



BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

DAIKI AXIS CO., LTD. (4245, TOKYO) OVERVIEW OF OPERATING PERFORMANCE FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

December 04, 2020—Tokyo

In the nine months ended September 30, 2020, operating income and ordinary income increased. The renewable energy segment grew substantially, becoming a stable source of earnings.

Summary of Results

The business environment surrounding the Company deteriorated during the nine months ended September 30, 2020 due to the rapid global spread of the novel coronavirus pandemic (COVID-19). Meanwhile, the industry was also impacted by the spread of COVID-19 as restrictions on sales activities resulted in order booking delays.

Under these circumstances, the Company is promoting a strategy focused on improving future profitability. In the environmental equipment segment, the Company pursued overseas business development and strengthened sales in the recurring-revenue energy service company (ESCO) business in the areas of maintenance and water. At the same time, in the household equipment-related business segment, the Company engaged in efforts aimed at transitioning from stability in business to growth, including the launch of an e-commerce business. Additionally, in the renewable energy segment, the Company conducted initiatives targeting the achievement of a recycling-oriented society and enhanced stable income-generating capabilities.

Net sales in the nine months ended September 30, 2020 were JPY25,687 million (down 3.4% YoY). However, thanks to measures to improve comprehensive income, gross profit came to JPY5,430 million (up 6.2% YoY) while operating income closed at JPY830 million (up 9.9% YoY) and ordinary income was JPY961 million (up 12.3% YoY). In terms of extraordinary gains and losses, the Company recorded a gain of JPY152 million on sales of subsidiaries and a JPY236 million impairment loss. The Company has been recording an annual preferred dividend of 4.8% paid to holders of classified stock in consolidated subsidiary Sylphid Inc. since the third quarter of the fiscal year ended March 31, 2019, which had an impact on profit attributable to non-controlling interests. Consequently, profit attributable to owners of parent amounted to JPY335 million (down 21.2% YoY) in the nine months ended September 30, 2020.

In the environmental equipment segment, sales of wastewater treatment systems were down year on year. The Company recorded a measurable amount of domestic sales from large-scale projects in the nine months ended September 30, 2019. However, sales in the nine months ended September 30, 2020 did not measure up to this amount, and overseas sales

were affected substantially by a deteriorating business climate caused by the COVID-19 pandemic. Sales in the recurring-revenue energy service company (ESCO) business in the area of maintenance were strong but remained level year on year in the recurring-revenue ESCO business in the area of water despite an increase in contracts due primarily to a decrease in customer water usage. Consequently, sales in the environmental equipment segment were JPY12,743 million (down 8.6% YoY) while operating income was JPY798 million (up 15.0% YoY).

In the household equipment-related business segment, construction-related sales were impacted by product shipment delays that arose because many suppliers associated with these sales have component production sites in China, but the Company was able to deal with this impact by substituting alternative products. Sales were also strong when compared to the nine months ended September 30, 2019 due to replacement demand for store equipment and other facilities. In terms of residential machinery construction, the Company was involved in a large-scale new store construction project, but medium- to large-scale projects were scarce overall. Despite this project scarcity, the Company benefitted from sales generated by Fujiwara Reiki, which became a consolidated subsidiary in October 2019, and overall residential machinery construction sales were strong compared to the nine months ended September 30, 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. As a result, sales in the household equipment-related business segment were JPY11,109 million (up 4.5% YoY), and operating income was JPY299 million (down 7.3% YoY).

In the renewable energy segment, through its solar power sales business, the Company has been renting roof space on DCM Group stores since FY2018. Within this space, it has constructed power generation facilities and sold electricity under a feed-in tariff (FIT) system. In the nine months ended September 30, 2020, the Company began selling electricity from six more facilities, and sales increased substantially year on year as a result. According to the Company's plans, only two facilities that have not yet begun selling electricity remain. Meanwhile, sales declined year on year both the biodiesel fuel and compact wind generation businesses. Consequently, sales in the renewable energy segment were JPY690 million (up 34.3% YoY), and operating income was JPY282 million (up 39.7% YoY).

In other segments, sales in the engineering business fell substantially year on year due to the sale of DAD Co., Ltd. at the end of the six-month period ended June 30, 2020. In the household drinking water business, sales were strong compared to the nine months ended September 30, 2019. As a result, sales in other segments were JPY1,143 million (down 23.8% YoY) and operating income was JPY144 million (up 10.9% YoY).

In terms of financial status, the Company's liquid assets, non-current assets, and current liabilities declined due to the transfer of all shares in DAD Co., Ltd. at the end of the six-month period ended June 30, 2020. Meanwhile, noncurrent liabilities increased as 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.

The Company has released its consolidated results forecast for the fiscal year ending December 31, 2020. The forecast projects net sales of JPY34,400 million (down 3.8% YoY),

operating income of JPY1,010 million (up 0.9% YoY), ordinary income of JPY1,160 million (up 0.4% YoY), profit attributable to owners of parent of JPY550 million (down 29.7% YoY), and EPS of JPY44.32.

Daiki Axis Co., Ltd. (4245, First Section, TSE <http://www.daiki-axis.com/english/>)
“Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2020” is available here:
<http://www.daiki-axis.com/ir/info/index09.html>

Release Disclaimer

This release is for the purpose of providing information to serve as a reference for investment decisions and not for the purpose of soliciting investment. Please exercise your own judgment on final decisions such as investment policy, timing and selection. Please be advised that we do not assume any responsibility for damages caused by this service.

Release Inquiries

Borderless IR Co., Ltd. <http://b-ir.co.jp/english/main.php>
Sixth Floor, Toyo Building 1-2-10 Nihonbashi, Chuo-ku, Tokyo 103-0027 JAPAN
TEL: +81-3-4588-6706 POC: Toru Fukuda
Contact form: <http://b-ir.co.jp/english/contact.php>

Borderless IR specializes in the global distribution of IR content, including the dissemination of newsletters and annual reports providing the latest information and main strengths of Japanese companies directly to overseas investors through leading global media, corporate information database services and mailing lists. Borderless is also engaged in supporting other global IR efforts.

©Borderless IR Co., Ltd. All rights Reserved

The content of this release may not be duplicated or reproduced.