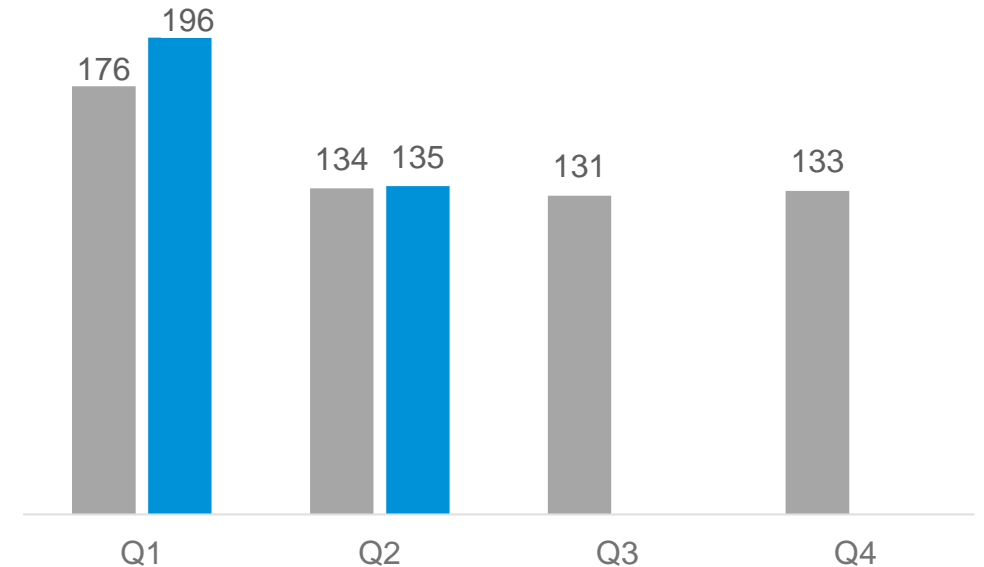
## Net sales

■ FY12/22 ■ FY12/23 (Million yen)



## Operating income

■ FY12/22 ■ FY12/23 (Million yen)



# 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, sales of the cloud service KITARO (real-time operation management service) remained solid.

(Million yen)					
		FY12/22 Q2 (consolidated)	FY12/23 Q2 (non-consolidated)	YoY	
				Change	Pct. change
System Integration (SI)		2,666	<b>2,954</b>	+287	10.8%
IT Services (IT)		141	<b>163</b>	+21	15.5%
Total (net sales)		2,808	<b>3,118</b>	+309	11.0%
Major KPIs					
SI	Backlog of orders (million yen)	1,194	<b>1,307</b>	+113	9.5%
SI	Sales per employee (thousand yen)	7,054	<b>7,101</b>	+47	0.7%
IT	No. of vehicles managed with "KITARO" [vehicles]	8,229	<b>8,135</b>	-94	-1.1%

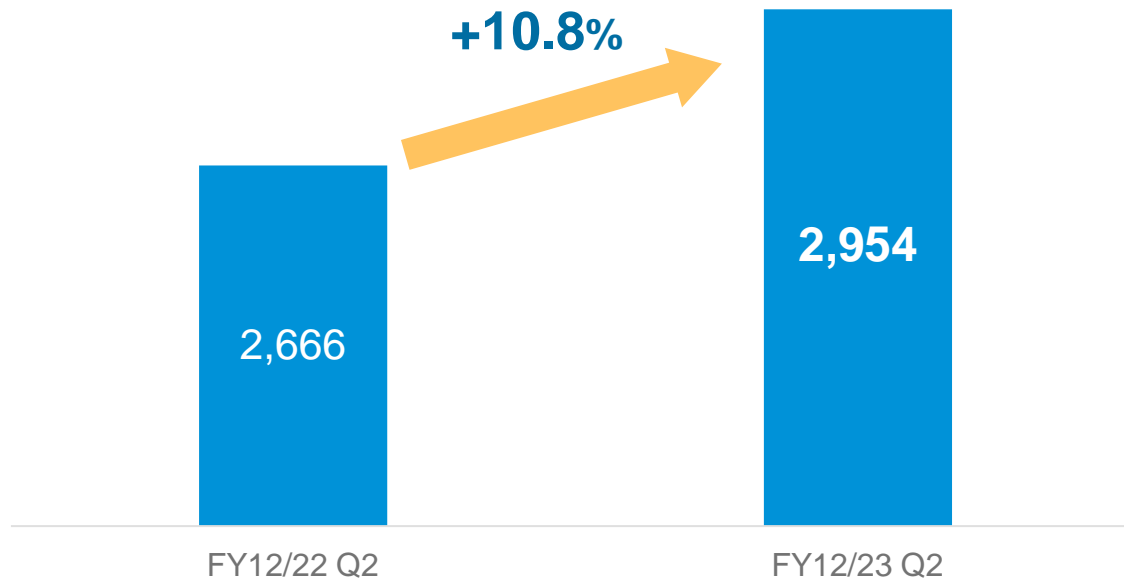
# Sales by Business: System Integration Business

Strong performance in the System Integration business, sales up 10.8% year on year.

Order backlog also increased steadily from the same period of the previous fiscal year, reaching a record high in the Q2 period.

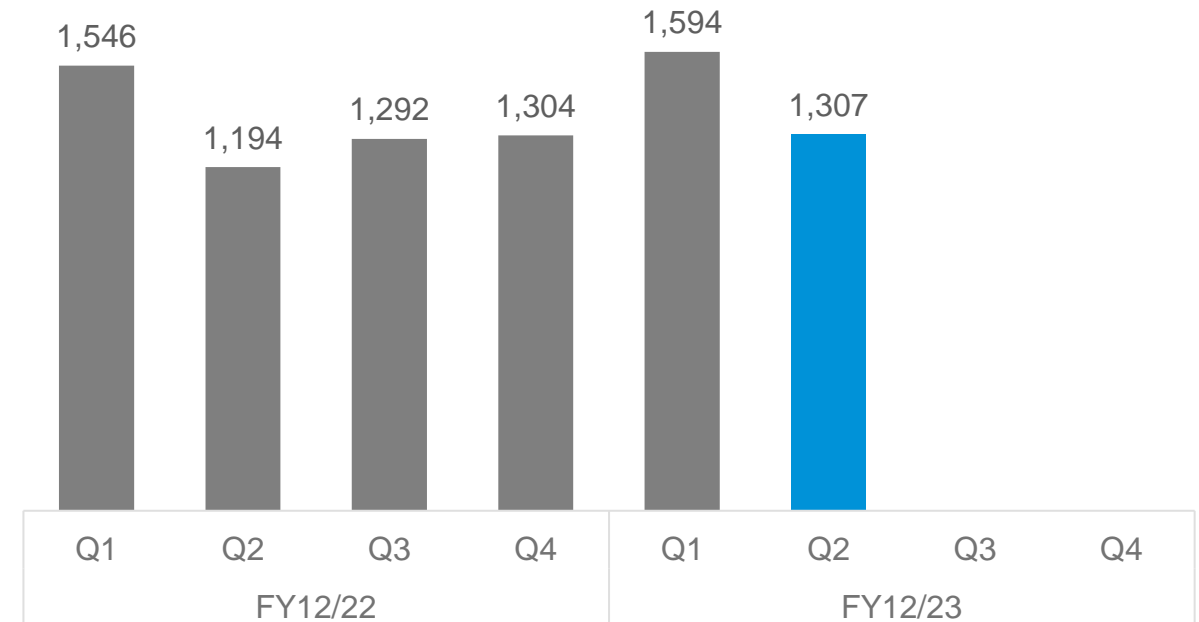
## SI Business: sales

(Million yen)



## Quarterly Order Backlog

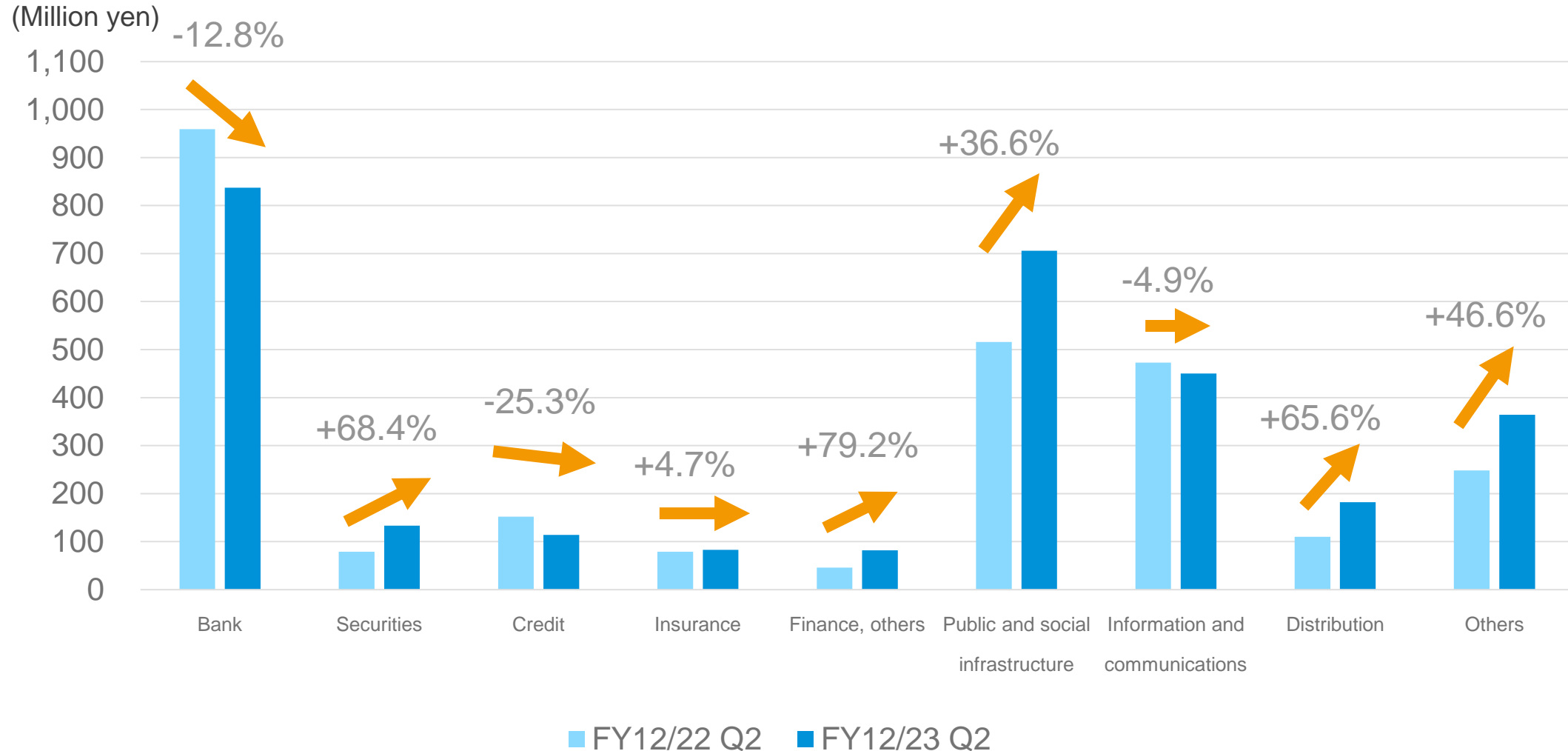
(Million yen)



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

Significant increase in public and social infrastructure-related orders, including direct orders for government projects and increased orders for airline-related projects.

Decrease in orders from banks was due to the completion of some large projects, but within the expected range.

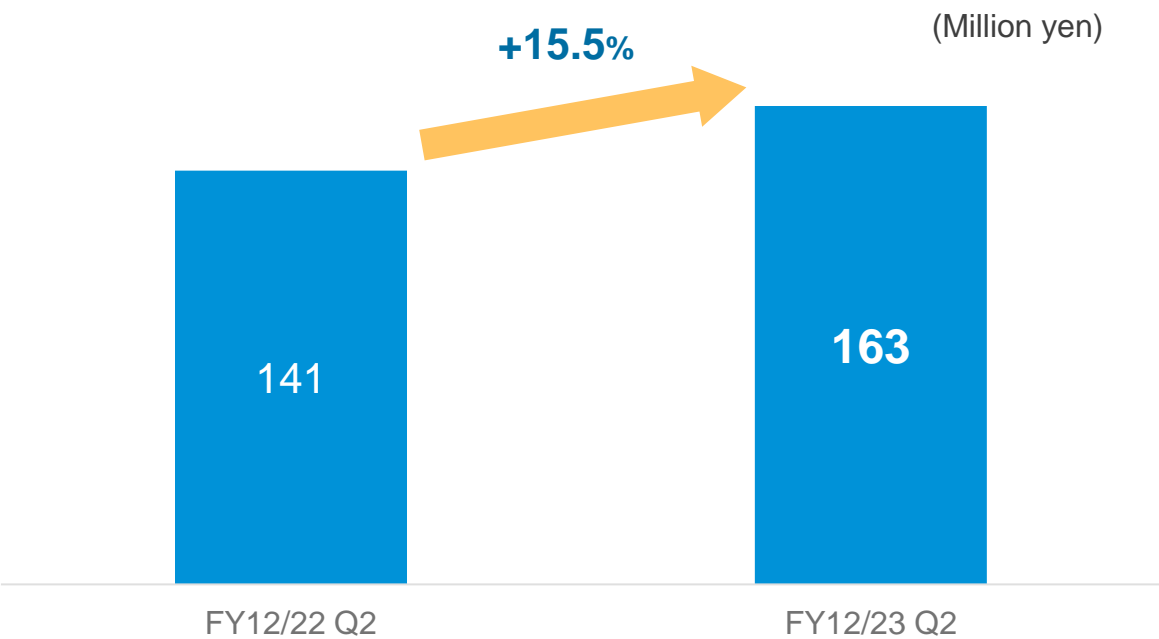


In the IT Services Business, sales were favorable due to an increase in equipment sales of KITARO cloud services.

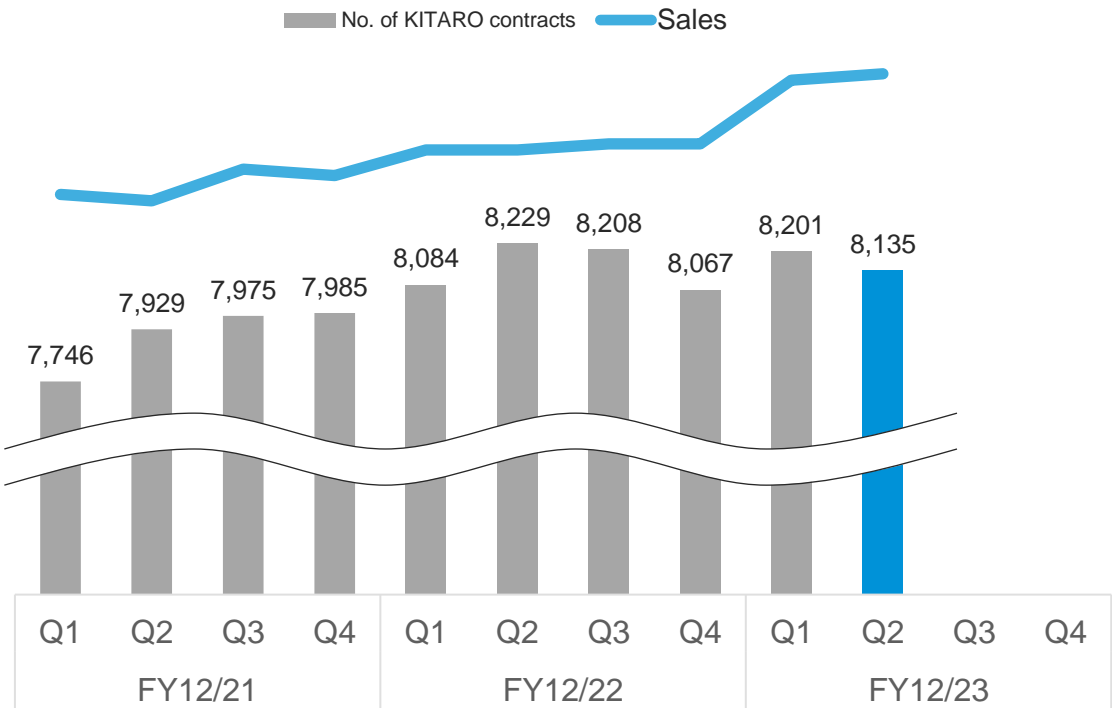
Although the number of contracts declined slightly, the number of new contracts trended upward.

Demand recovery forecast remains unchanged due to an increase in the number of contracts per company and an increase in inquiries.

IT Services Business: Sales



Trends in the number of contracts for KITARO



# Balance Sheet and Cash Flows

Net assets increased steadily due to higher profit.

FCF decreased due to lower operating CF (bonus payment date changed from July to June) and higher investment CF (head office expansion and branch relocation); equity ratio increased by 2.1 percentage points and remained healthy.

## Major figures in B/S

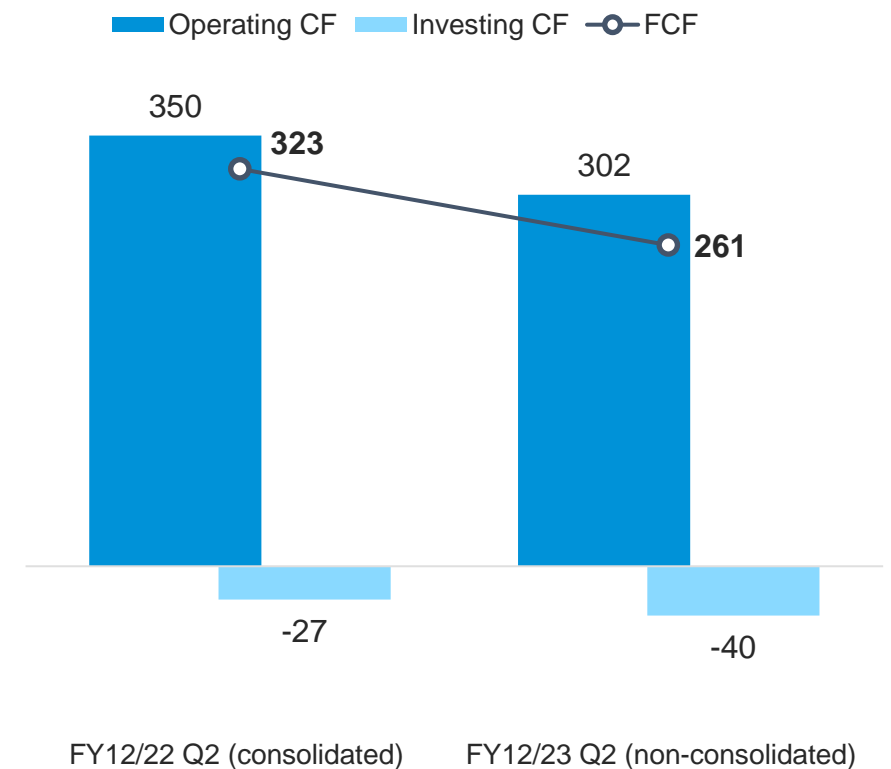
(Million yen)

	FY12/22 (consolidated)	FY12/23 end of June (non-consolidated)	YoY change
Current assets	2,931	<b>3,079</b>	+147
Cash and deposits	2,063	<b>2,295</b>	+232
Accounts receivable and contract assets	804	<b>709</b>	-94
Inventory assets	13	<b>24</b>	+10
Fixed assets	555	<b>577</b>	+21
Goodwill	245	<b>230</b>	-15
Total assets	3,487	<b>3,656</b>	+169
Liabilities	943	<b>913</b>	-30
Accounts payable	200	<b>209</b>	+9
Interest-bearing liabilities	-	-	-
Provision for retirement benefits	246	<b>250</b>	+4
Net assets	2,543	<b>2,743</b>	+199
Total liabilities and net assets	3,487	<b>3,656</b>	+169
Capital-to-asset ratio	72.9%	<b>75.0%</b>	+2.1p

\*Liabilities for retirement benefits in FY12/22

## Major Cash Flows

(Million yen)



## Launch of Safety Confirmation Service

The Safety Confirmation Service, which uses SMS to confirm safety, was launched.

It enables emergency communication with employees, making it easy to confirm the safety of employees in the event of a disaster or emergency.



### Key Points of the Safety Confirmation Service

- (1) Automatically send a safety confirmation message to contacts registered in a disaster or emergency situation
- (2) Easily report safety information with a single tap of a received notification
- (3) Maximum attention is paid to the security of registered contacts and to the protection of personal information

## Selected as an "IT introduction support business operator" for "IT Introduction Subsidy 2023"

Adopted and registered by the Organization for Small & Medium Enterprises and Regional Innovation, Japan as an "IT introduction support business operator" for the "IT Introduction Subsidy 2023".

The Organization for Small & Medium Enterprises and Regional Innovation, Japan is promoting "a project to subsidize part of the cost of introducing IT tools that contribute to improving the productivity of small and medium-sized enterprises and small businesses, etc." As a partner implementing this project, an "IT introduction support business operator" provides support for the introduction, operation, consultation, etc. of IT tools for small and medium-sized enterprises and small businesses, etc.

Axis, as an "IT implementation support provider," will support the promotion of DX, including business efficiency improvement, by utilizing the cloud service "KITARO" (real-time operation management system).

### ■IT Introduction Subsidy 2023

<https://www.it-hojo.jp>

## Our President Mr. Ogura, appeared as a guest on Radio NIKKEI's program

Our President Mr. Ogura, appeared as a guest on Radio NIKKEI to talk with analyst Tomoyuki Fujimoto, the "God of Market Fortune".



### ■URL

<https://www.radionikkei.jp/ifudodo/93392023412.html>

### ■Podcast

<https://www.radionikkei.jp/podcast/ifudodo/20230419.html>

## Sponsorship of Sports Hinomaru Kids

We sponsored the Kanto Elementary School Judo Tournament, the 100th anniversary of the event, and supported the activities of Sports Hinomaru Kids, which aims to "deepen the bond between parents and children through sports".



(Source: Sports Hinomaru Kids Association)

We endorse the activities of Sports Hinomaru Kids, which aim to strengthen the bond between parents and children, and has been a co-sponsor of the event since 2014.

We will continue to work for a society where children can live happily.

## Alcohol breath testing will be mandatory from December 1, 2023 according to the revised Road Traffic Law. Our cloud service "KITARO" is fully compliant with the testing.

The "mandatory use of alcohol detectors" was originally scheduled to take effect in October 2022, but was postponed for the time being because the supply of detection equipment was not available in time.

★ Key Points of Alcohol Check Mandatory in accordance with the Amendment to the Road Traffic Law

### From April 1, 2022

- ▶ Conducting roll call and alcohol testing before and after the ride (visually available)
- ▶ Records of check results are kept (for one year)

### Scheduled to begin on December 1, 2023

- ▶ Mandatory use of alcohol detectors in testing for alcohol intoxication
- ▶ Possession of an alcohol detector that functions normally at all times

The cloud service KITARO is fully compliant with the alcohol testing requirement, enabling efficient and reliable recording of inspection results through data linkage with the alcohol detectors and video calling.



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



## Net sales

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

## Operating income

**634** million yen  
(+9.9% 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	+57	20.3%
Gross profit	1,495	1,726	+230	15.4%
Operating income	576	634	+57	9.9%
Ordinary income	586	649	+62	10.7%
Net income attributable to owners of parent	390	461	+70	18.2%
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>				
No. of projects [projects]	302	305	+3	+1.0%
Average project fee [thousand yen]	18,449	20,954	+2,510	13.6%
Sales per employee [thousand yen]	14,065	14,329	+264	1.9%
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.

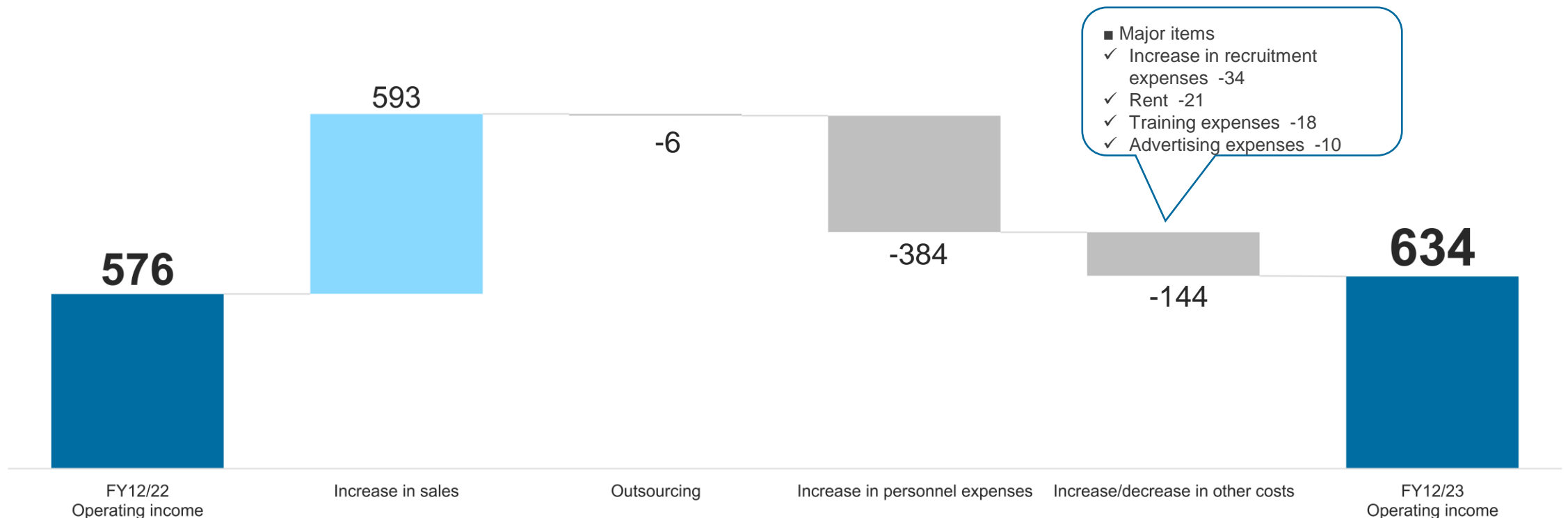
# Analysis of Factors Behind Changes in Operating income

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)

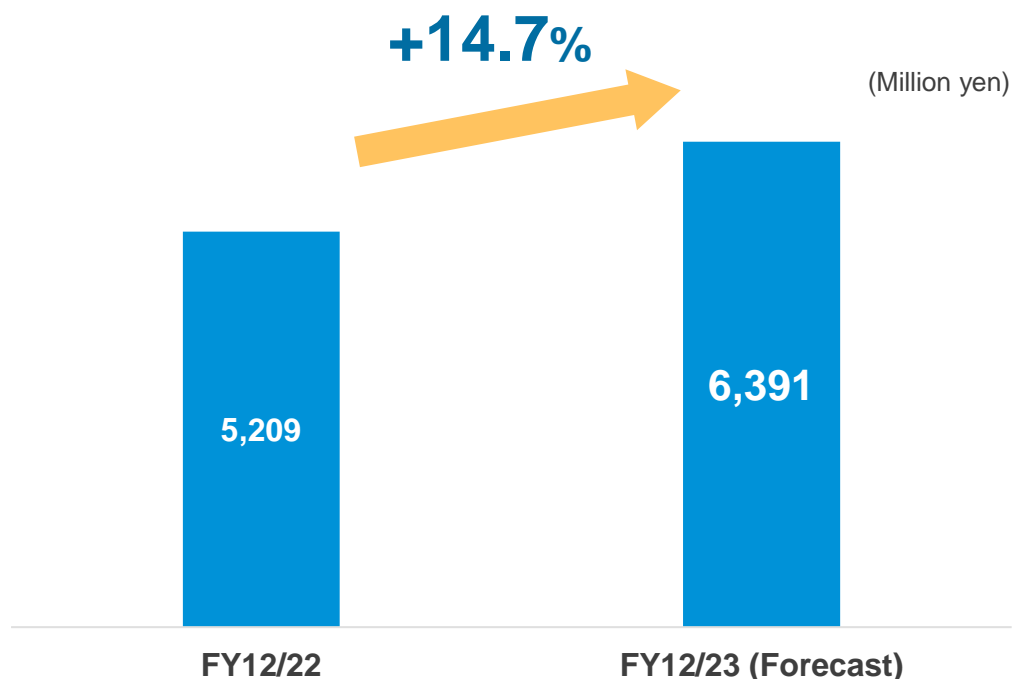


# Sales Forecast by Business: System Integration Business

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**



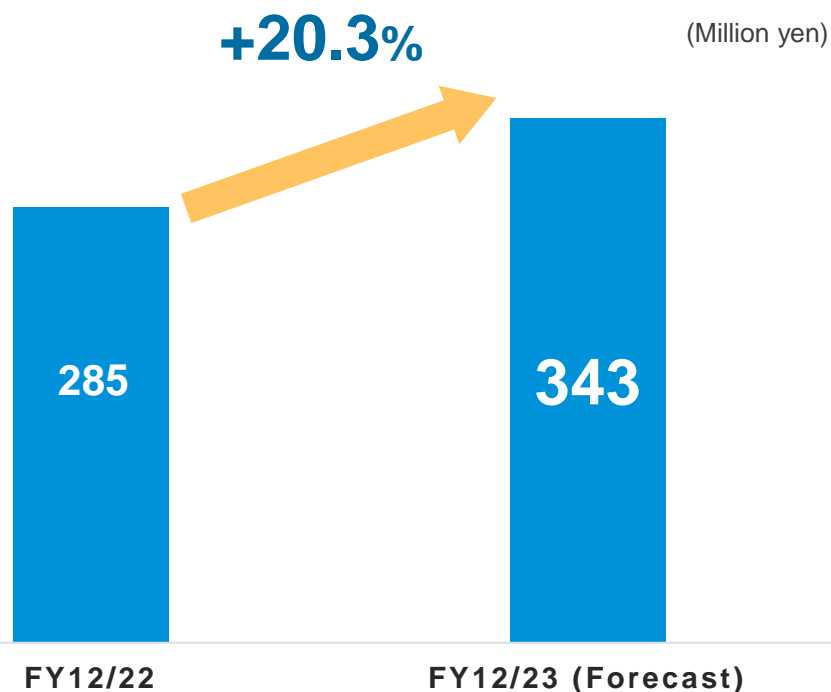
Priority Measures	
Shift to highly profitable projects	
	Focus on growth areas such as support for introduction of cloud systems and direct-order projects
	Further increase in the financial, public and social infrastructure sectors, where we have strengths
Increase order system	
	Aim for a partner ratio 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 as the number of KITARO cancellations is on a downward trend (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



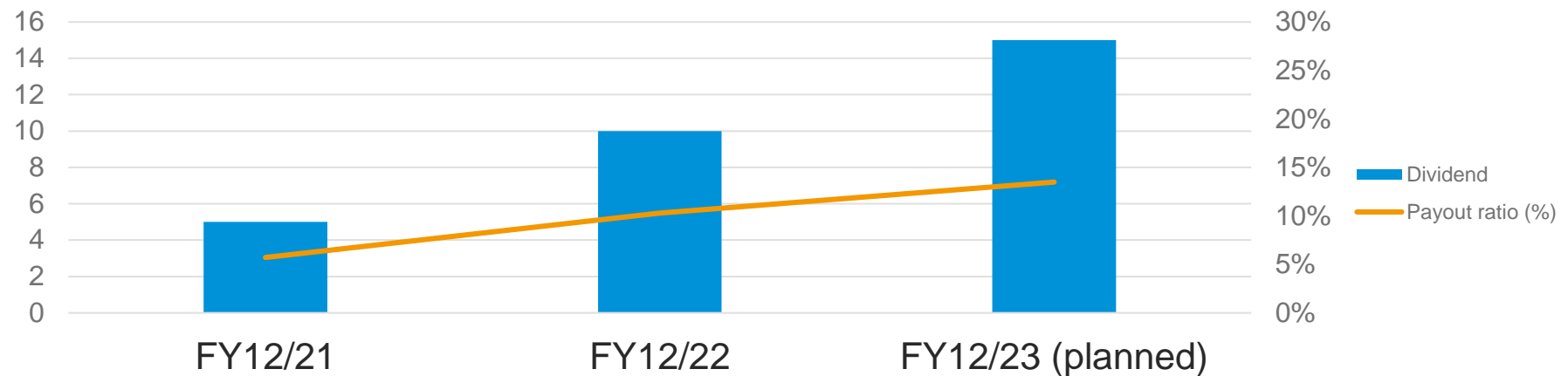
Priority Measures	
• Cloud services	
	For KITARO, we plan to increase the contract to 9,027 units (+960 units) at the end of the fiscal year through aggressive advertising activities.
	Plan to start offering new services
• Security services	
	Provide human resources services for security operation centers 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 New Medium-term Management Plan



# 1

## **Summary (Review of the Current Medium-Term Management Plan)**

# Management Targets for 2025

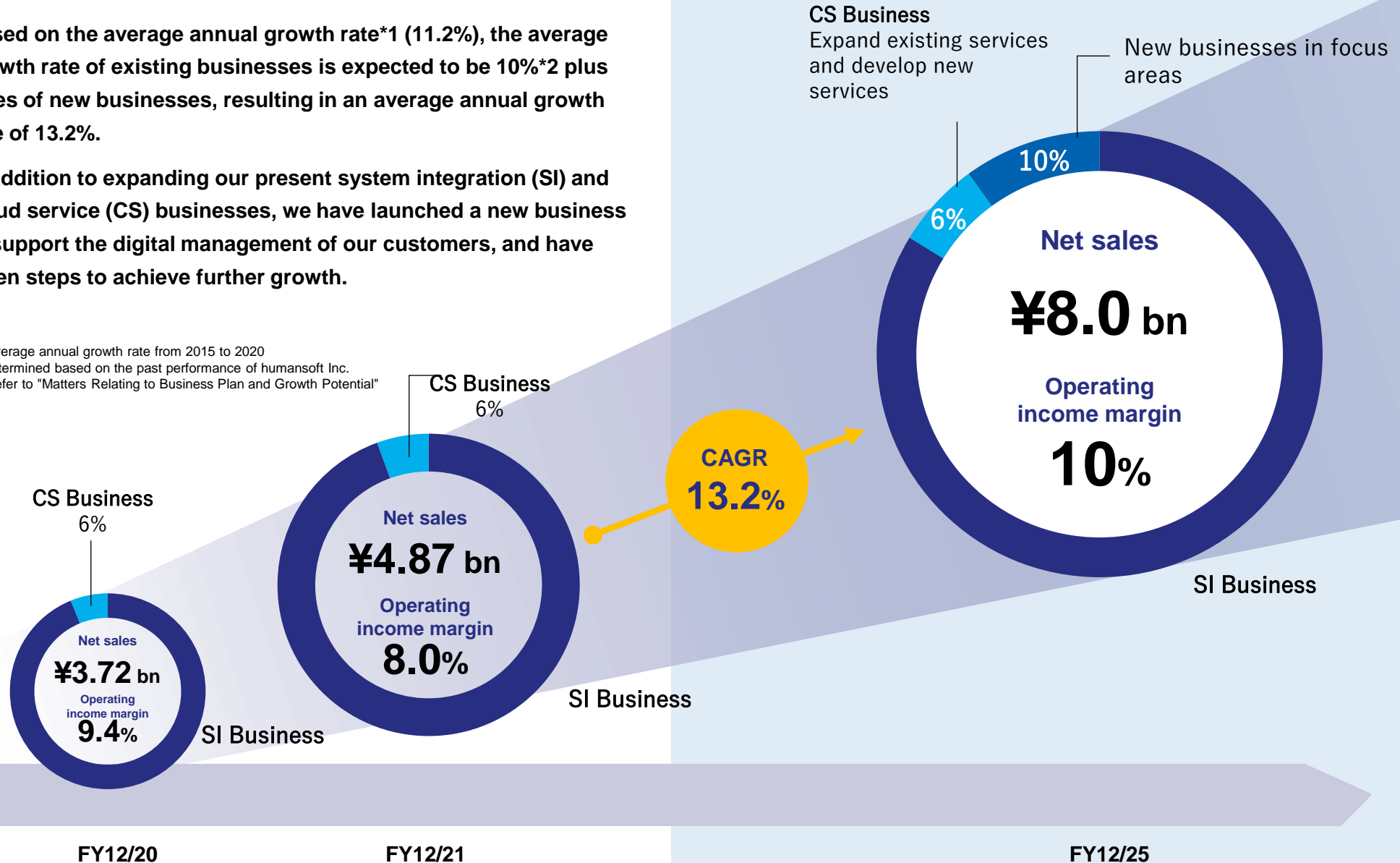
Based on the average annual growth rate\*1 (11.2%), the average growth rate of existing businesses is expected to be 10%\*2 plus sales of new businesses, resulting in an average annual growth rate of 13.2%.

In addition to expanding our present system integration (SI) and cloud service (CS) businesses, we have launched a new business to support the digital management of our customers, and have taken steps to achieve further growth.

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

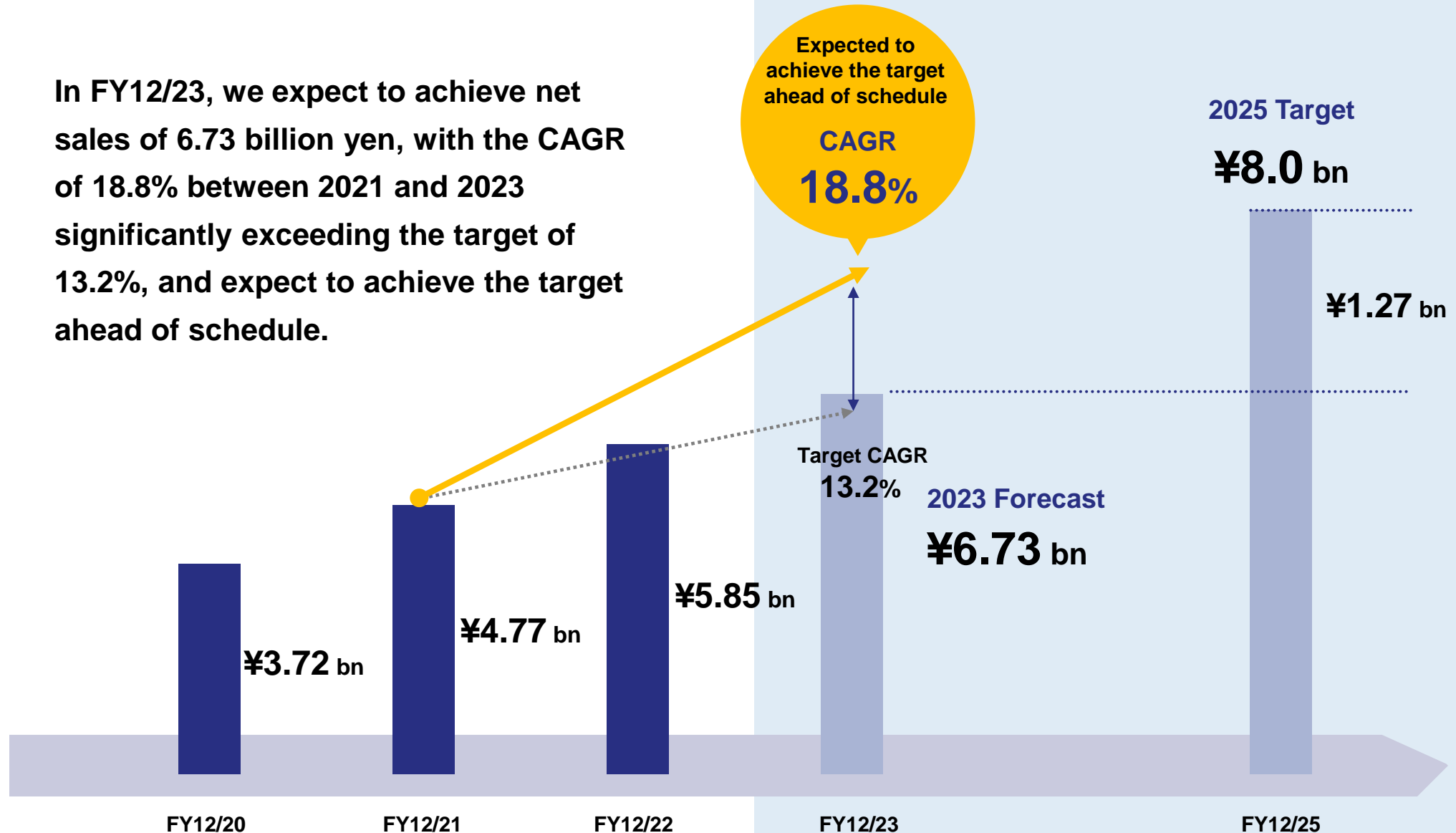
\*2: Determined based on the past performance of humansoft Inc.

\*3: Refer to "Matters Relating to Business Plan and Growth Potential"



# Progress of the 2025 Management Target

In FY12/23, we expect to achieve net sales of 6.73 billion yen, with the CAGR of 18.8% between 2021 and 2023 significantly exceeding the target of 13.2%, and expect to achieve the target ahead of schedule.



2

# **New Medium-term Business Plan Vision 2027**

**Aiming to transfer to the Prime market by achieving both scale and profitability**

18 consecutive years  
Increase in sales

8 consecutive years  
Increase in profits

7 consecutive years  
Increase in dividend

	FY12/22 Results
Net sales	<b>5.85</b> billion yen
Operating income	<b>0.58</b> billion yen
Operating income margin	<b>9.8%</b>
ROE	<b>16.6%</b>
Dividend payout ratio	<b>10.3%</b>



FY12/23 Plan
<b>6.73</b> billion yen
<b>0.63</b> billion yen
<b>9.4%</b>
<b>16.6%</b>
<b>13.5%</b>



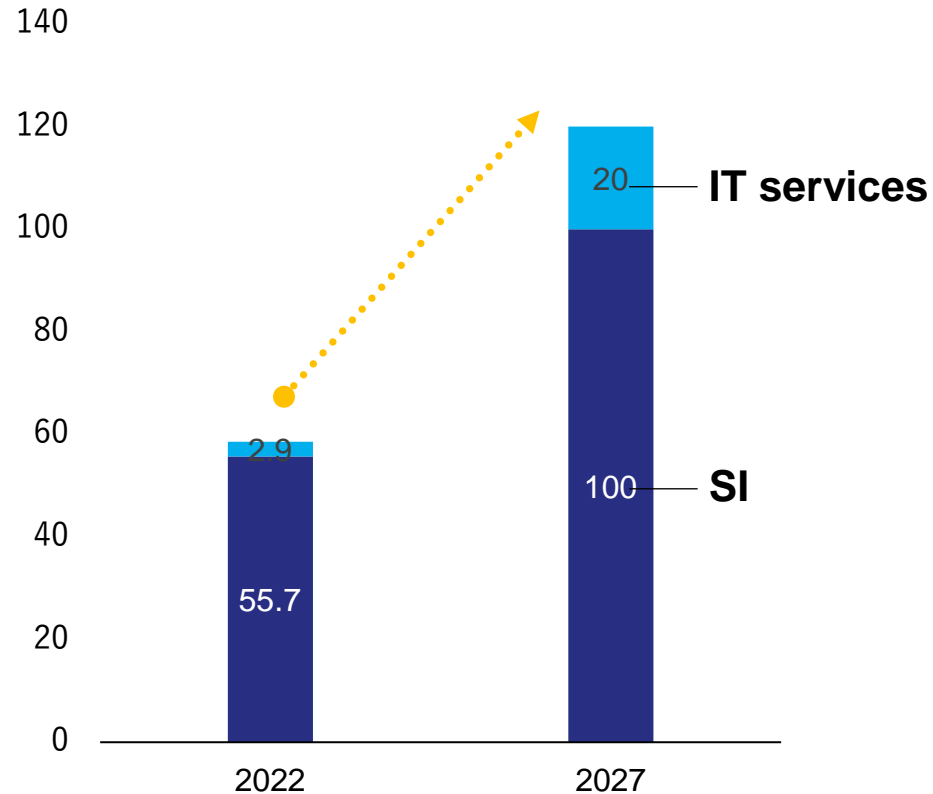
FY12/27 Plan
<b>12.0</b> billion yen or above
<b>1.5</b> billion yen or above
<b>12.5%</b> or above
<b>15%</b> or above
<b>35%</b> or above

# Net Sales Composition Targets by Business Segment

Expand to 10 billion yen in the SI Business and to 2 billion yen in the IT Services Business

## Net sales plan

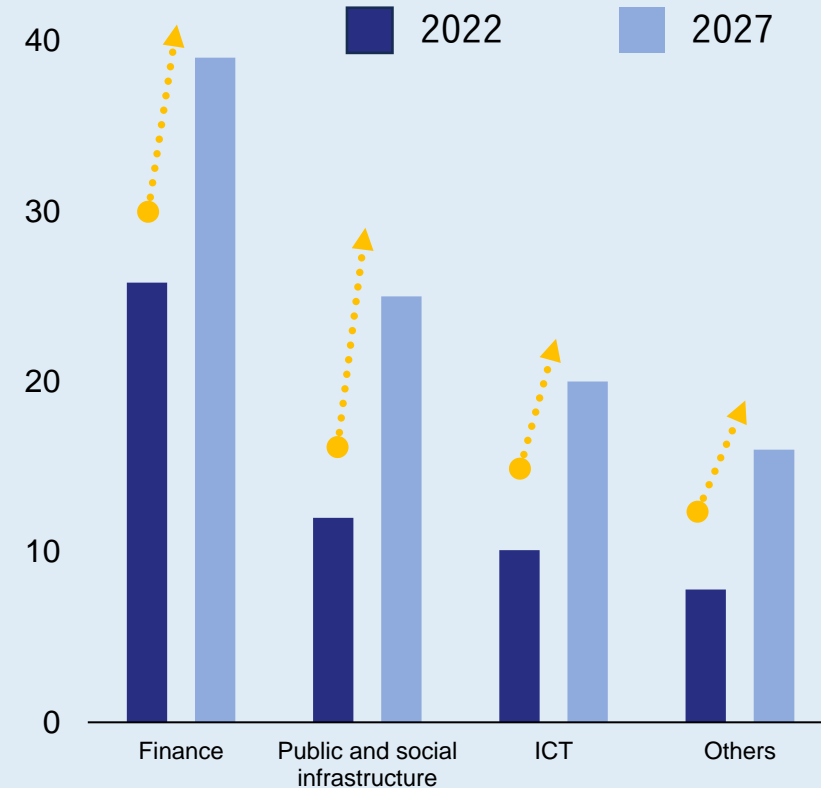
(100 million yen)



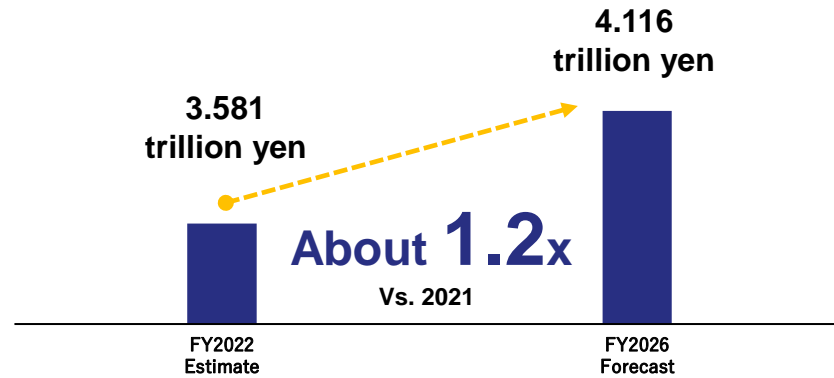
Expand SI Business mainly in mainstay industries (financial, public/social infrastructures, and ICT)

## Net Sales Plan by SI Industry

(100 million yen)

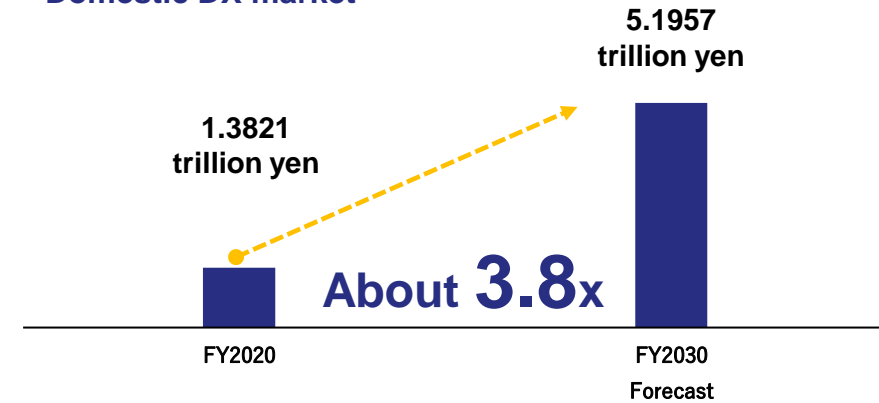


## Amount invested in domestic IT (financial industry)



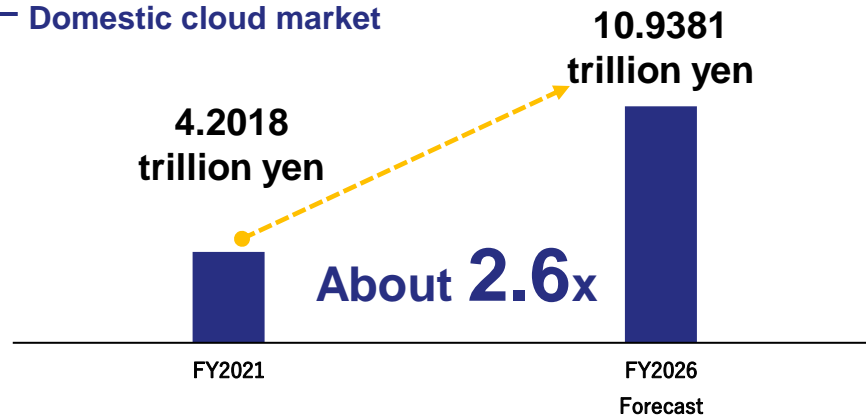
Source: Fuji Chimera Research Institute, Inc., IT Investment/Digital Solutions Market 2022 by Industry

## Domestic DX market



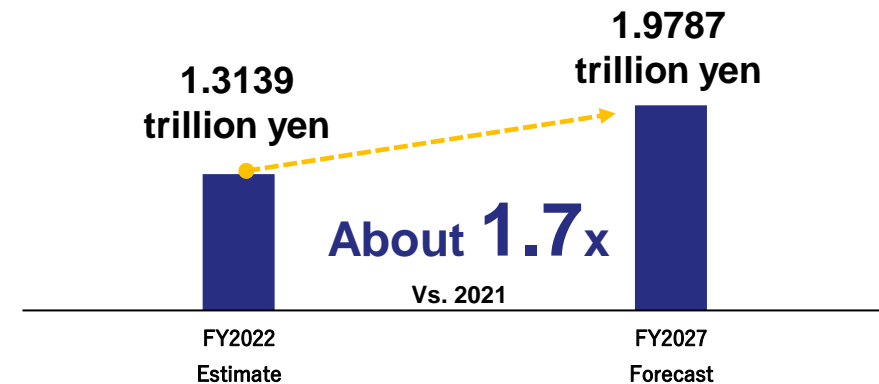
Source: The Nihon Keizai Shimbun, Fuji Chimera Research Institute, Inc., announced the results of a survey of the domestic market (investment amount) for digital transfer.

## Domestic cloud market



Source: IT Media, "Domestic Cloud Market Size, To be 11 trillion yen in 2026, Growth IDC Japan from 4.2 trillion yen in 2021"

## Domestic AI business market



Source: Fuji Chimera Research Institute, Inc., 2022 AI Business Survey

# Vision 2027

2022

IT company centered on the  
system integration services

## Medium-term Business Policy

- Provide high-growth technologies and services in an evolving digital society
- Aiming to be a highly profitable company by building highly productive businesses
- Strive to return profits to society and resolve issues, and become a company with a high presence value

2027

Shifting to IT  
consulting company



Strategy 1

## Business strategy

1. Shifting to IT consulting company
2. Expansion of high-growth areas
3. Expansion of cloud services



Strategy 2

## Enhancement of management base

1. Work style reform
2. HR growth support
3. Business reform

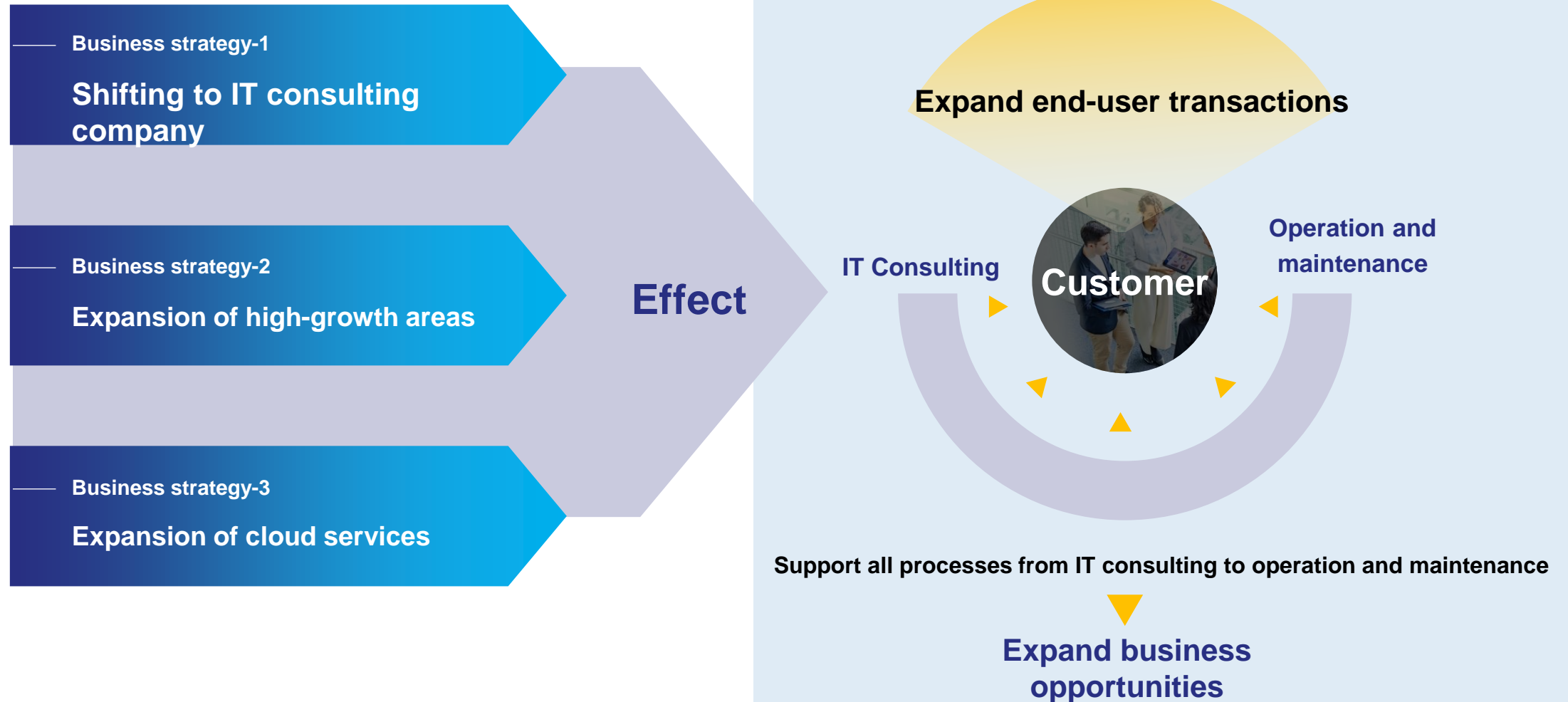


Strategy 3

## Investment strategy

1. Investment in human resources
2. Investment in services development
3. M&A

# Benefits of Business Strategy



## Shifting to IT consulting company

Shifting to an IT consulting company by increasing human resources and strengthening IT consulting sales



- Use of existing IT consultants
- Transforming SEs, PGs, and other IT technicians into IT consultants by acquiring consulting-related qualifications.

- Strengthen IT consulting sales system for end-users
- Expand proposal-based sales to solve problems
- Strengthen collaboration with IT vendors

## Shifting to IT consulting company

Strengthen consulting human resources through reskilling

Qualification goals through reskilling, etc.

[PM and vendor-related consulting qualifications]  
PMP, IT coordinator

▶ **More than 30** employees

[Business consultant qualification]

Salesforce Certified Consulting Certification  
Intra-mart Consultancy Certifications

▶ **More than 30** employees

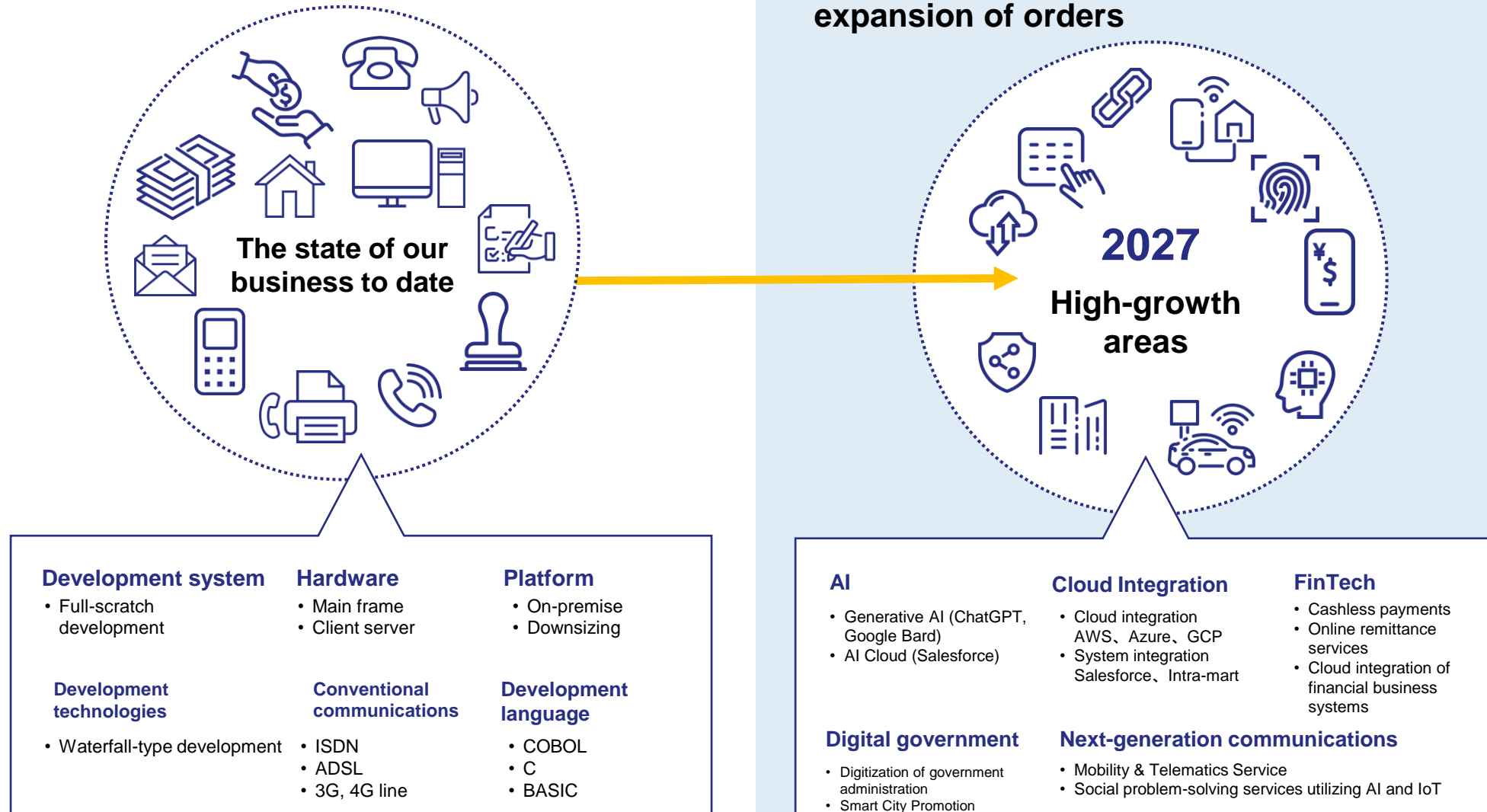
[Infrastructure consultant qualification]

AWS, Azure, GCP Consultancy Certifications

▶ **More than 30** employees

## Expansion of high-growth areas

Shift to areas with high growth potential (growth areas) and aim for continuous expansion of orders



## Expansion of high-growth areas

Aim to raise the skill-set of current IT engineers

Target for acquiring qualifications in areas with high growth potential

### [AI system]

- G, E tests
- AI Implementation Test
- Python3 engineers
- Professional Data Engineer
- AWS Certified Machine Learning

**3**  
employees



**50** employees

### [Business]

- Salesforce related
- Intra-mart related

**30**  
employees



**100** employees

### [Infrastructure]

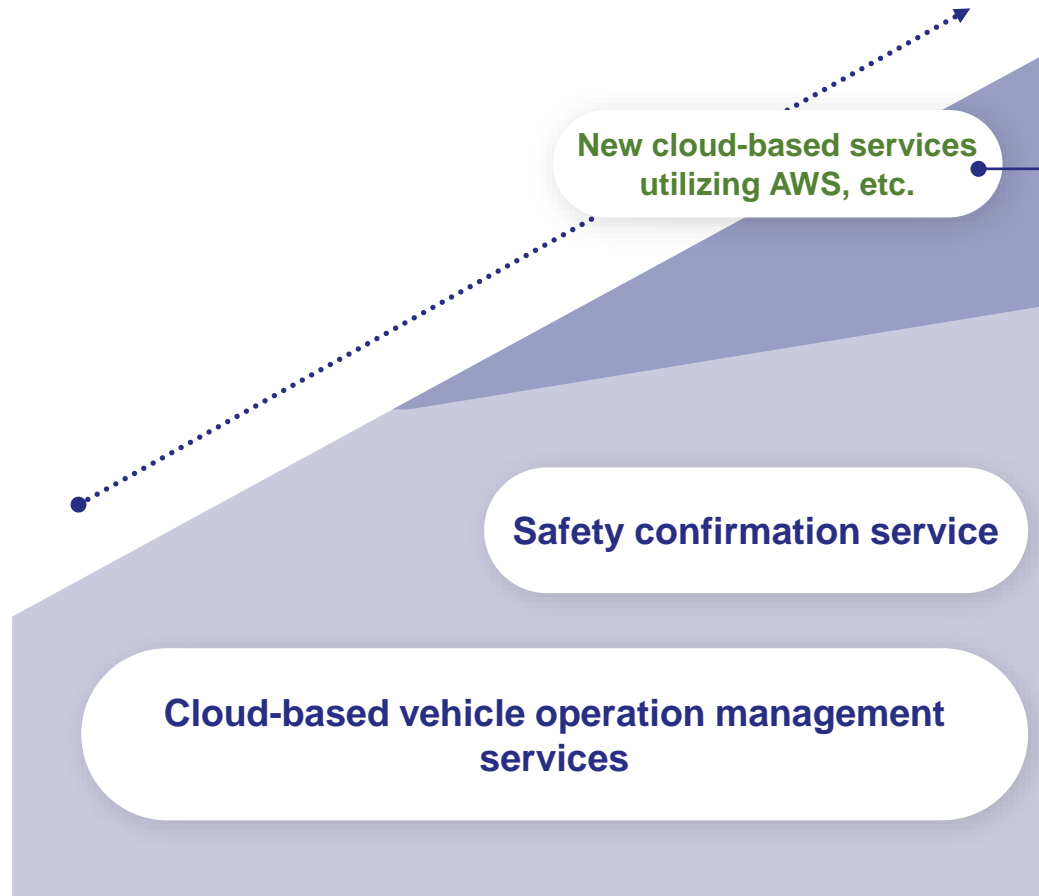
- AWS related
- Azure related
- GCP related

**45**  
employees



**120** employees

## Expansion of cloud services

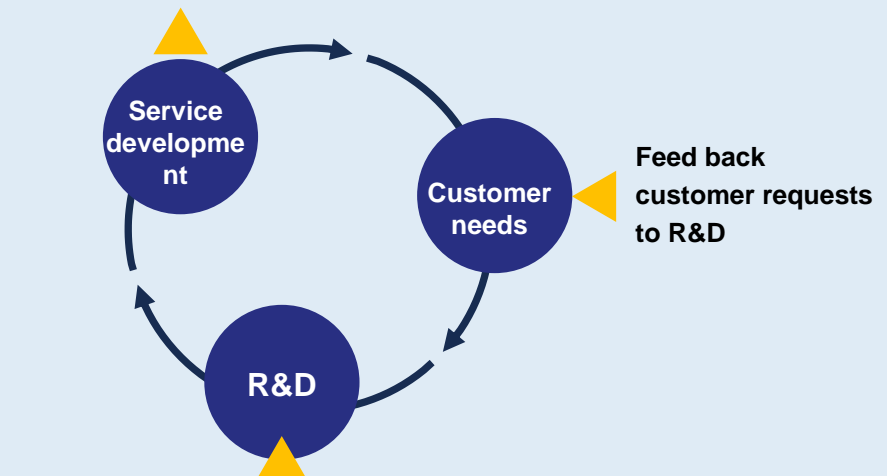


IT services business

Generate synergies by creating new services that meet the new needs of society along with the higher communication speed and the progress of digitization

### Launch of social issues-solving services

- Labor-saving area to eliminate labor shortages
- Effective utilization of resources to solve waste
- Welfare sector in light of an aging society

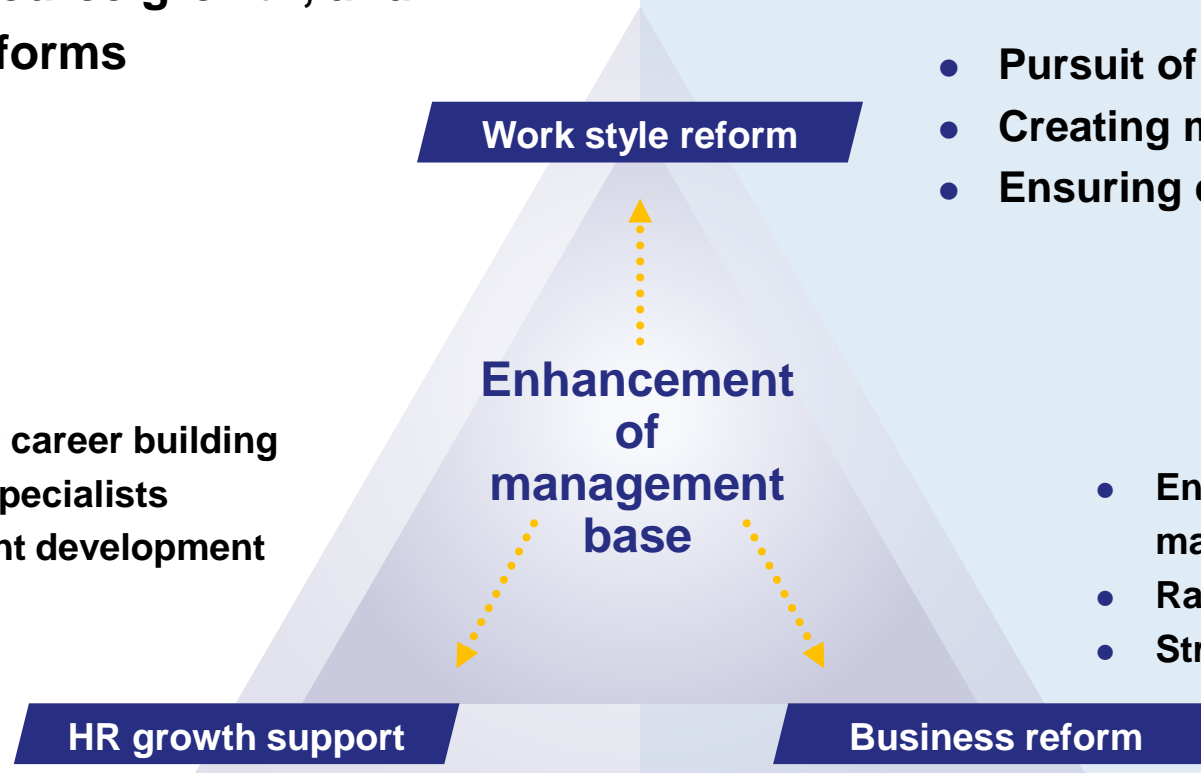


R&D to utilize cutting-edge technologies such as AI, and to invest in surveys and research on market trends

## Enhancement of management base

**Strengthen the management base  
centered on work style reforms, support  
for human resource growth, and  
operational reforms**

- Support for career building
- Fostering specialists
- Management development

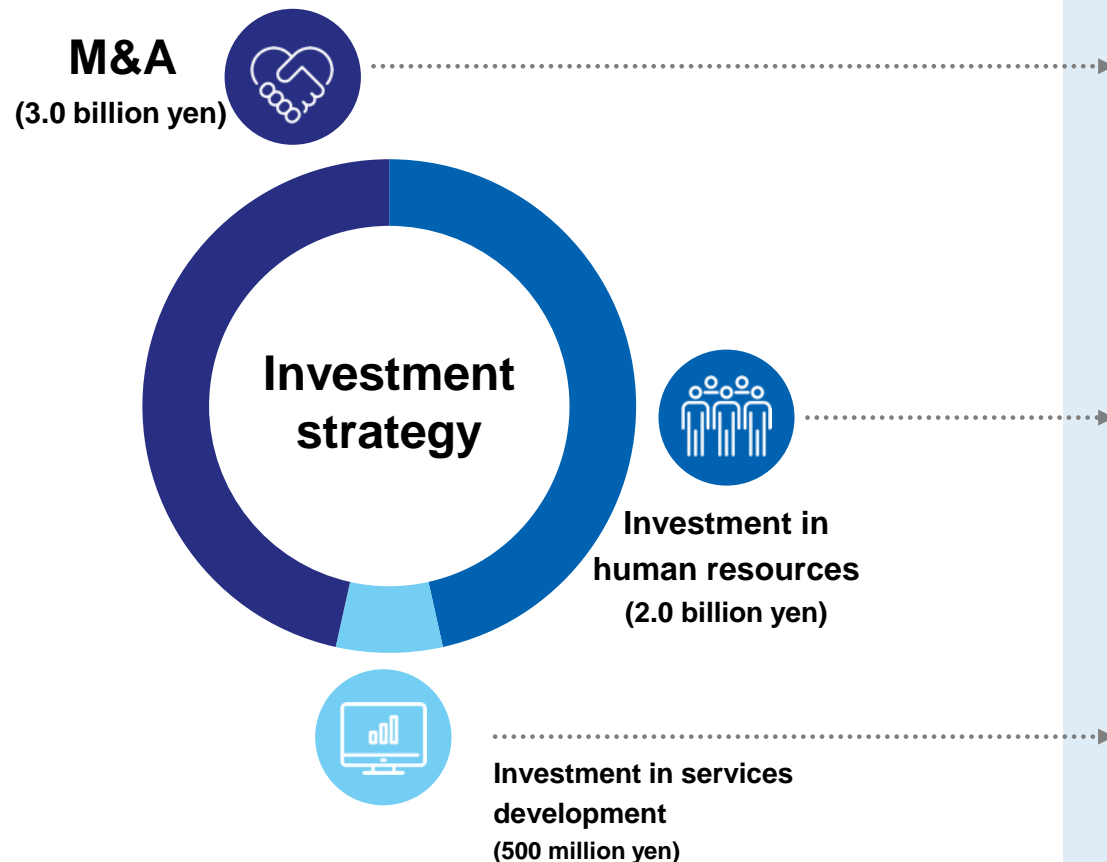


- Pursuit of ease of working
- Creating motivation
- Ensuring diversity

- Enhancement of risk management
- Raising operational efficiency
- Strengthen governance

## Investment strategy

**Aiming for steady growth through continuous and aggressive investment strategies**



- **Active use of ample funds**
- **Strengthening consulting and expanding cloud services**
- **Leveraging a wealth of M&A results**
  - 2014: Capital and business alliance with TechnoSquare Co., Ltd. (subsequently merged)
  - 2018: Succeeded the cloud service business from AUCNET INC.
  - 2021: Made humansoft Inc. a subsidiary (subsequently merged)
- **Recruitment of IT consultants and engineers in growing fields**
- **Education and training**
- **Improvement of welfare and treatment**
- **Enhancing investigation and research**

**Striving to give back to society and solve problems to become a company with high existence value**

**Our Group will continue its corporate activities in accordance with the three policies of the Mid-term Business Plan, centered on the four philosophies, in order to enhance corporate value and contribute to the realization of a sustainable society.**

## SUSTAINABLE DEVELOPMENT GOALS



**We will further expand our current initiatives.**

## Contributing to Society through IT Services Business

Our cloud-based vehicle operation management service contributes to energy conservation and CO2 savings by supporting the efficient operation of vehicles.



→ **Energy conservation and Co2 savings through vehicle control**

## Contributing to local communities through SI business

Contribution to regional revitalization through a common regional card development project



**Common regional card**

→ **Regional point card**

→ **Entry certificate**

→ **Automatic discounts on public transport fares**

As part of its sustainability activities, Axis continues to contribute to local communities and society through its CSR activities and business.

## CSR activities



**Donations to and support for the Social Welfare Corporation Youth Welfare Center**



**Sponsor of the Sports Hinomaru Kids**

(Photo provided by Sports Hinomaru Kids Association)

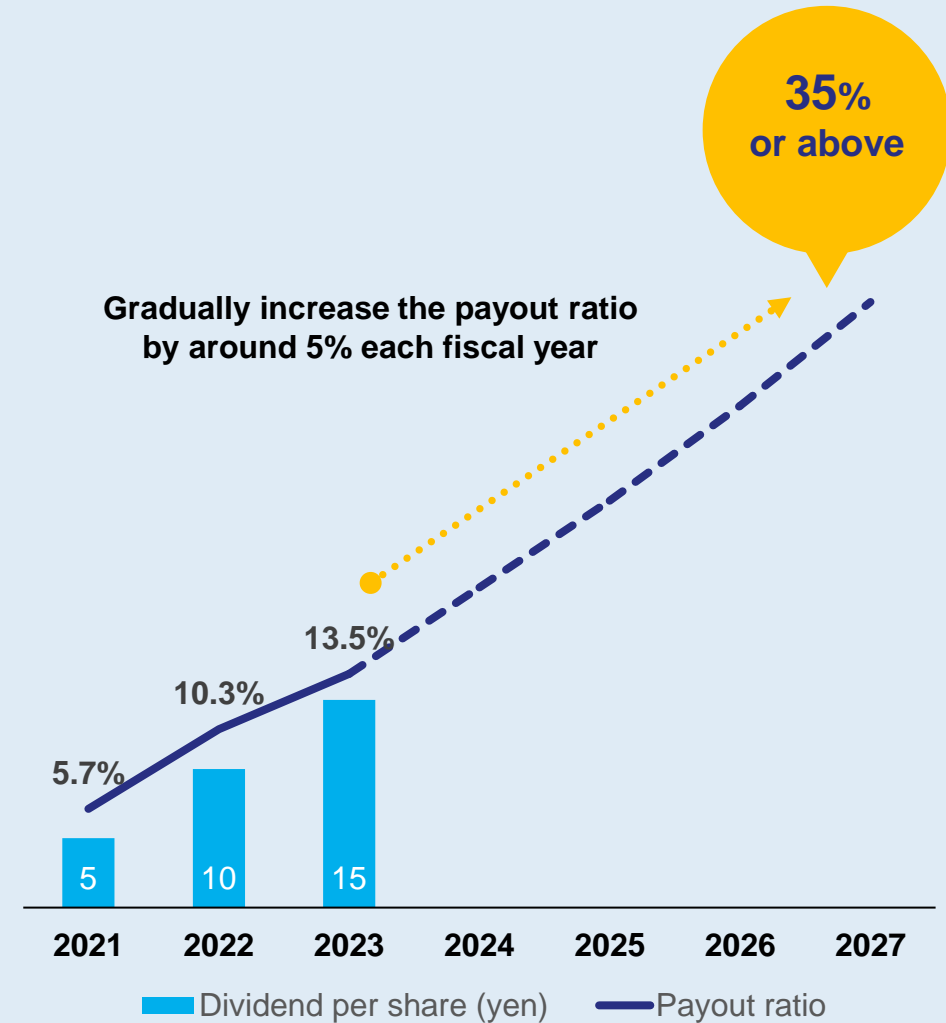
### Strengthen shareholders returns

-Aiming to increase dividends every fiscal year to achieve a dividend payout ratio of 35%-

While investing in growth, our policy is to pay stable dividends while also emphasizing shareholder returns.

We aim to increase the payout ratio to 35% or higher by 2027 by gradually increasing the ratio by around 5% each fiscal year, with a view to earnings trends.

For FY12/23, we plan to increase the annual dividend by 5 yen per share, for a total of 15 yen per share.



# Vision 2027

Strategy 1	Strategy 2	Strategy 3
Business strategy	Enhancement of management base	Investment strategy



Shifting to IT consulting company

FY12/27 Plan  
12 billion yen or more

FY12/20  
3.72 billion yen

Growth areas

New areas

Existing areas

# Thank you for your attention.



Securities code: 4012/ Tokyo Stock Exchange Standard Market

This material is intended to provide information on our business performance and management Strategy, and we do not solicit the purchase or sale of our shares.

The content of this document includes assumptions and forward-looking information that we considered reasonable based on information available to us at the time of preparation of this document.

Actual results may differ from these forecasts due to future changes in social conditions, and this document does not guarantee or warrant the achievement of any future plans or initiatives.

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The figures in this document have been rounded down to the nearest whole number, and there are parts where the totals do not match.

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