



Borderless IR Co., Ltd Announces Newsletter

November 20, 2019

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

In the nine months ended September 30, 2019, new sales and operating income grew substantially. In the renewable energy segment, income from electricity sales was up significantly.

Summary of Results

During the first nine months of the fiscal year ending December 31, 2019, the Company generated net sales of JPY26,590 million (up 4.4% YoY), operating income of JPY755 million (up 69.0% YoY), ordinary income of JPY856 million (up 46.4% YoY), and profit attributable to owners of parent of JPY426 million (down 16.7% YoY).

Despite unprofitable construction projects received in the environmental equipment segment in the previous fiscal year, operating income and ordinary income were both up substantially year on year thanks to a sharp increase in income from electricity sales in the renewable energy segment and successful companywide efforts to curtail costs. These efforts centered on personnel and other SG&A expenses.

In extraordinary items, during the period the Company recorded an impairment loss on goodwill of JPY83 million in relation to high-temperature/high-pressure hydrothermal treatment in the environmental equipment segment. At the same time, the Company posted JPY81 million in compensation income related to removal in the water utilities business. Profit attributable to owners of parent was down substantially because of a temporary gain on sales of investment securities of JPY479 million recorded in the previous fiscal year.

In the environmental equipment segment, sales of wastewater treatment systems rose year on year. As contributing factors, sales in Japan were boosted by the Company's success in raising orders for large-scale projects related to electrical component factories. In addition, maintenance and overseas sales benefited from CRYSTAL CLEAR CONTRACTOR PTE.

LTD., a pool maintenance company in Singapore the Company acquired in November 2018, which began stably recording sales during the period under review. In the water utilities business (excluding ESCO), the Company completed six projects involving the sale of equipment, and sales were up year on year. Additionally, the Company began selling Johkasou made in India in the second quarter, and sales in the recurring-revenue energy service company (ESCO) businesses in the area of water utilities were up year on year. In terms of income, large-scale projects related to electrical component factories resulted in losses of JPY23 million. Additionally, increases in construction materials and construction outsourcing expenses were forecast for domestic large-scale projects related to wastewater from waste treatment plants, and the Company recorded JPY171 million in provision for loss on construction contracts. As a result, sales in the environmental equipment segment were JPY13,941 million (up 14.0% YoY), and segment income (operating income) was JPY694 million (down 9.1% YoY).

In the household equipment-related business segment, the Company saw fewer medium-sized or large projects contribute to construction-related sales than in the previous year, and sales of retail products through DIY stores were down due to lower sales to existing stores. Additionally, in the construction of residential machinery, the Company benefited less from large-scale store construction than in the same time during the preceding fiscal year. Consequently, sales in the household equipment-related business segment were JPY10,634 million (down 10.1% YoY) and segment income (operating income) was JPY323 million (down 22.4% 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. Electricity sales commenced in the compact wind generation business, which the Company launched in the second quarter. As a result, segment sales were JPY514 million (up 189.7% YoY), and segment income (operating income) was JPY201 million (versus an operating loss in the same period of the previous fiscal year).

In other segments, performance in the engineering business was strong based on year-on-year comparisons. Sales were flat year on year in the household drinking water business. Consequently, segment sales were JPY1.5 billion (up 20.1% YoY) and segment income (operating income) was JPY130 million (up 19.1% YoY).

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

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

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