Securities code: 4012
Tokyo Stock Exchange Standard Market

Axis Co., Ltd.
Financial Results for FY12/24 Q2

August 27, 2024

Table of Contents

1. Financial Results for FY12/24 Q2

2. Topics

2. Full-year Business Forecasts for FY12/24

Appendix

- Service Introduction:
  Our digital consulting service "Marutto Axis"



1

Financial Results for FY12/24 Q2

© Axis Co., Ltd.

Financial Summary

Net sales

3,649 million yen
(+17.0% YoY)

Operating profit

415 million yen
(+25.2% YoY)

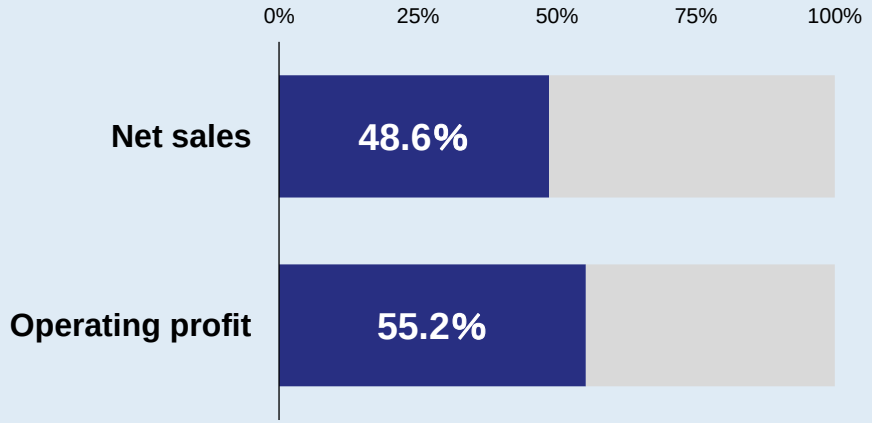
Operating profit margin

11.4%
(+0.8ppt. YoY)

Key points

- Net sales rose by 17.0% YoY, reaching a **record high**.
  Continued sales growth since listing.
- Operating profit was also strong, up by 25.2%.
  Record high in semi-annual accounting period.
- Operating profit margin remained at a high level of 11.4%.
  Up by 0.8ppt. YoY.
- Steady progress toward full-year forecasts.
- The appetite for IT investment by local governments, public offices, and enterprises remains strong in line with the momentum of digital transformation (DX). Backlog of orders increased YoY.
- No impact of exchange rate fluctuations on business.

Progress rate against full-year forecast



© Axis Co., Ltd.

Summary of the Profit-and- Loss Statement

Point 1

- **Strong demand for DX and modernization*1 continued, achieving YoY growth in both sales and profits.**

Point 2

- **Gross profit increased due to higher average customer spend, despite higher production costs such as personnel costs and outsourcing costs.**

Point 3

- **Semi-annual profit increased by 23.0% and basic earnings per share increased by 19.2%.**

(Million yen)	FY12/23 Q2	FY12/24 Q2	YoY Change	YoY Pct. change	Progress rate against full-year forecast
Net sales (Point 1)	3,118	**3,649**	+531	17.0%	48.6%
Gross profit (Point 2)	813	**956**	+142	17.5%	49.2%
Operating Profit	331	**415**	+83	25.2%	55.2%
Ordinary profit	343	**427**	+84	24.7%	55.9%
Profit (Semi-annual) (Point 3)	223	**274**	+51	23.0%	52.2%
Basic earnings per share (yen)	54.83	**65.38**	+10.55	19.2%	
Gross profit margin	26.1%	**26.2%**		+0.1p	
Operating profit margin	10.6%	**11.4%**		+0.8p	
Ordinary profit margin	11.0%	**11.7%**		+0.7p	

*1) Reforming legacy systems to modern systems

© Axis Co., Ltd.

Analysis of Factors Behind Changes in Operating Profit

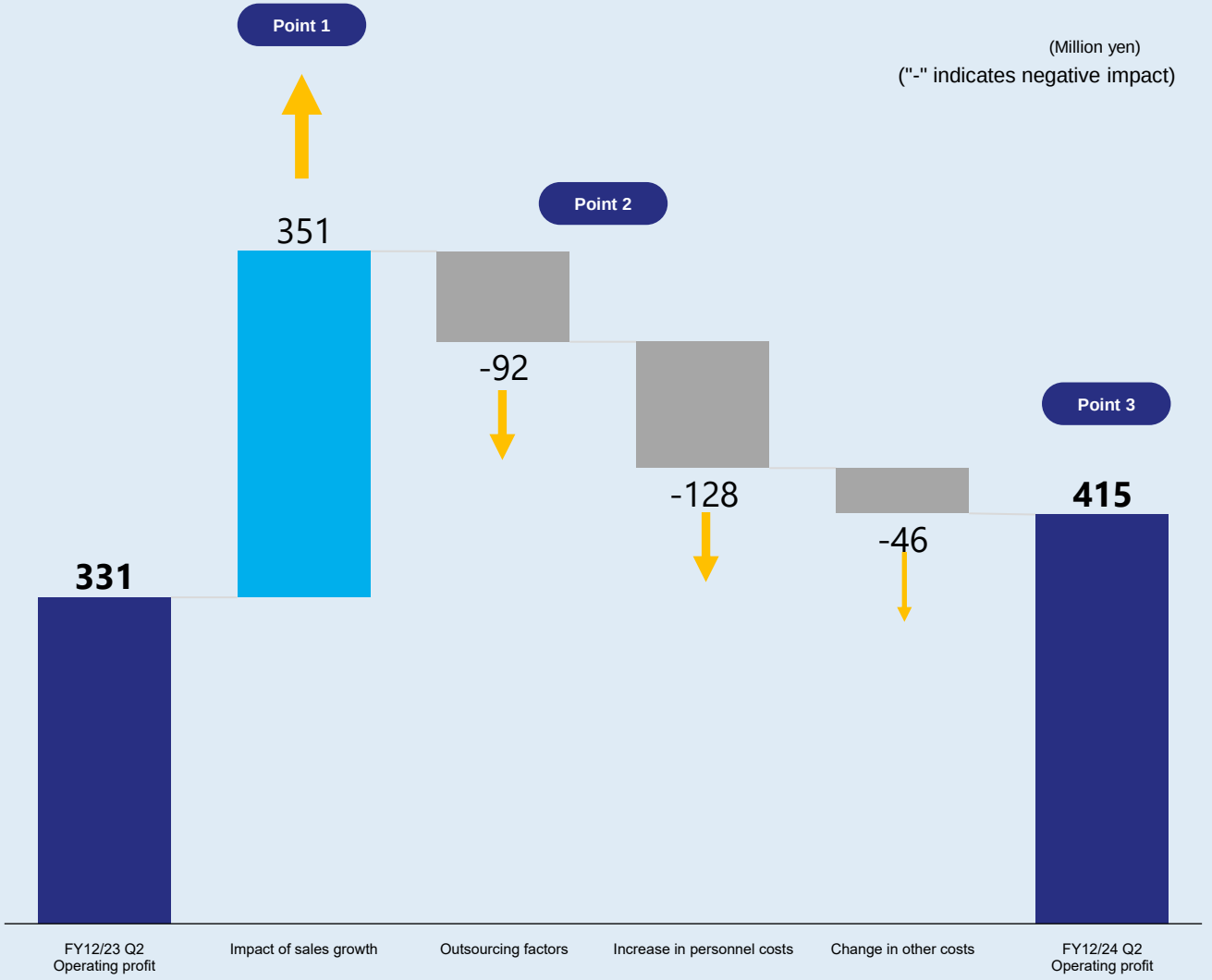
Point 1

- **Net sales increased by 351 million yen driven by large sale growth.**

Point 2

- **Absorbing profit decrease factors such as labor costs associated with increase in number of engineers and outsourcing costs.**

- **Profits increased by 83 million yen (+25.2%) YoY**



© Axis Co., Ltd.

Trends in Quarterly Performance

Point 1

- **Net sales remained strong, reaching a record high.**

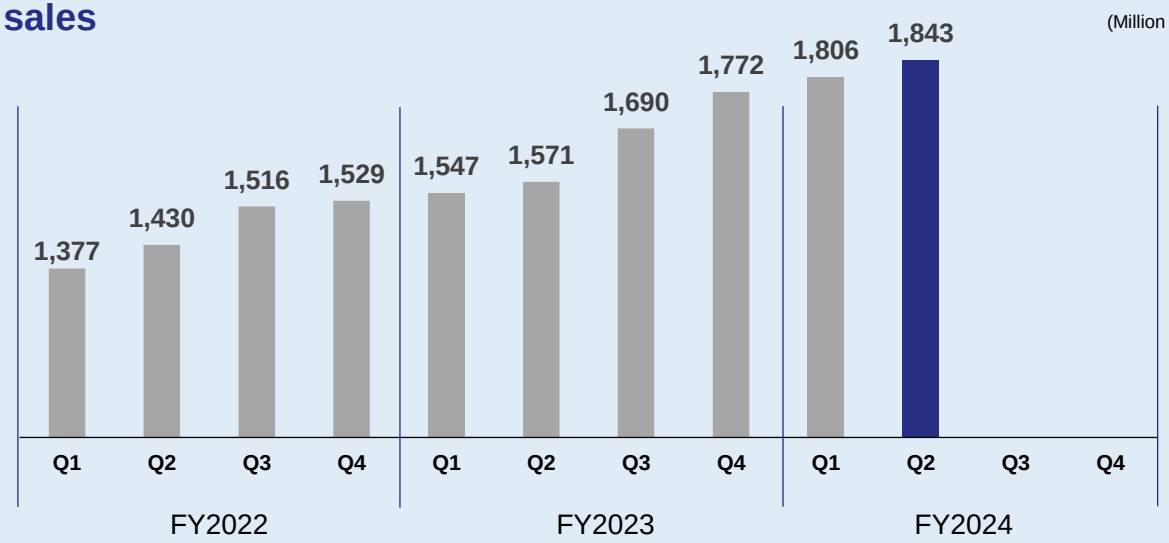
Point 2

- **Operating profit increased by 61 million yen YoY.**

Net sales

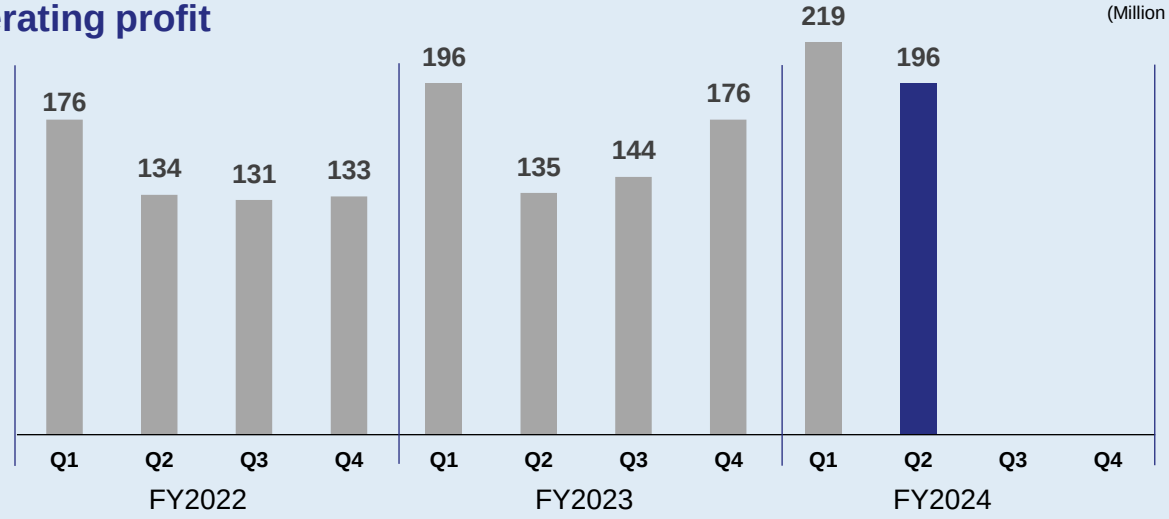
Record high

(Million yen)



Operating profit

(Million yen)



*Due to the impact of personnel expenses for hiring new graduates, there is a seasonality change in the operating profit between Q1 and Q2.

© Axis Co., Ltd.

Sales of Each Business and Major KPIs

Point 1

- Significant growth in both the System Integration and the IT Services segments.

Point 2

- Backlog of orders increased significantly YoY.
- Sales per employee increased due to improved productivity and shifting to upstream processes such as IT consulting.
- The number of KITARO subscribers increased by more than 600 YoY, achieving the full-year plan as of the end of the current quarter.

(Million yen)

	FY12/23 2Q	FY12/24 Q2	YoY Change	YoY Pct. change
Sales by segment Point 1				
System Integration (SI)	2,954	**3,443**	+489	16.6%
IT Services (IT)	163	**206**	+42	25.8%
Total (net sales)	3,118	**3,649**	+531	17.0%
Major KPIs Point 2				
SI Backlog of orders [million yen]	1,307	**1,742**	+434	33.2%
SI Sales per employee [thousand yen]	7,101	**7,584**	+482	6.8%
IT No. of KITARO Subscribers [Units]	8,135	**8,743**	+608	7.5%

© Axis Co., Ltd.

Sales by Business:

System Integration Business

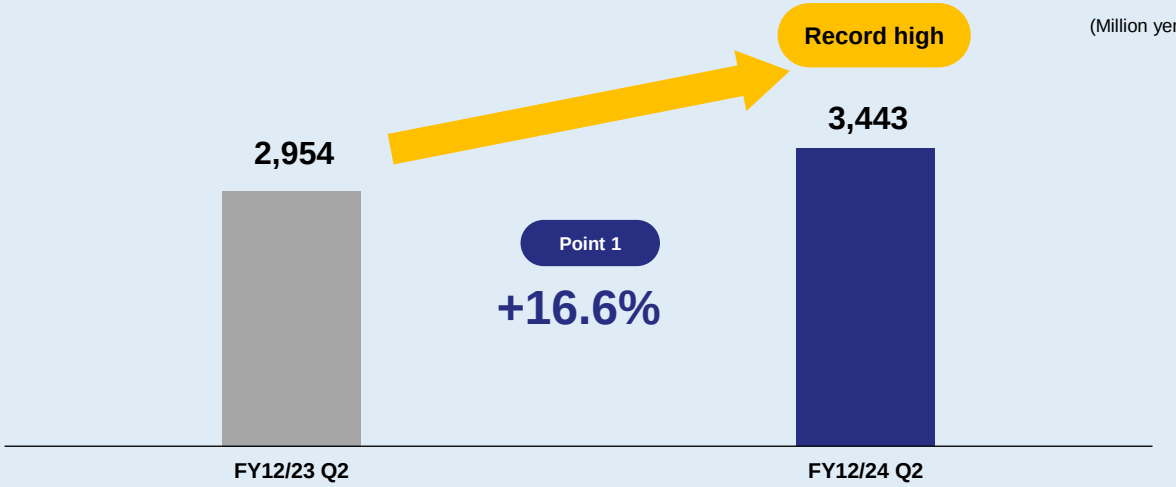
Point 1

- Steadily capturing demand, especially from banks, amid strong corporate appetite for IT system investment. Significant increase in sales partly due to the higher sales per employee.

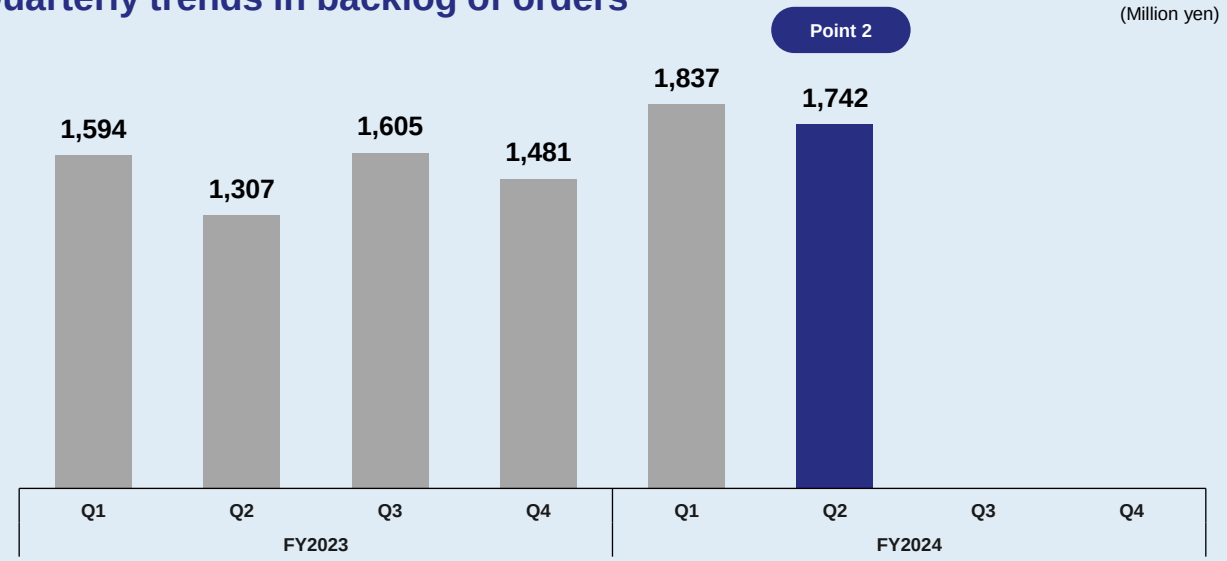
Point 2

- Steady progress in backlog of orders with increase in new contracts and expansion of services for existing contracts.

SI Business: Net Sales



Quarterly trends in backlog of orders



© Axis Co., Ltd.

Sales by Business:

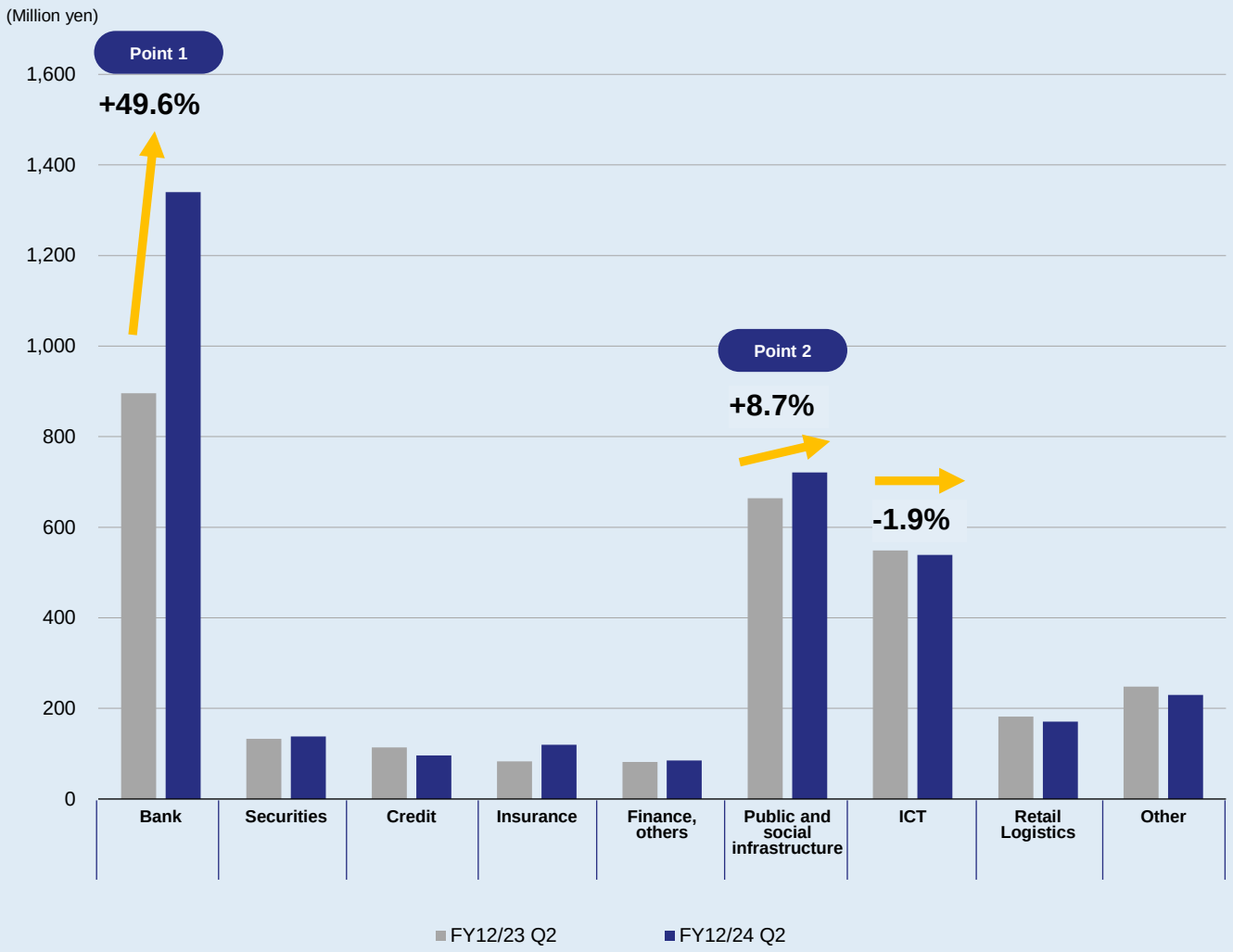
System Integration Business Net Sales by Industry

Point 1

- For banks, projects related to Cloud Lift and modernization, in addition to upstream IT consulting projects and large-scale regulation response projects (SWIFT), increased.

Point 2

- For public infrastructures, sales were strong driven by increased direct orders and projects from the public sector.



© Axis Co., Ltd.

Sales by Business:

IT Services Business

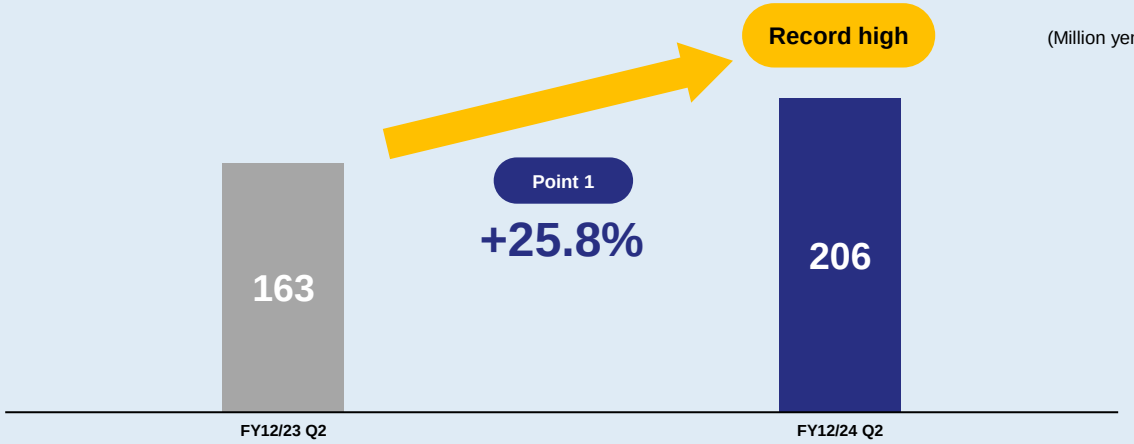
Point 1

- Sales rose sharply on steady growth in the number of the cloud service KITARO subscribers and in technical support contracts for services provided by other companies.

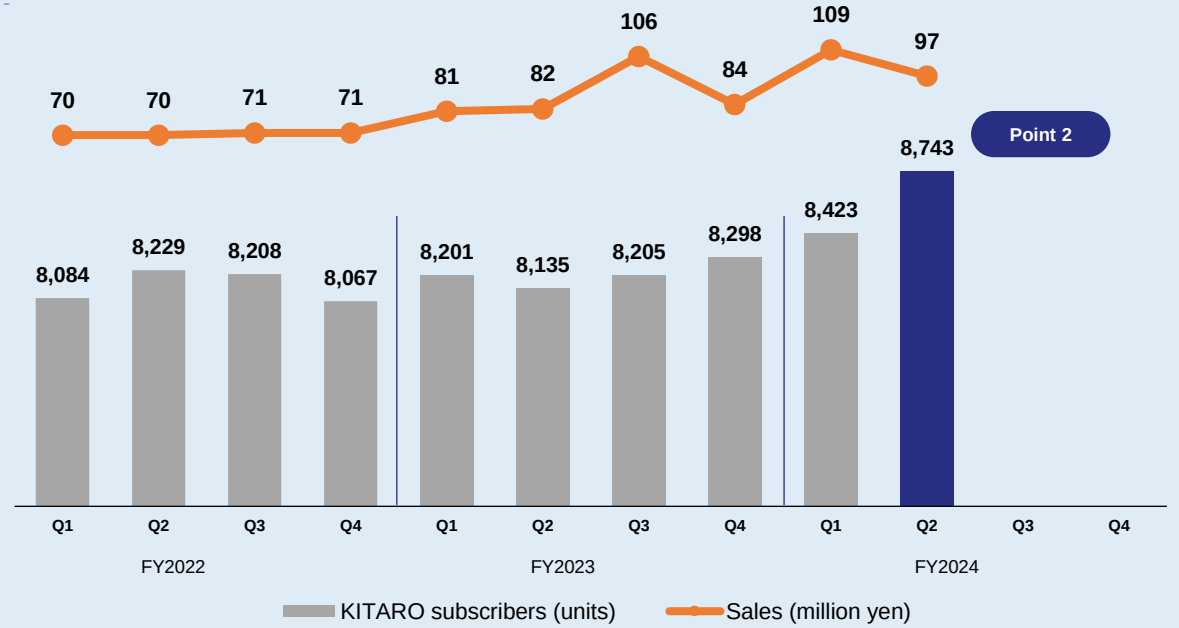
Point 2

- Achieved full-year forecasts as of the end of Q2 due to accelerated growth in the number of subscribers for the cloud service KITARO as a result of steady growth in new contracts and a decrease in cancellations.

IT Services Business: Net Sales



Trends in quarterly sales and the No. of KITARO subscribers (units)



© Axis Co., Ltd.

Balance Sheet

Point 1

- **Net assets increased steadily due to higher profit.**

Point 2

- **Capital-to-asset ratio rose by 0.3ppt. to 74.2%, maintaining a high-level of financial stability.**

Point 3

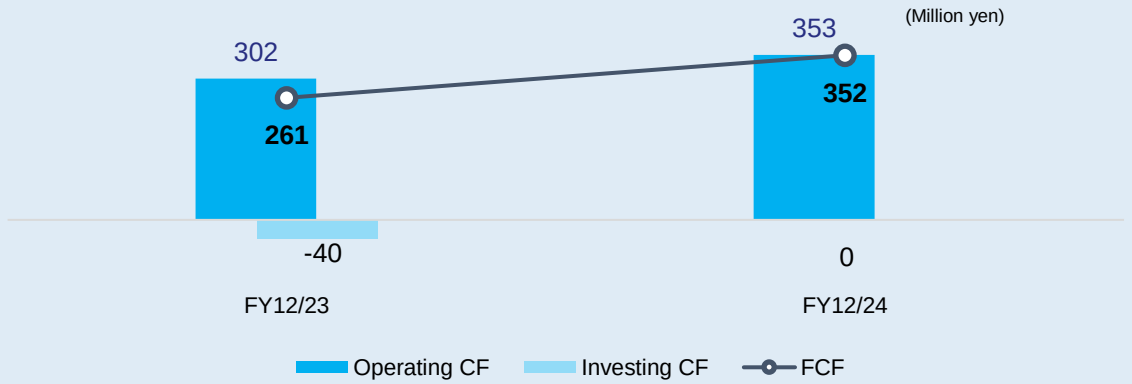
- **Plan to utilize the increased cash and deposits to invest in human resources (personnel training, recruitment, etc.), service development, and other growth investments to increase corporate value**

Major figures in B/S

(Million yen)

	FY12/23 end of December	FY12/24 end of June	Change from last period
Current assets	3,482	**3,794**	+312
Point 3 Cash and deposits	2,466	**2,782**	+316
Accounts receivable and contract assets	941	**930**	-11
Inventory assets	27	**6**	-20
Non-current assets	582	**572**	-9
Goodwill	215	**200**	-14
Total assets	4,064	**4,367**	+302
Liabilities	1,061	**1,127**	+66
Accounts payable	269	**252**	-16
Interest-bearing liabilities	—	**—**	—
Provision for retirement benefits	260	**277**	+16
Point 1 **Net assets**	3,003	**3,239**	+236
Total liabilities and net assets	4,064	**4,367**	+302
Point 2 **Capital-to-asset ratio**	73.9%	**74.2%**	+0.3p

Major Cash Flows



© Axis Co., Ltd.

2

Topics

© Axis Co., Ltd.

Topics -1

Our President Mr. Ogura, appeared as a guest on the Nikkei CNBC's program "Seme No IR: Market Breakthrough"

Our President Mr. Ogura, appeared as a guest on the Nikkei CNBC's program "Seme No IR: Market Breakthrough". He explained our business activities along with recent topics.



■URL

https://www.nikkei-cnbc.co.jp/program/2001_semenoir

Our President Mr. Ogura, appeared as a guest on Radio NIKKEI‘s program “So-ba no Fukunokami”

Our President Mr. Ogura, appeared as a guest on Radio NIKKEI's program "So-ba no Fukunokami", talking with the securities analyst Tomoyuki Fujimoto.



■URL

https://www.radionikkei.jp/fukunokami/20240702.html

© Axis Co., Ltd.

Topics -2

Awards from Sports Hinomaru Kids

From April to August 2024, we sponsored 3 conventions and events.

At each event, we present sports towels to the volunteer staff who support the event as the Axis Award.

At the 14th Kinki Elementary School Judo Tournament, we received an award from Sports Hinomaru Kids Society for our support over the years.





We support Sports Hinomaru Kids's activities to deepen the bond between parents and children, and have been a co-sponsor since 2014. We will continue to work for a society in which children can enjoy a bright life.

Received thanks for supporting the damage of the Noto Peninsula Earthquake in 2024

On February 17, we ended the support for the affected areas of the Noto Peninsula earthquake that occurred on January 1, 2024 through our real-time operation management system KITARO service. We have received a thank you email from a member company of the National Federation of Cleaning Businesses, which removes debris and rubble. (partial excerpt)



Work in the disaster area



From Naohiro Moriyama, President of Taiyo Cleaner Co., Ltd.

© Axis Co., Ltd.

3

Full-year Business Forecasts for FY12/24

(No change from initial forecast)

© Axis Co., Ltd.

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 14.0% increase in sales and 15.2% 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 profit margin is expected to reach the management target of 10.0%.
- Steady progress against full-year forecasts as of H1.

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.

© Axis Co., Ltd.

Full-year Business Forecasts for FY12/24

Point 1

- **Expecting continued strong corporate IT investments, including DX.**

Point 2

- **Sales in the System Integration Business 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.**

(Million yen)

	FY12/23	FY12/24 Full-year forecasts	YoY	
			Change	Pct. change
Net sales	6,581	**7,504**	+922	14.0%
Point 2 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%
Point 3 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

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 KITARO Subscribers [Units]	8,298	**8,615**	+317	3.8%

© Axis Co., Ltd.

Analysis of Factors Behind Changes in Operating Profit

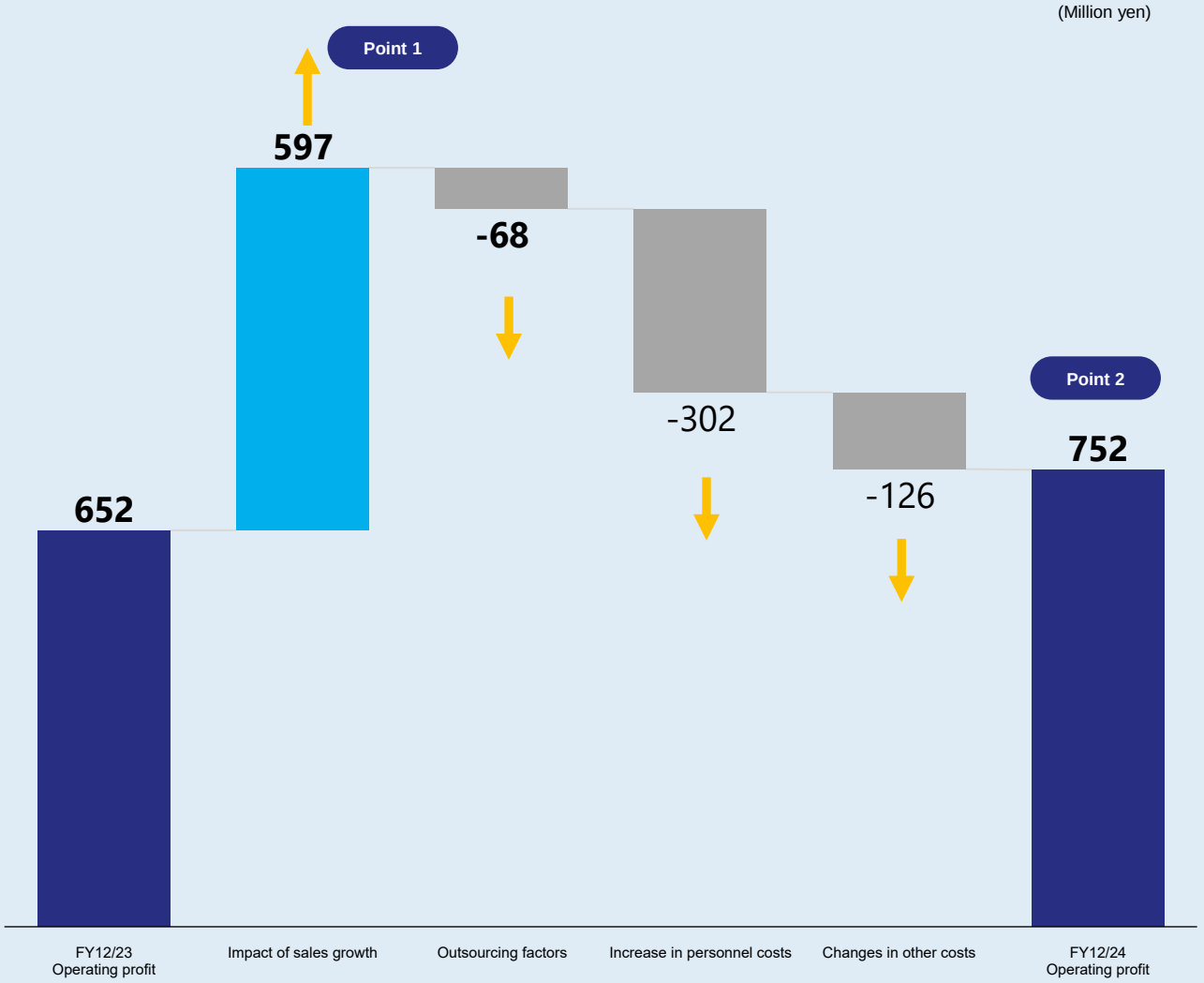
Point 1

- 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



© Axis Co., Ltd.

Sales Forecast by Business:
System Integration Business

Point 1

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

Point 2

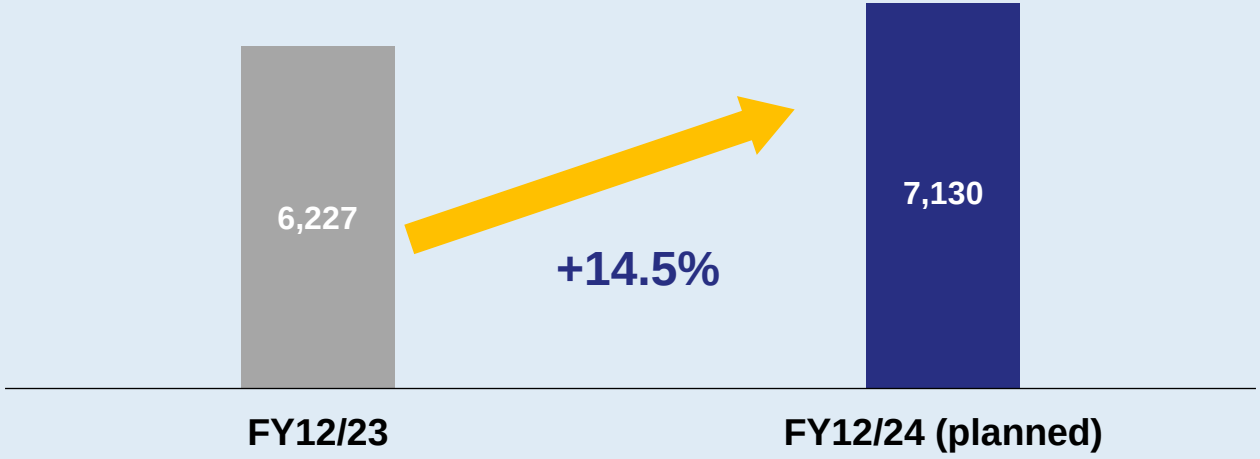
- Large-scale orders from government agencies and financial institutions assumed.

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

Strengthen partner sales

- 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.

© Axis Co., Ltd.

Sales Forecast by Business:
IT Services Business

Point 1

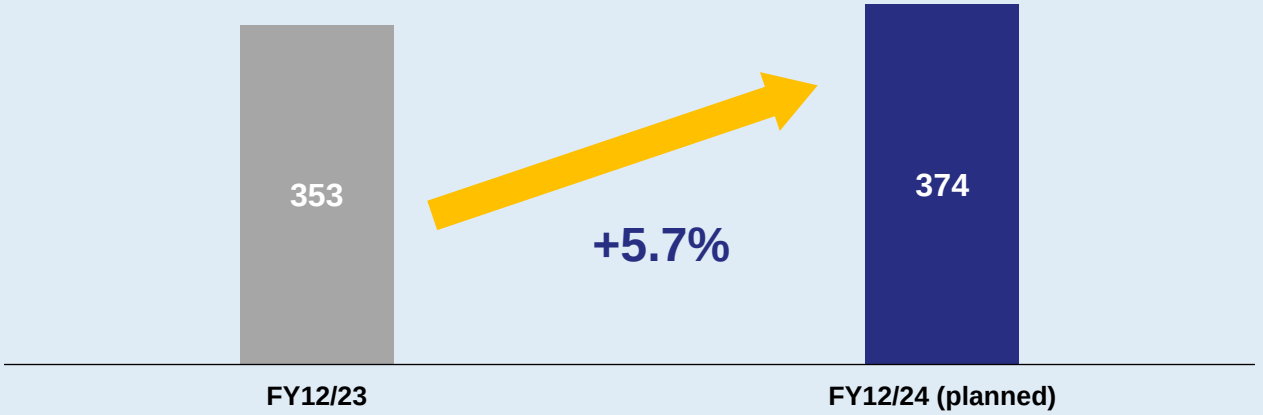
- **Demand for cloud services is expected to be recovered as the number of KITARO subscribers has been increasing since Q3 of FY12/23. Aim to diversify customers by upgrading functions in KITARO and providing new services.**

Point 2

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

Net sales **374 million yen**

(Million yen)



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

© Axis Co., Ltd.

Shareholder Return

Point 1

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

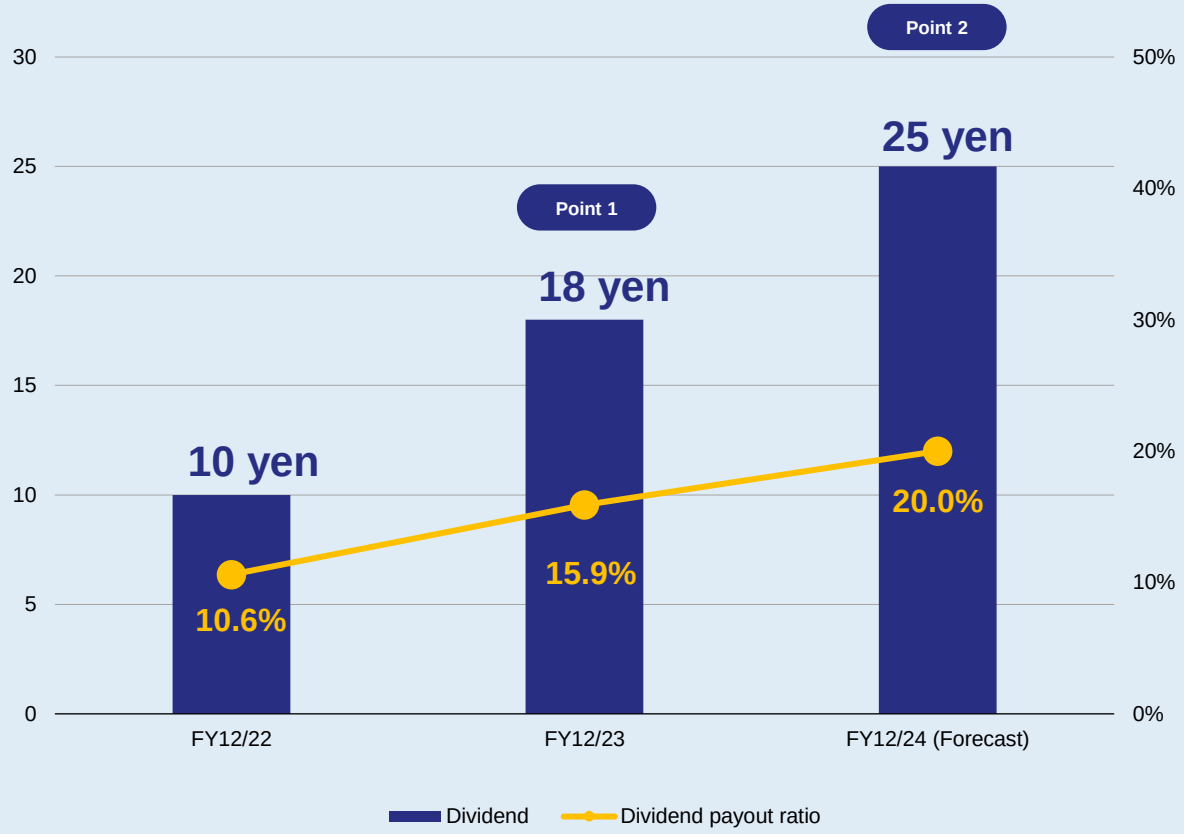
Point 2

- **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.**

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



© Axis Co., Ltd.

Appendix

Our digital consulting service “Marutto Axis"

© Axis Co., Ltd.

Increasing Need for DX among SMEs

Problems encountered by SMEs as they promote digitization in-house

Lack of human resources

They are too busy with their core business to have dedicated IT and digital staffs.



High recruitment and personnel costs

It is also difficult to hire full-time personnel, and costs are high because of the millions yen spent on personnel after hiring.



Don't have/know where to ask for help

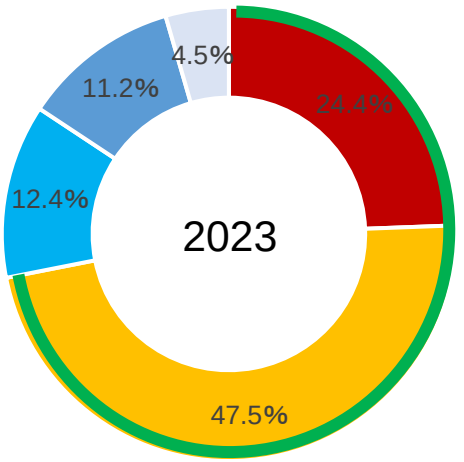
Even if there is something they want to do, they don't know where to start or where to ask for help.



Although the demand for DX by SMEs is strong, they cannot promote DX for a variety of reasons.

Survey on the Promotion of DX by SMEs

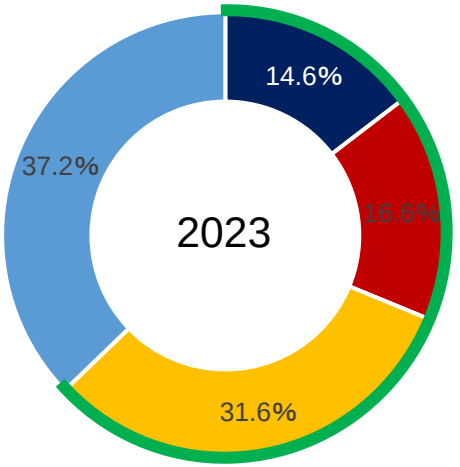
Need for DX



71.9% companies recognize the need

- It is necessary
- It is necessary to some extent
- No strong opinion
- Do not think it's very necessary
- Do not think it's necessary

Status of progress for DX



48.2% companies intend to promote in the future

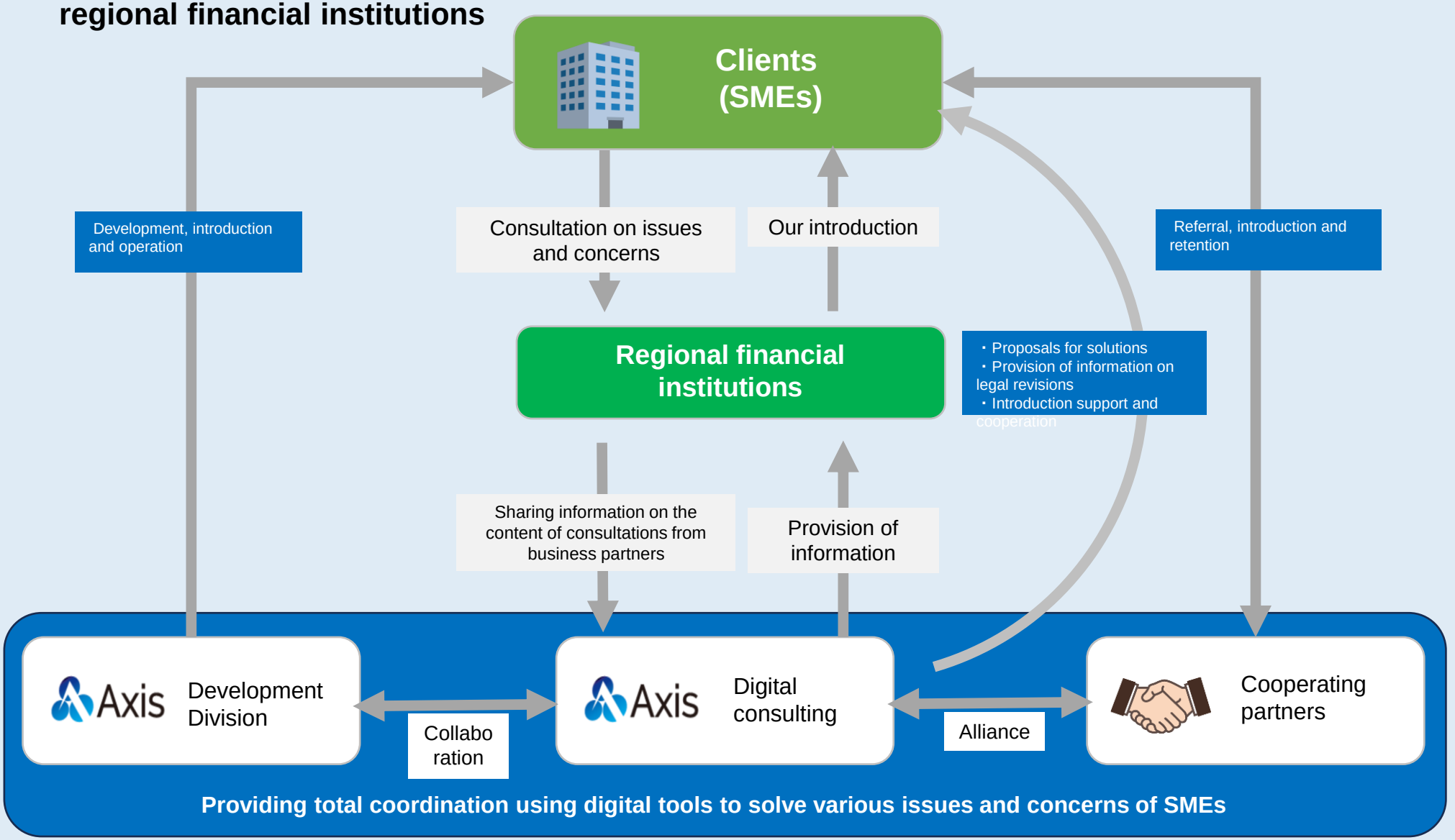
- Already working on it
- Coosidering
- Necessary but not addressed
- Have no plan

Source: Survey on the Promotion of DX by SMEs (2023) P6-P7 by SMRJ
Compiled by Axis Co., Ltd. (https://www.smrj.go.jp/research_case/questionnaire/fbrion0000002pjw-tt/202310_DX_report.pdf) based on the Survey on DX Promotion by Small and Medium Enterprises (2023)

© Axis Co., Ltd.

Business Model of Digital Consulting Services

Proposing solutions to the various issues and concerns of business partners through regional financial institutions



© Axis Co., Ltd.

IT Digital Consulting Service "Marutto Axis"

"Marutto Axis," a DX support service for SMEs

Resolving various problems with low cost and fixed monthly amount

Emergency call for digital tools

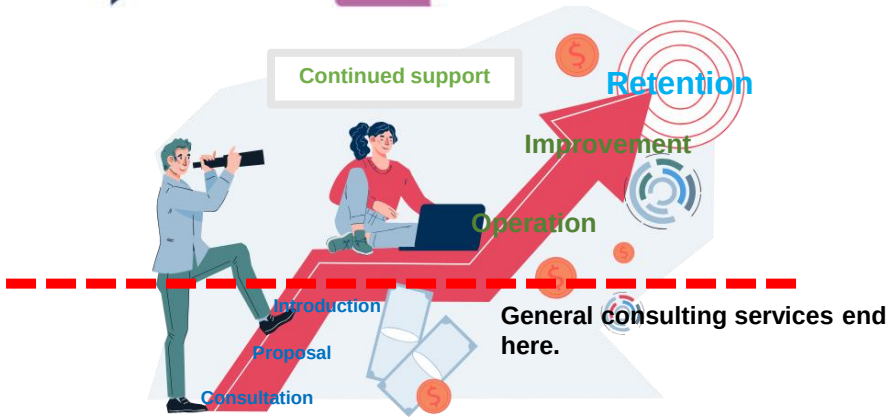


01 Support for a variety of IT tasks by accompanying customers to solve their issues on DX

02 Selection/introduction/operation support for IT tools to promote DX

03 Support for infrastructure development, such as network construction, and maintenance

04 Consulting on setting of IT equipment such as PCs



Cooperation partners for digital tools (partial excerpt)

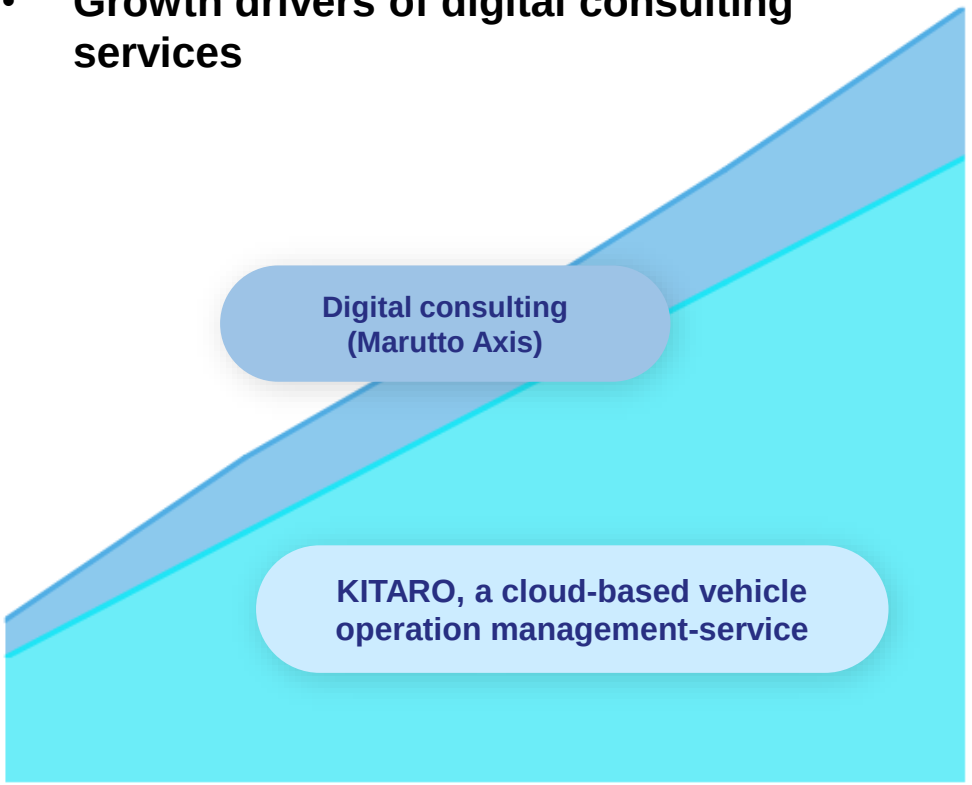
WinActor / 請求QUICK / TOKIUM インボイス / RPA EzAvater / 楽楽明細 / Climber Cloud / 楽楽販売 / AxIsOCR Optical Character Recognition with AI inside / eas / FormOCR / ジョブカン 勤怠管理 / SIGNATE / 楽楽勤怠 / 経費BANK / TOKIUM 経費精算 / 楽楽精算 / 承認TIME / エンカレッジ / collaboflow コラボフロー / freee サイン / CLOUDSIGN / Money Forward クラウド / Dojo / AccessiLens / KING OF TIME / MiiTel / 自動議事録AI YOMEL / Conomity

© Axis Co., Ltd.

Future Image and Consultation Results

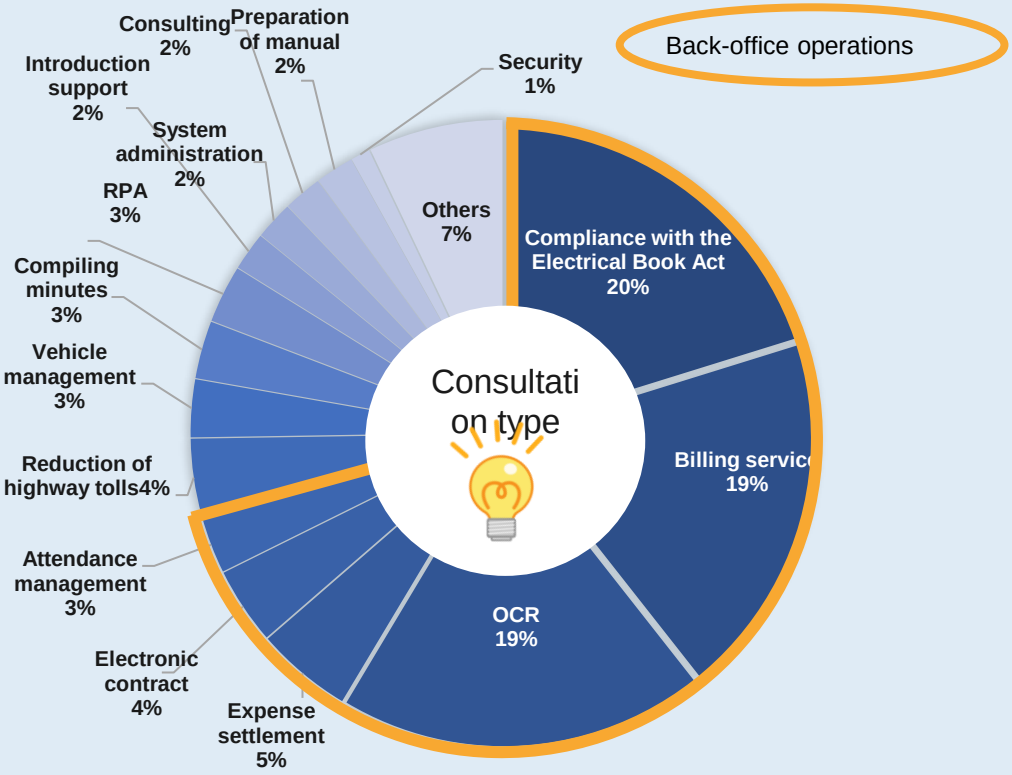
Growth Image of "Marutto Axis"

- A subscription-type business with stable recurring revenue
- Growth drivers of digital consulting services



IT Services Business

Consultation results



- **Many of the consultations included opinions about improving back office operations**

© Axis Co., Ltd.

Disclaimer

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
mailto:ir@axis-net.co.jp

© Axis Co., Ltd.