



Borderless IR Co., Ltd Announces Newsletter

August 26, 2019

Daiki Axis Co., Ltd. (4245, First Section, Tokyo Stock Exchange) Overview of Operating Performance for the First Six Months Ended June 30, 2019

The Company formulated a three-year medium-term management plan with a focus on raising profitability and began selling Johkasou made in India.

Summary of Results

[Daiki Axis \(TOKYO:4245\)](#) has formulated a new medium-term management plan, "Make FOUNDATION Plan (Promote ESG)," for the fiscal years ending December 31, 2019 to 2021. The company started off the plan by transitioning to a company with an audit and supervisory committee and introducing an executive officer system. The Company's main business strategy is to focus on ensuring future revenue and profits through several initiatives. First, in the environmental equipment segment, the Company is bolstering sales overseas and strengthening the management its recurring-revenue the energy service company (ESCO) businesses of water utilities and the maintenance. Second, Daiki Axis is launching an e-commerce business while transitioning toward growth businesses in the household equipment segment. Third, in the renewable energy segment the company is working to realize a recycling society and striving to shore up stable revenue and profits.

The Company encountered setbacks involving construction projects ordered during the previous fiscal year that ended up producing losses. Accordingly, it plans to discuss matters such as improving orders and rising outsourcing costs incurred at the end of the previous fiscal year as management issues.

Selling, general and administrative expenses contracted, with the most significant reduction coming from personnel expenses. Under non-operating income, subsidies and equivalents posted during the six months ended June 30, 2018 were not recorded during the period under review, and the ratio of consolidated tax expenses rose. As a result, during the period under review, the Company generated net sales of JPY17,848 million (up 2.4% YoY),

operating income of JPY504 million (up 2.2% YoY), ordinary income of JPY575 million (down 3.5% YoY) and profit attributable to owners of parent of JPY214 million (down 32.4% YoY).

In the environmental equipment segment, sales of wastewater treatment systems were up year on year. This increase was primarily due to two factors: First, sales in Japan were boosted as the Company succeeded in raising orders for large-scale projects related to electrical component factories. Second, maintenance and overseas sales received support as CRYSTAL CLEAR CONTRACTOR PTE. LTD., a pool maintenance company the Company acquired in November 2018, began stably recording sales during the period under review. In the water utilities business (excluding ESCO), the Company completed five projects involving the sale of equipment and sales finished up year on year. Additionally, the Company began selling Johkasou made in India, and sales rose year on year in the recurring-revenue energy service company (ESCO) businesses in the area of water utilities. In terms of income, large-scale projects related to electrical component factories resulted in losses due to rising construction outsourcing expenses, which cancelled out JPY88 million in profit recorded during the previous fiscal year under the percentage-of-completion method. Additionally, increases in construction outsourcing expenses were also forecasted for domestic large-scale projects related to wastewater from garbage incineration facilities, and the Company recorded JPY99 million in provision for loss on construction contracts. As a result, sales in the environmental equipment segment were JPY9,515 million (up 13.6% YoY), and segment income (operating income) was JPY489 million (down 17.5% YoY).

In the household equipment segment, the Company saw few medium-sized or large projects contribute to construction-related sales, and sales of retail products through DIY stores were down due to lower sales to existing stores. Additionally, in the construction of residential equipment, the company did not benefit from large-scale store construction as it had at the same time during the preceding fiscal year. Consequently, sales in the household equipment segment were JPY7,061 million (down 12.9% YoY) and segment income (operating income) was JPY203 million (down 34.2% YoY).

In the renewable energy segment, sales of electricity from solar power generation rose significantly as the Company steadily commenced electricity sales. In addition, sales of biodiesel fuel were up year on year. The Company posted no sales results for the compact wind generation business, which it launched during the period under review. As a result,

segment sales were JPY304 million (up 227.6% YoY) and segment income (operating income) was JPY107 million (versus operating loss of JPY72 million recorded during in the same period during the previous fiscal year).

In other segments, performance in the engineering business was strong compared based on year-on-year comparisons. Sales were flat year on year in the household drinking water business. Consequently, segment sales were JPY966 million (up 13.6% YoY) and segment income (operating income) was JPY87 million (down 3.1% YoY).

[Daiki Axis Co., Ltd. \(4245, First Section, TSE\)](#) “Summary of Consolidated Financial Results for the Six Months Ended June 30, 2019” is available here:

[Summary of Consolidated Financial Results for the Six Months Ended June 30, 2019](#)

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