

Securities code: 4012
Tokyo Stock Exchange
Standard Market



Axis Co., Ltd.

**Financial Results for
FY12/23**

March 13, 2024

Table of Contents

1. **Financial Results for FY12/23**
2. **Topics**
3. **Full-year Business Forecasts for FY12/24**
4. **Progress of the Medium-term Management Plan**



1

Financial Results for FY12/23

Financial Summary

Net sales

6,581 million yen
(+12.4% YoY)

Operating profit

652 million yen
(+13.2% YoY)

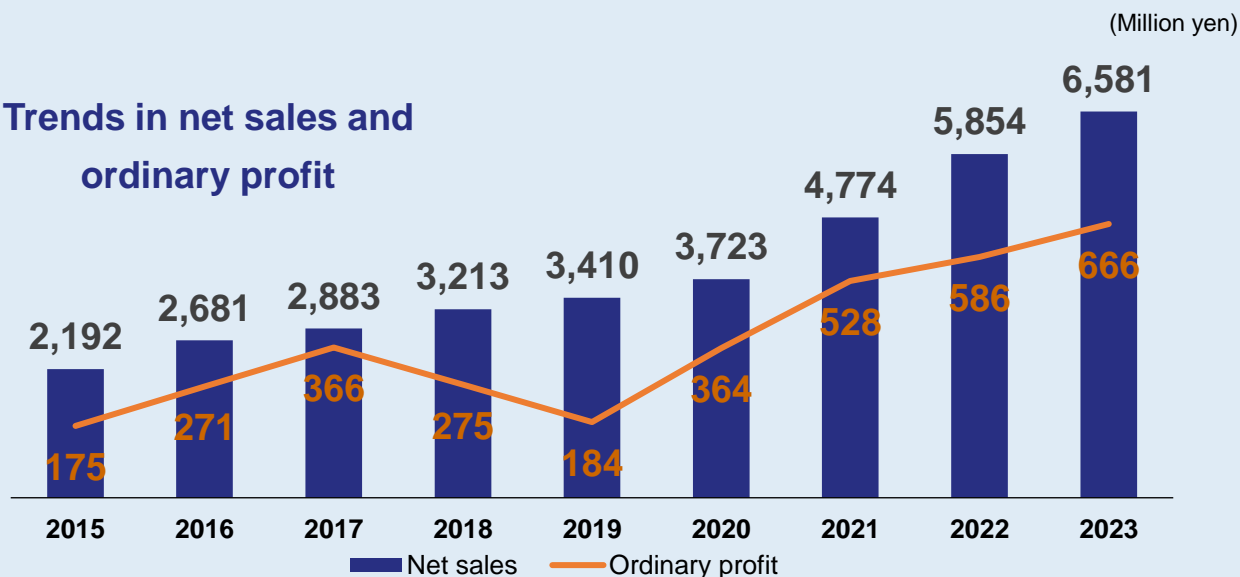
Operating profit margin

9.9%
(+0.1ppt. YoY)

Key points

- Net sales increased by **+12.4%** YoY, and operating profit also increased by **+13.2%**, showing a favorable performance. Sales and profits increased for the 4th consecutive year. Both net sales and operating profit achieved record highs.
- Strong corporate investment in IT systems, including digital transformation (DX).
- Operating profit margin remained at a high level of 9.9%.
- Steady progress against the medium-term business plan "Vision 2027"

Trends in net sales and ordinary profit



Summary of the Profit-and-Loss Statement

Point 1

- Achieved significant year-on-year increases in sales and profits by steadily capturing robust demand for IT, including DX-related products. Net sales and each profit achieved record highs.

Point 2

- Despite the shift to high-profit projects, gross margin declined slightly as the ratio of projects with partners increased. On the other hand, the operating profit margin increased by 0.1pt. due to merger costs and reduction of listing-related expenses in the previous fiscal year.

(Million yen)	FY12/22 (consolidated)	FY12/23 (non-consolidated)	YoY		FY12/23 (non-consolidated) Full-year forecasts	Vs. forecasts	
			Change	Pct. change		Change	Pct. change
Net sales	5,854	6,581	+726	12.4%	6,734	-152	-2.3%
Gross profit	1,495	1,624	+129	8.7%	1,726	-101	-5.9%
Operating profit	576	652	+75	13.2%	634	+18	2.9%
Ordinary profit	586	666	+79	13.6%	649	+17	2.7%
Profit	390	462	+72	18.5%	461	+1	0.3%
Basic earnings per share (yen)	97.05	113.13	+16.08	16.6%	111.27	+1.85	1.7%
Gross profit margin	25.5%	24.7%		-0.8p	25.6%		-0.9p
Operating profit margin	9.8%	9.9%		+0.1p	9.4%		+0.5p
Ordinary profit margin	10.0%	10.1%		+0.1p	9.6%		+0.5p
ROE	16.6%	16.7%		+0.1p	16.6%		+0.1p

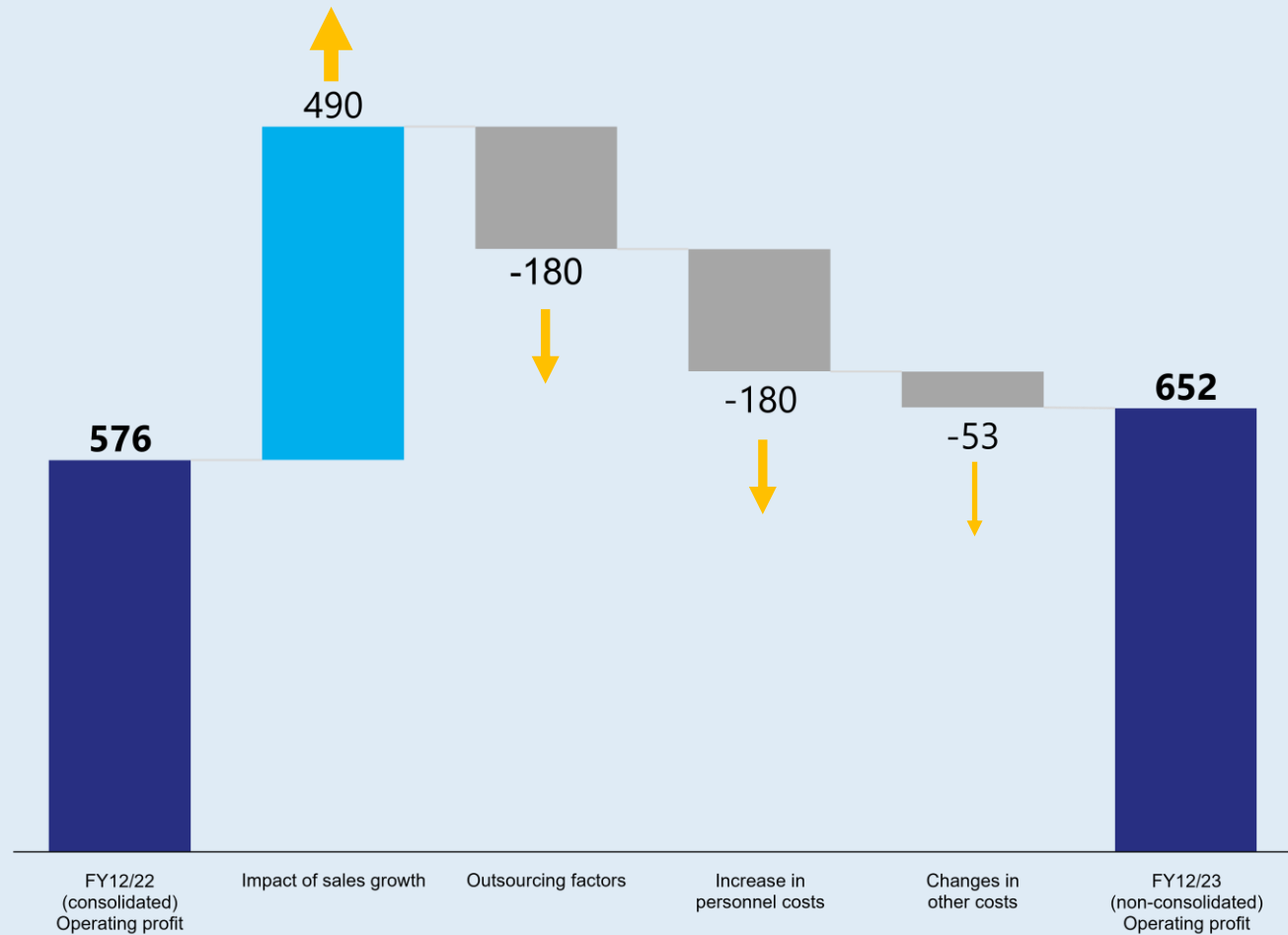
Analysis of Factors Behind Changes in Operating Profit

Point 1

- Achieved profit increase due to the significant increase in sales, which offset the negative factors such as increased personnel cost of engineers and outsourcing factors.

Analysis of factors behind changes: operating profit

(Million yen)



Variation in Quarterly Performance

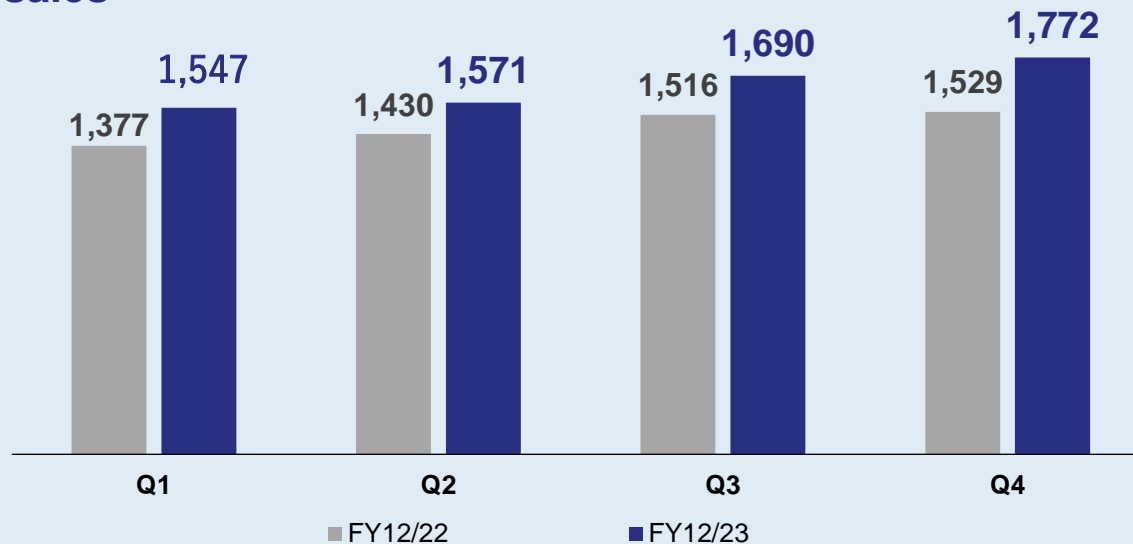


(Million yen)

Point 1

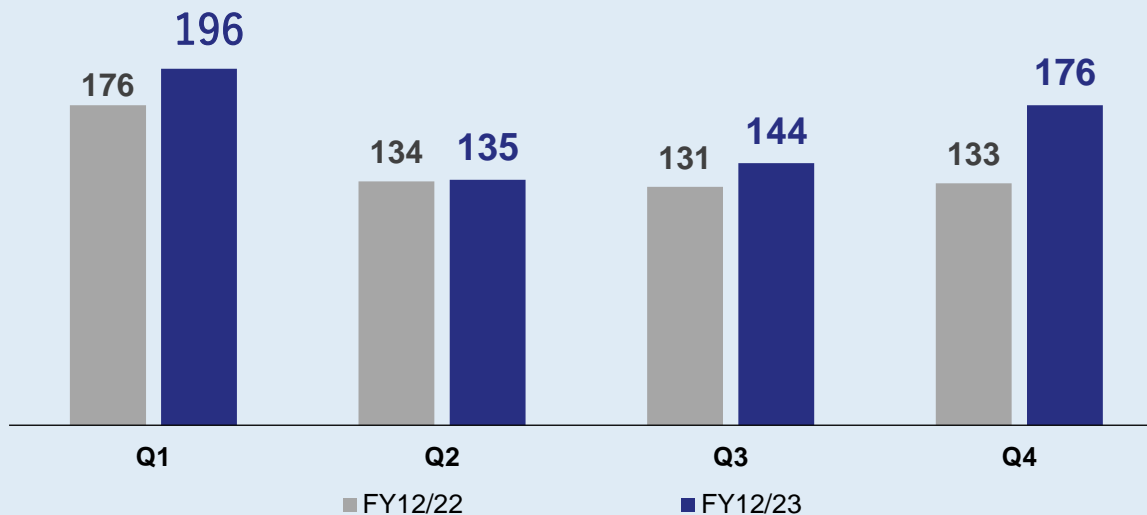
- Strong performance, with record-high sales and operating profit in all quarterly accounting periods compared to the same period of the previous year.

Net sales



Operating profit

(Million yen)



Sales of Each Business and Major KPIs

Point 1

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

Point 2

- Sales of IT Services Business were strong due to the acquisition of projects to build services for other companies in cloud services.

Point 3

- Various KPI also remained firm, improving both project size and efficiency.

	FY12/22 (consolidated)	FY12/23 (non-consolidated)	YoY	
			Change	Pct. change
Point 1 System Integration (SI)	5,569	6,227	+657	11.8%
Point 2 IT Services (IT)	285	353	+68	24.2%
Total (net sales)	5,854	6,581	+726	12.4%

Point 3 Major KPIs

SI Backlog of orders [million yen]	1,304	1,481	+177	13.6%
SI Sales per employee [thousand yen]	14,065	14,652	+587	4.2%
SI Number of projects	302	311	+9	3.0%
SI Average project orders (thousand yen)	18,443	20,023	+1,580	8.6%
IT No. of vehicles managed with "KITARO" [vehicles]	8,067	8,298	+231	2.9%

System Integration Business

Point 1

- The System Integration Business performed well. Orders for public and social infrastructure-related projects increased.

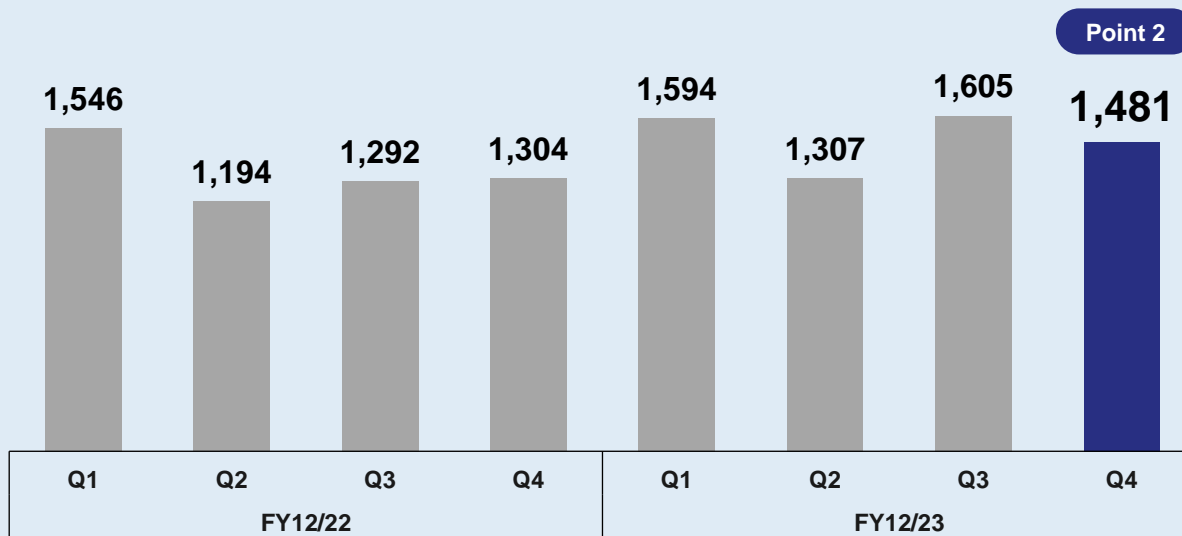
Point 2

- Decreased QoQ due to progress in orders received, but increased steadily YoY.

SI Business: sales



Quarterly Order Backlog



Sales by Business:

System Integration Business
Net Sales by Industry

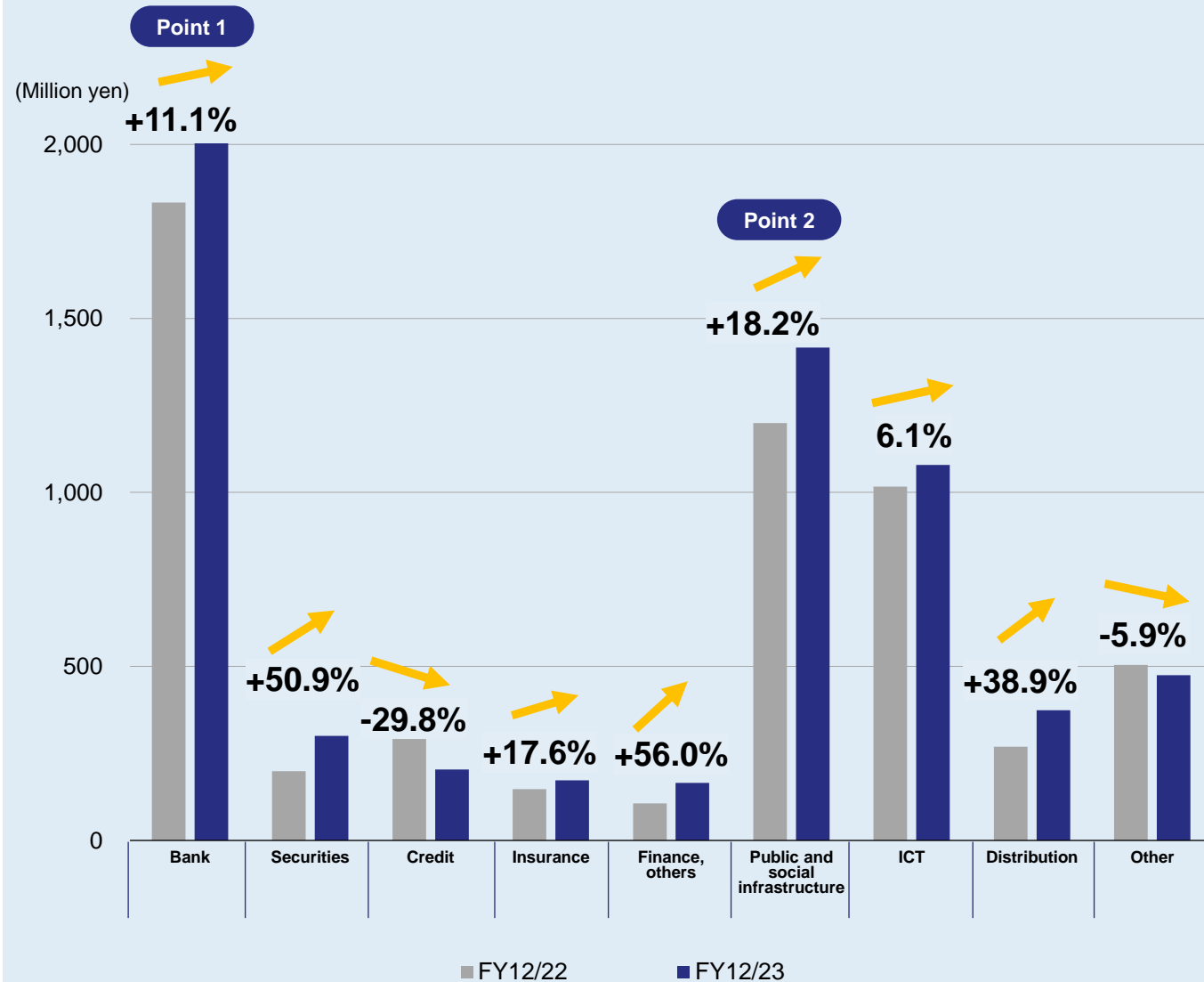


Point 1

- Sales from banks increased thanks to the acquisition of new customers, expansion of contracts, and increase in average project orders.

Point 2

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



Sales by Business:

IT Services Business

Point 1

- In the IT Services Business, sales were strong due to increased equipment sales and price revisions resulting from the diversification of cloud services "KITARO" contract plans.

Point 2

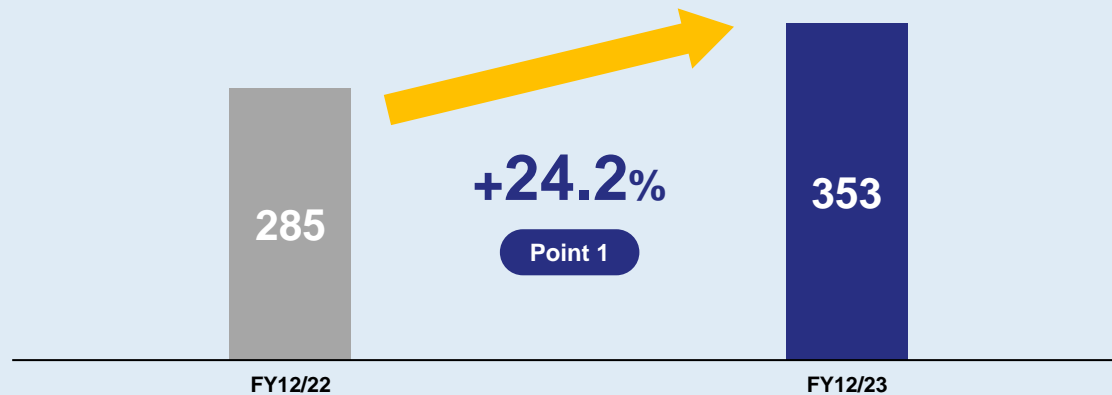
- The increase in net sales in Q3 was due to orders for construction projects for other companies' services that utilize our service know-how.

Point 3

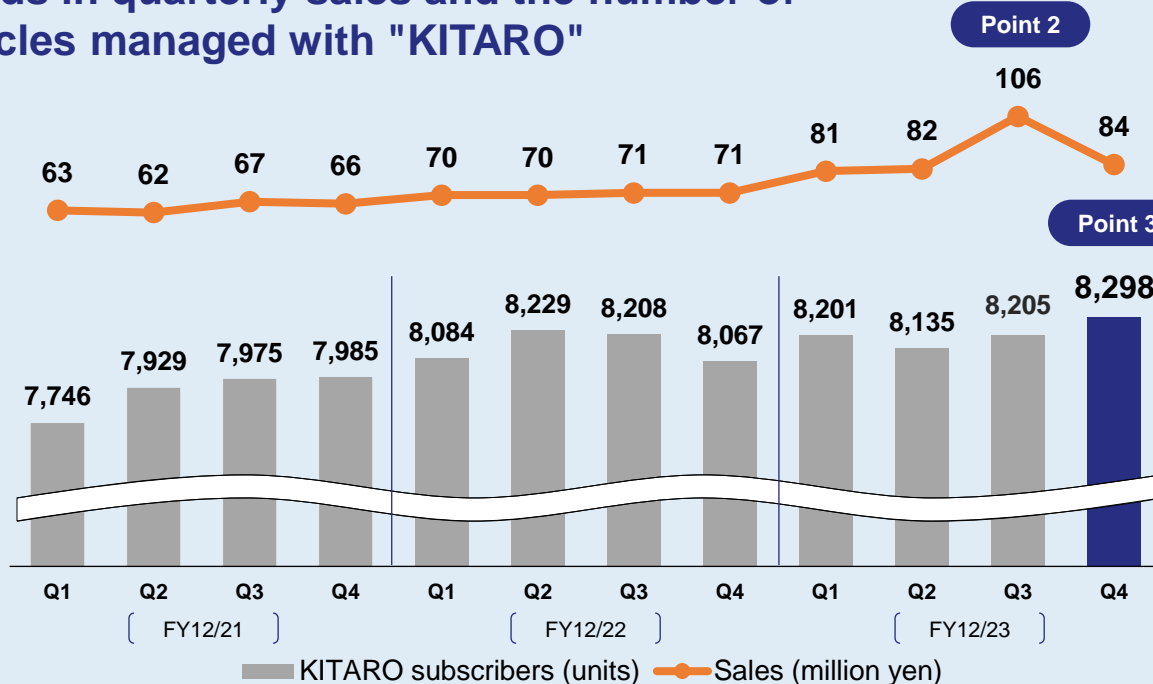
- Contract volume has been on an increasing trend since Q3, and is also increasing compared to the previous quarter.

IT Services Business: Sales

(Million yen)



Trends in quarterly sales and the number of vehicles managed with "KITARO"



Balance Sheet

Point 1

- Net assets increased steadily due to higher profit.

Point 2

- Capital-to-asset ratio rose by 1.0ppt. to 73.9%, maintaining a high-level of financial stability.

Point 3

- Increased cash and deposits will be used for investment in human resources, including recruitment, and growth investments to increase corporate value.

(Million yen)

Major figures in B/S

	FY12/22 (consolidated)	FY12/23 (non-consolidated)	YoY change
Current assets	2,931	3,482	+550
Cash and deposits	2,063	2,466	+403
Accounts receivable and contract assets	804	941	+136
Inventory assets	13	27	+14
Non-current assets	555	582	+26
Goodwill	245	215	-30
Total assets	3,487	4,064	+577
Liabilities	943	1,061	+117
Accounts payable	200	269	+69
Interest-bearing liabilities	—	—	—
Provision for retirement benefits	246	260	+13
Net assets	2,543	3,003	+460
Total liabilities and net assets	3,487	4,064	+577
Capital-to-asset ratio	72.9%	73.9%	+1.0p

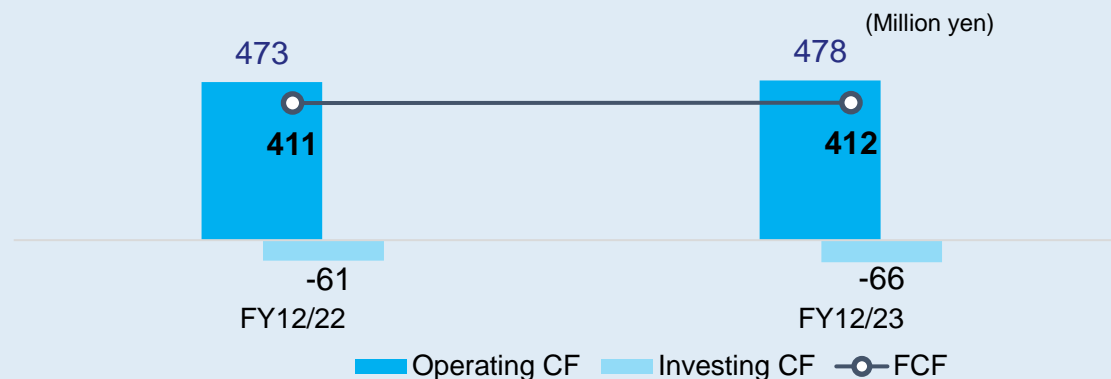
Point 3

Point 1

Point 2

*Liabilities for retirement benefits in FY12/22

Major Cash Flows



2

Topics

Supporting the activities of Sports Hinomaru Kids since 2014.

In 2023, we co-sponsored 9 tournaments and events. At the Judo Tournament, we presented sports towels to the volunteer staff who supported the tournament as the "Axis Award".



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 spend their time cheerfully.

Thank you letter from Youth Welfare Center, a social welfare corporation

The children's home at the Youth Welfare Center is the only facility in Japan exclusively for children attending junior high and secondary schools, and provides individualized support for each child. They also operate a "self-reliance support", which is recognized by the government, where residents between the ages of 15 and 20 years old live together with the staff and prepare themselves for life in society.

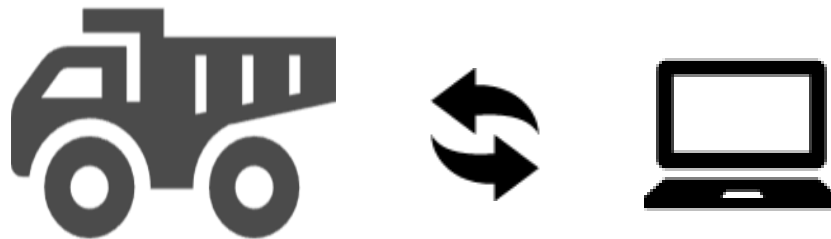


We support these activities and want to do something to help, so we continue to participate in charity bazaars and make donations. Encouraged by the thank you letter, We will continue to support the Youth Welfare Center to help as many children as possible to become independent and to connect them to a brighter future.

Support for Damage Caused by the 2024 Noto Earthquake

We would like to express our deepest sympathies to the victims of the 2024 Noto Earthquake.

In order to assist in the relief efforts for those affected by the disaster and the reconstruction of the affected areas, we have begun offering our real-time vehicle management system "KITARO" (<https://kitaro-sdp.com/>) free of charge to vehicles engaged in disaster-related activities in the affected areas. Currently, it is used by the National Federation of Cleaning Businesses for the removal of debris.



KITARO will be able to optimize the delivery routes of goods and personnel because it allows managers to grasp the location of vehicles heading toward the disaster area in real-time.

We intend to continue to provide further assistance in response to the situation of the disaster. We sincerely hope for the earliest possible recovery and reconstruction of the affected areas.

3

Full-year Business Forecasts for FY12/24

FY12/24

Summary of Full-year Business Forecasts

Net sales

7,504 million yen
(+14.0% YoY)

Operating profit

752 million yen
(+15.2% YoY)

Operating profit margin

10.0%
(+0.1ppt. YoY)

Business performance

- Forecast **14%** increase in sales and **15%** increase in operating profit, the 5h consecutive year of higher sales and profits, and record highs.
- Expand profit margins by shifting business to high-growth areas while investing in human resources for growth; operating margin is expected to reach the management target of 10%.

Dividend

- Dividend is forecast to increase by 7 yen per share to 25 yen per share (dividend payout ratio of 20%).

External factor

- Corporate investments in IT systems, including DX (Expect increases in orders for financial, growth areas and direct-user project), is expected to be strong.

Full-year Business Forecasts for FY12/24

(Million yen)

Point 1

- Expecting continued strong corporate IT investments, including DX.

Point 2

- In the System Integration Business, sales are expected to rise 14.5% and sales in the IT Services Business are expected to rise 5.7%.

Point 3

- The operating profit margin is expected to be the same as in the previous fiscal year due to upfront investment in human resources, etc., despite an increase in the gross profit margin from the shift to project unit price and high-profit projects.

Point 2

	FY12/23	FY12/24 Full-year forecasts	YoY	
			Change	Pct. change
Net sales	6,581	7,504	+922	14.0%
System Integration (SI)	6,227	7,130	+902	14.5%
IT Services (IT)	353	374	+20	5.7%
Gross profit	1,624	1,944	+319	19.6%
Operating profit	652	752	+99	15.2%
Ordinary profit	666	765	+98	14.8%
Profit	462	526	+63	13.7%
Basic earnings per share (yen)	113.13	125.11	+11.98	10.6%
Gross profit margin	24.7%	25.9%		+1.2p
Operating profit margin	9.9%	10.0%		+0.1p
Ordinary profit margin	10.1%	10.2%		+0.1p

Point 3

Assumptions for the business forecasts

SI	No. of projects [projects]	311	330	+19	6.1%
SI	Project-average sales [thousand yen]	20,023	21,606	+1,582	7.9%
SI	Sales per employee [thousand yen]	14,652	14,731	+78	0.5%
IT	No. of vehicles managed with "KITARO" [vehicles]	8,298	8,615	+317	3.8%

Analysis of Factors Behind Changes in Operating Profit

Point 1

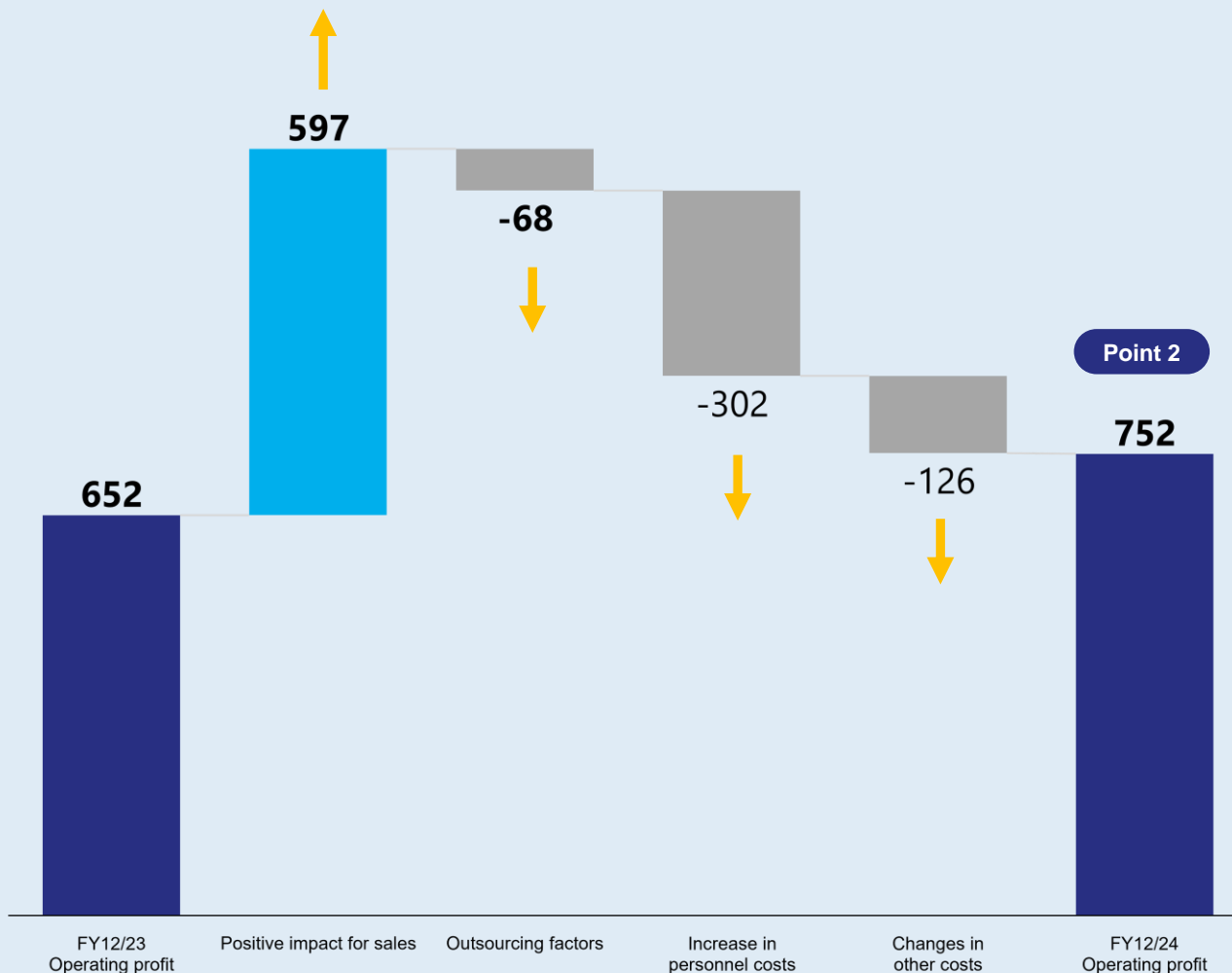
- Sales are expected to continue expanding due to robust corporate investments in IT operations.

Point 2

- Operating profit is expected to increase substantially, absorbing the increase in personnel expenses due to mid-career recruitment of IT consultants and the increase in sales staff.

Analysis of factors behind changes: operating profit

(Million yen)



Point 2

Sales Forecast by Business: System Integration Business

Point 1

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

Point 2

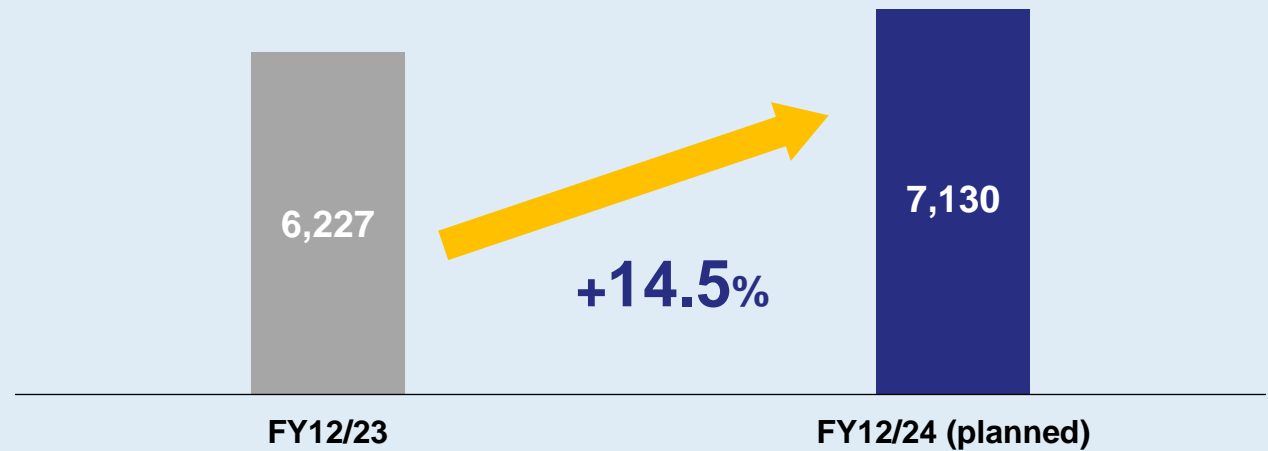
- Large-scale orders from government agencies and financial institutions assumed.

Point 3

- Shifting to an IT consulting company and expansion of high-growth areas

Net sales **7,130 million yen**

(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 45% or more
- Build a strong business relationship by fostering a sense of co-creation with partners

Increase human resources and strengthen IT consulting sales

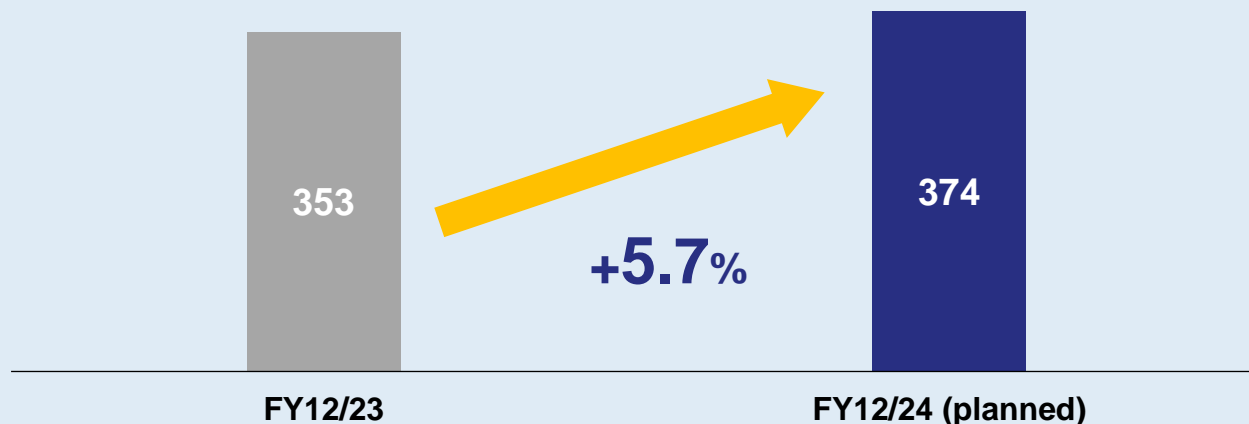
- Sales cooperation with consulting firms.
- Transition of current human resources to IT consulting positions.

Sales Forecast by Business: IT Services Business

Net sales

374 million yen

(Million yen)



Point 1

- Demand for cloud services is expected to recover as the number of KITARO contracts has been increasing since Q3 of FY12/23. Aim to diversify customers by upgrading functions in "KITARO" and providing new services.

Point 2

- Security and digital consulting services continue activities to stabilize business.

Priority Measures

Cloud services

- For "KITARO," we plan to increase the contract to 8,615 units (+317 units) at the end of the fiscal year through aggressive advertising activities.
- Plan to start providing new social problem-solving services using cloud computing.

Digital consulting and security services

- Focus on streamlining back-office operations of SMEs
- Expand and improve services/products to support digitization to meet diverse DX requirements
- Sales of security products such as endpoints

Shareholder return

Point 1

- Dividend for FY12/23 increased to 18 yen from the initial forecast of 15 yen due to increased profit.

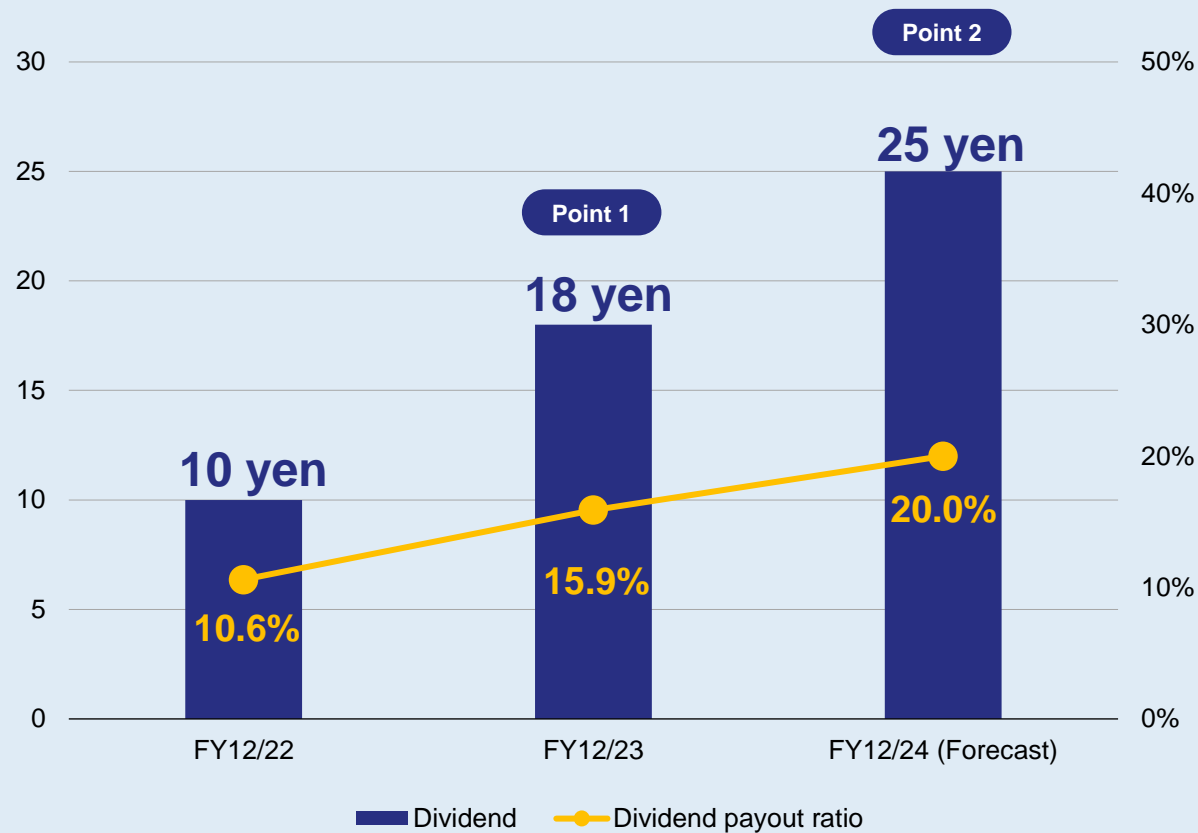
Point 2

- For FY12/24, we expect to pay a dividend of 25 yen per share, in line with the Mid-term Management Plan's target of a 5% increase each fiscal year.

Point 3

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

Shareholder return: Annual dividend increased by 7 yen per share to a total of 25 yen



4

Progress of the Medium-term Management Plan

Progress of the Medium-term Management Plan

Business strategy 1

- 8 employees obtained IT consulting-related certifications (22 in total).

Business strategy 2

- Ratio of growth areas increased from 44.9% (FY12/22) to 49.9% (FY12/23).

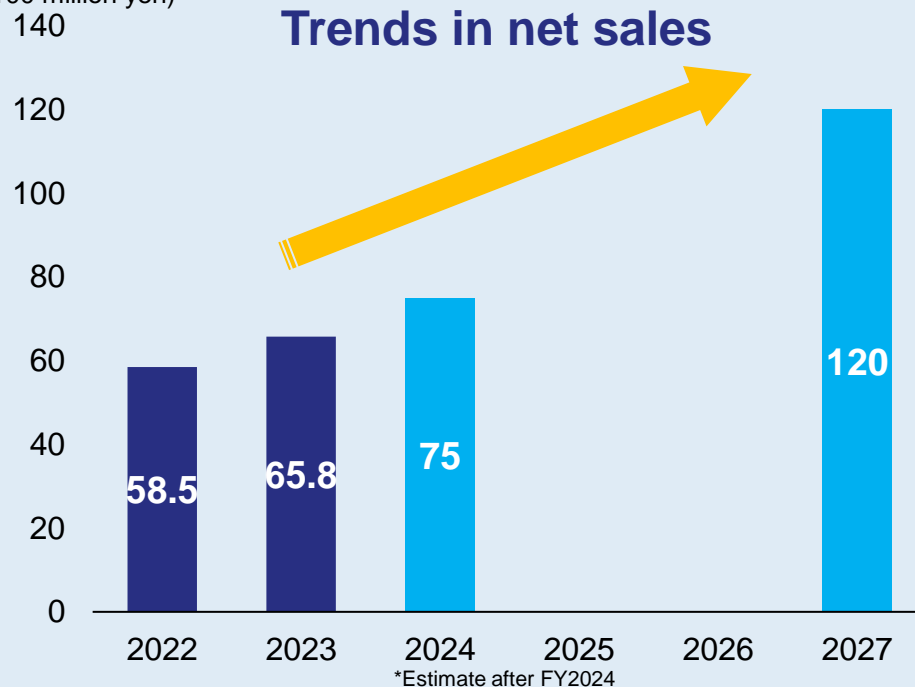
Business strategy 3

- KITARO, a real-time operation control system, certified as AWS certified software.
- Launched "Safety Confirmation Service" using SMS.

	FY12/23 Results	FY12/27 Plan
Net sales	6.58 billion yen	12.0 billion yen or above
Operating profit	0.65 billion yen	1.5 billion yen or above
Operating profit margin	9.9%	12.5% or above

(100 million yen)

Trends in net sales



Vision 2027

2022

IT company centered on the system integration services

Medium-term Business Policy

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

Medium-Term Management Plan (Management Indicators)

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

	FY12/23 Results
Net sales	6.58 billion yen
Operating profit	0.65 billion yen
Operating profit margin	9.9%
ROE	16.7%
Dividend payout ratio	15.9%



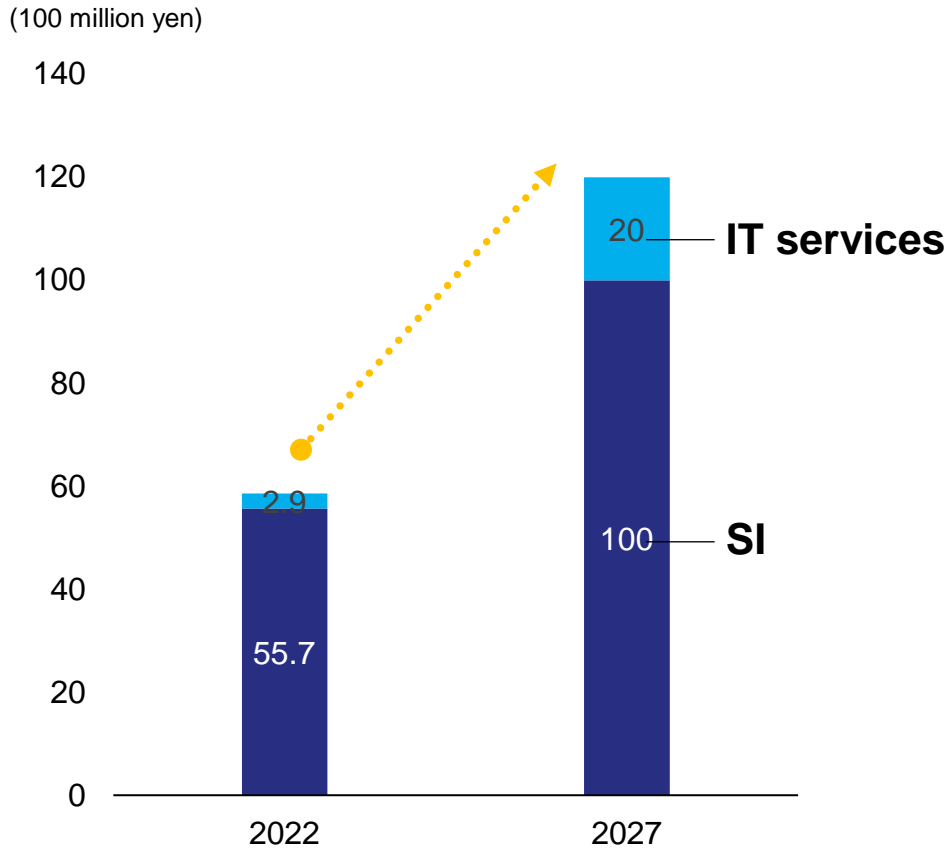
	FY12/24 Plan	FY12/27 Plan
18 consecutive years Increase in sales	7.50 billion yen	12.0 billion yen or above
8 consecutive years Increase in profits	0.75 billion yen	1.5 billion yen or above
7 consecutive years Increase in dividend	10.0%	12.5% or above
	-	15% or above
	20.0%	35% or above



Net Sales Composition Targets by Business Segment

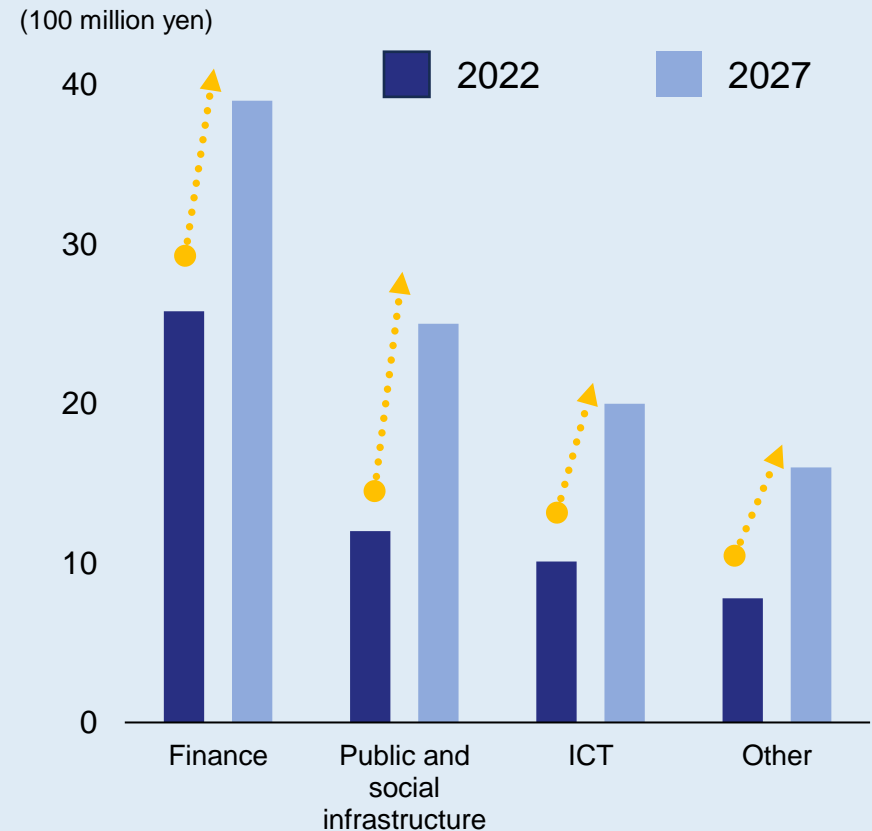
Expand to **10 billion yen** in the **SI Business** and to **2 billion yen** in the **IT Services Business**

Net sales plan



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

Net Sales Plan by SI Industry





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

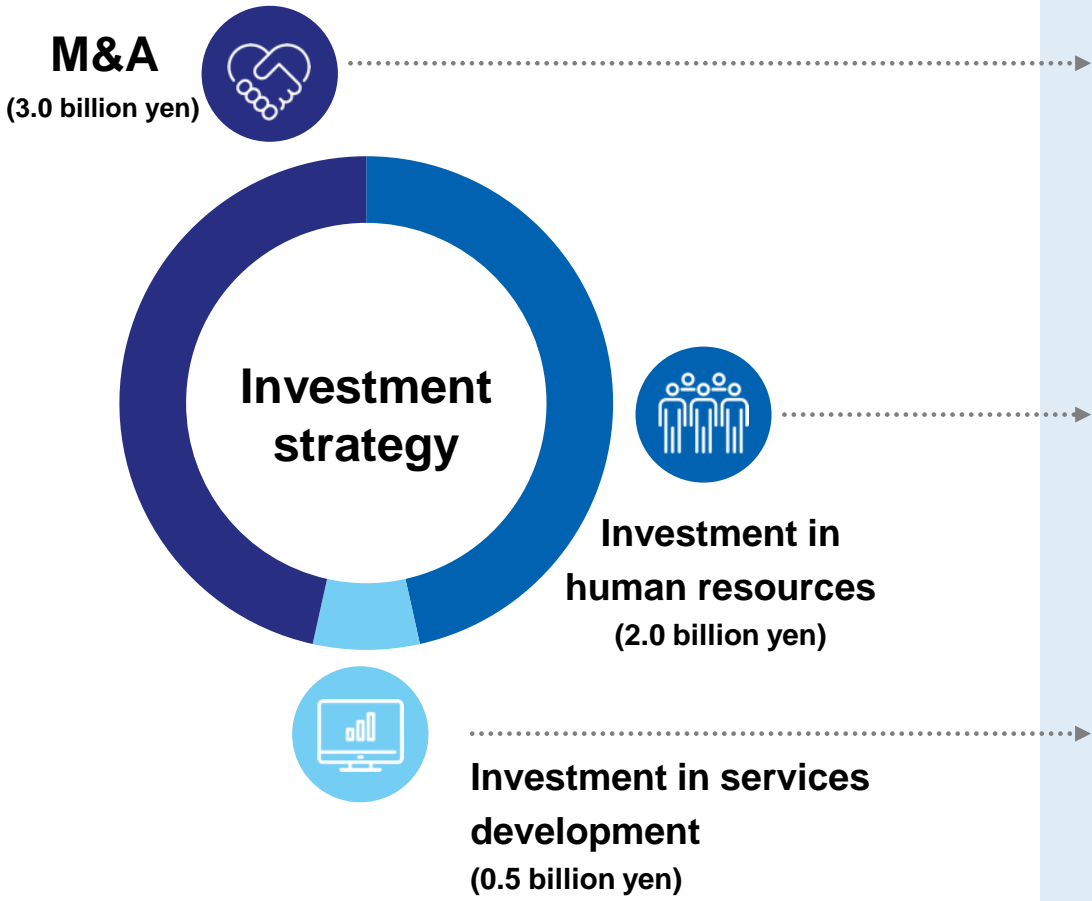


Strategy 3

Investment strategy

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

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

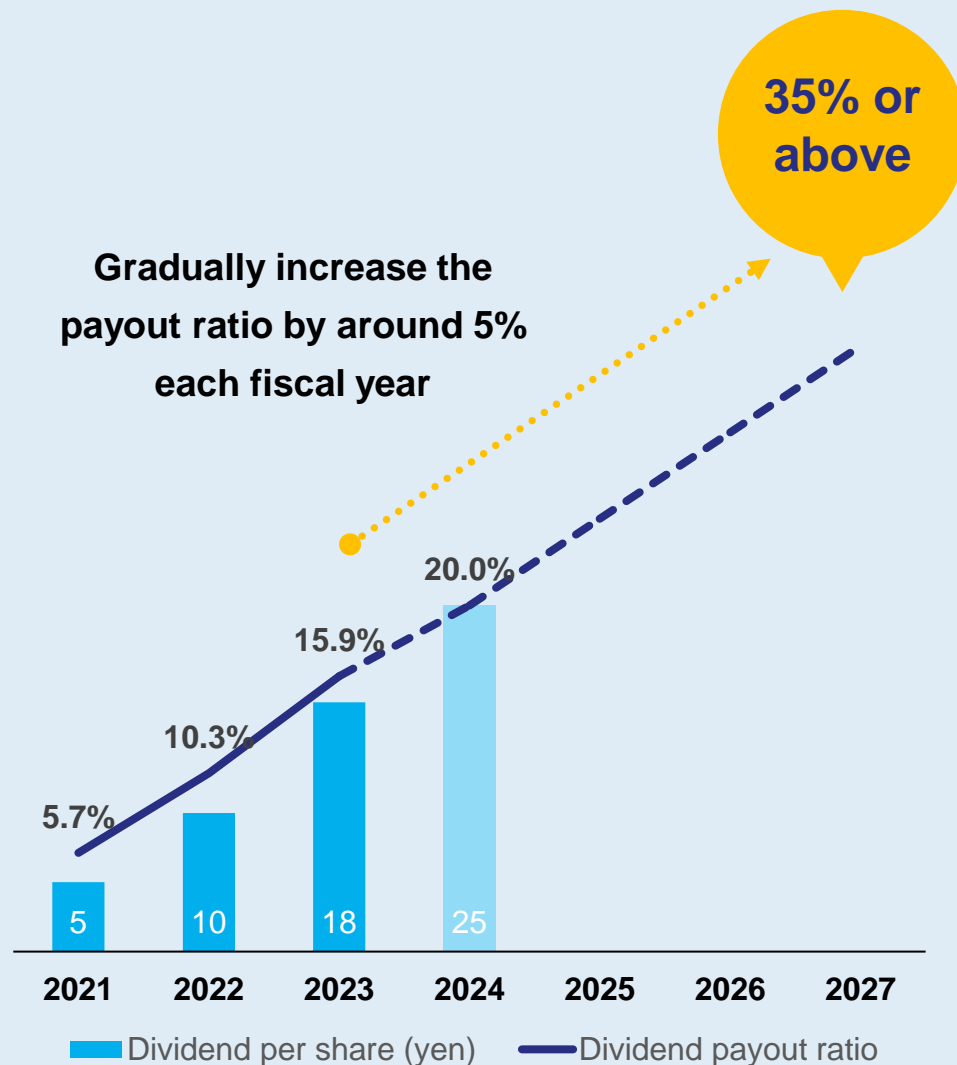
Strengthen shareholders returns

-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 8 yen per share, for a total of 18 yen per share.



Vision 2027

Strategy 1

Business strategy

Strategy 2

Enhancement of management base

Strategy 3

Investment strategy



Shifting to IT consulting company

FY12/27 Plan

12.0 billion yen or more

FY12/20
3.72 billion yen

Growth areas

New areas

Existing areas

Appointment of Additional Representative (to be appointed on March 26, 2024)



(Current) Director, Vice President and Executive Officer

Yoshikazu Yokota

We were established in June 1991, and this year marked the 34th term. While IT industry is constantly undergoing rapid change, we will respond flexibly to new developments and practice transparency and liability management as a listed company.

Under the slogan "Contribute to society digitally," we aim to expand our business scale and improve profitability by transforming ourselves from "Axis, a system integration company" to "Axis, an IT consulting company".

We plan to change our management structure and have two representative directors, and their duties will be divided into CEO and COO. This decision aims to promote more agile strategy execution.

We will continue to strive to create an attractive company with the continued support of our stakeholders.

Brief career history

April 1986	Joined JAPAN COMPUTER SCIENCE CORP.
March 1988	Joined MITSUIGIN SOFTWARE SERVICE CO.,LTD. (currently Sakura Information Systems Co., Ltd.)
October 1993	Joined DAIICHIKOSHO CO., LTD.
March 1994	Joined the Company (AXIS CO.,LTD.)
June 1995	Appointed as Director of the Company
April 2007	Appointed as Director, General Manager of the Systems Division (currently General Manager of the Business Services Division) of the Company
July 2012	Appointed as Director of AXIS IT Solution Singapore PTE. LTD. (to present)
October 2022	Appointed as Director, Managing Executive Officer, General Manager of Business Services Division of the Company
March 2023	Appointed as Director, Vice President and Executive Officer (to present)
March 26, 2023	Appointed as Representative Director, President and Executive Officer, COO (planned)

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 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.

We assume no responsibility for any damages resulting from the use of this document. Please also not duplicate this material without permission.

For inquiries

IR staff of Management Planning Division

03-6205-8540

ir@axis-net.co.jp