



BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

DAIKI AXIS CO., LTD. (4245, FIRST SECTION, TOKYO STOCK EXCHANGE)
OVERVIEW OF OPERATING PERFORMANCE FOR THE FIRST THREE
MONTHS ENDED MARCH 31, 2020

June 16, 2020—Tokyo

In the three months ended March 31, 2020, both operating income and ordinary income increased.

The Company also released green bonds relevant to its renewable energy segment.

Summary of Results

The business environment surrounding the Company deteriorated rapidly as the three months ended March 31, 2020 reached their conclusion, due in part to suspensions of economic activity caused by the feverish spread of the novel coronavirus (COVID-19) pandemic in Japan and overseas. Furthermore, the Company has not yet determined its consolidated results forecast for the fiscal year ending December 31, 2020 due to concerns that order bookings will be delayed primarily as a result of abstinence from sales activities aimed at forestalling the spread of the novel coronavirus.

The Company is endeavoring to achieve the targets laid out in its medium-term management plan, “Make FOUNDATION Plan (Promote ESG),” which covers the three-year period from January 1, 2019 to December 31, 2021. In accordance with these efforts, the Company is focusing on raising the future profitability of all of its business segments. In the environmental equipment segment, the Company is bolstering sales overseas and strengthening the management of its recurring-revenue energy service company (ESCO) businesses in the areas of maintenance and water utilities. Meanwhile, in the household equipment-related business segment, the Company is transitioning from stability-oriented businesses to growth-oriented businesses. Finally, in the renewable energy segment, the Company is endeavoring to realize a recycling society and striving to shore up stable revenue and profits.

During the three months ended March 31, 2020, net sales were mostly level YoY at JPY9,593 million (down 1.6% YoY). However, thanks to comprehensive profit improvement efforts, gross profit rose to JPY2,042 million (up 5.1% YoY), operating income increased to JPY502 million (up 6.8% YoY), and ordinary income ascended to JPY543 million (up 5.8% YoY). Profit attributable to owners of parent was JPY280 million (down 7.1% YoY) due to the posting of extraordinary losses and the recording of an annual preferred dividend of 4.8% for classified stock issued by consolidated subsidiary Sylphid Inc.

In the environmental equipment segment, sales of wastewater treatment systems were down year on year. The Company recorded a measurable amount of sales from large-scale

projects in the three months ended March 31, 2019 using the percentage-of-completion system for recognizing revenues. However, sales in the three months ended March 31, 2020 did not measure up to this amount, and overseas sales were also affected by project delays. Sales in the recurring-revenue energy service company (ESCO) businesses in the areas of maintenance and water utilities were strong compared to performance during the three months ended March 31, 2019. As a result of these circumstances, sales in the environmental equipment segment were JPY5,042 million (down 11.0% YoY) while segment operating income amounted to JPY500 million (down 10.0% YoY).

Sales and income increased in the household equipment-related business segment. Construction-related sales were strong when compared to the three months ended March 31, 2019. This strong performance occurred despite product shipment delays that arose because many of the suppliers associated with these sales have component production sites in China and was due primarily to Company's decision to substitute other products and replacement demand for some products. In terms of residential machinery construction, medium-sized or large projects were scarce, but corresponding sales were strong when compared to the three months ended March 31, 2019, as the Company recorded sales from Fujiwara Reiki, which became a consolidated subsidiary in September 2019. Sales of retail products through DIY stores were impacted by lower sales to existing stores, and sales activities in the EC business, including field surveys targeting end users, were delayed due to the spread of the novel coronavirus pandemic. Consequently, sales in the household equipment-related business segment were JPY3,985 million (up 13.1 % YoY) while operating income was JPY123 million (up 37.5% YoY).

In the renewable energy segment, sales increased substantially year on year as the Company steadily launched electricity sales. Sales in the biodiesel fuel and compact wind generation businesses were down year on year. As a result of these circumstances, sales in the renewable energy segment amounted to JPY164 million (up 43.4% YoY), and operating income was JPY30 million (up 33.1% YoY).

In other segments, sales in the engineering business fell year on year, despite the completion of large-scale projects during the three months ended March 31, 2020. This decline occurred because progress on these large-scale projects was minimal compared to progress during the consolidated fiscal year ended December 31, 2019, during which the Company recorded most of the sales associated with these projects because it utilizes the percentage-of-completion system for recognizing revenues. In the household drinking water business, sales were strong compared to the three months ended March 31, 2019. As a result of these circumstances, sales in other segments were JPY400 million (down 9.5% YoY), and operating income was JPY62 million (up 103.1% YoY).

Furthermore, the Company issued green bonds (unsecured bonds available only to qualified institutional investors) with the goal of conducting capital investment in the business of selling power from solar power facilities and the compact wind generation business.

Daiki Axis Co., Ltd. (4245, First Section, TSE <http://www.daiki-axis.com/english/>)

“Summary of Consolidated Financial Results for the Three Months Ended March 31, 2020” is available here:

<http://www.daiki-axis.com/ir/info/index.html>

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