Borderless IR

BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

DAIKI AXIS CO., LTD. (4245,TOKYO) OVERVIEW OF OPERATING PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2020

March 3, 2021—Tokyo

The Company projects sales and income increases in the fiscal year ending December 31, 2021 and plans to continue its stable payment of dividends.

Summary of Results

The business environment surrounding the Company deteriorated during the consolidated fiscal year ended December 31, 2020 due to the rapid global spread of the novel coronavirus (COVID-19) pandemic. Meanwhile, the industry was also impacted by the spread of COVID19 as restrictions on sales activities resulted in order booking delays.

Under these circumstances, the company engaged in initiatives aimed at furthering its medium-term management plan, Make FOUNDATION Plan (Promote ESG), which extends from the fiscal year ended December 31, 2019 to the fiscal year ending December 31, 2021. However, the Company withdrew corresponding quantitative targets mid-plan due to widely uncertain impact from the COVID-19 pandemic on medium- to long-term performance. With regard to these qualitative targets, the Company will continue to implement strategies emphasizing the improvement of future profitability. Specifically, in the environmental equipment segment, the Company is pursuing overseas business development, strengthening sales in the recurring-revenue energy service company (ESCO) business in the areas of maintenance and water. Meanwhile, in the household equipment-related business segment, it engaged in efforts aimed at transitioning from stability in business to growth, including both the launch of an e-commerce business and new product discovery. At the same time, in the renewable energy segment, the Company conducted initiatives aimed at achieving a recycling-oriented society and enhancing its stable income generation capabilities.

Net sales in the fiscal year ended December 31, 2020 were JPY34,647 million (down 3.1% YoY). However, thanks to measures aimed at improving comprehensive income, gross profit came to JPY7,336 million (up 5.3% YoY) while operating income closed at JPY1,045 million (up 4.4% YoY), and ordinary income amounted to JPY1,211 million (up 4.8% YoY). Within the category of extraordinary gains and losses, the Company reported a gain on sale of shares of subsidiaries and associates of JPY152 million due to the transfer of all shares in consolidated subsidiary DAD Co., Ltd. and impairment losses of JPY265 million. 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 JPY477 million (down 39.0% YoY) in the fiscal year ended December 31, 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 fiscal year ended December 31, 2019. However, sales in the fiscal year ended December 31, 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. All consolidated subsidiaries in countries other than China have settlement dates that differ from the Company's consolidated settlement date. Accordingly, performance figures for all associated companies are based on financial statements that were formulated through provisional account settlements conducted on September 30, 2020. With regard to recurring-revenue businesses, performance associated with septic tank maintenance and wastewater treatment was stronger year on year due to the acquisition of new maintenance contracts. Sales generated by energy service company (ESCO) businesses in the area of water utilities declined year on year due primarily to lower customer water usage. Consequently, sales in the environmental equipment segment were JPY17,687 million (down 4.8% YoY), and segment operating income amounted to JPY1,199 million (up 12.3% YoY).

In the household equipment-related business segment, construction-related sales were impacted by product shipment delays that arose during the three months ended March 31, 2020 because many suppliers associated with these sales have component production sites in China. However, Company was able to deal with this impact by substituting alternative products. Meanwhile, renovation-related demand fell off due to the spread of the COVID-19 pandemic. Despite this impact, associated performance was stronger year on year due mainly to demand related to the replacement of DCM Group store facilities and expansion into Osaka and Tokyo as new business areas. In terms of residential machinery construction, the Company was involved in a large-scale new store construction project for the DCM Group, 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 fiscal year ended December 31, 2019. Demand for the Company's retail home improvement products declined due to the COVID-19 pandemic, which also caused delays to sales activities in the EC business, including field surveys targeting end users. As a result, sales in the household equipment-related business segment were JPY14,742 million (up 0.7% YoY), and segment operating income amounted to JPY313 million (down 14.6% 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 consolidated fiscal year ended December 31, 2020, the Company began selling electricity from seven more facilities, and sales increased substantially year on year as a result. Meanwhile, sales declined year on year in both the biodiesel fuel and compact wind generation businesses. As a result of these factors, sales in the renewable energy segment were JPY904 million (up 29.4% YoY), and segment operating income amounted to JPY347 million (up 35.7% 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 fiscal year ended December 31, 2019. Consequently, sales in other segments were JPY1,312 million (down 28.6% YoY), and segment operating profit came to JPY171 million (up 12.4 % YoY).

In terms of financial status, the Company's liquid assets declined because it was not involved in large projects on the same scale as in the fiscal year ended December 31, 2019. Meanwhile, non-current assets also decreased due to the transfer of all shares held in DAD Co., Ltd. and goodwill impairment. At the same time, current liabilities fell due to the aforementioned share transfer and the repayment of short-term borrowings. Additionally, non-current 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.

In its consolidated results forecast for the fiscal year ending December 31, 2021, the Company projects that economic activity in Japan and overseas will continue to stagnate due to impact from the COVID-19 pandemic. Accordingly, the Company forecasts net sales of JPY35,400 million (up 2.2% YoY), ordinary income of JPY1,300 million (up 7.3% YoY), profit attributable to owners of parent of JPY700 million (up 46,7% YoY), and EPS of JPY56.43. The Company maintains a fundamental policy of stably returning income to shareholders while simultaneously achieving continuous growth. Accordingly, the Company plans to issue two dividends for the fiscal year ending December 31, 2021 totaling JPY24 per share: an interim dividend with a record date of June 30 (at a projected JPY12 per share) and a year-end dividend (also at a projected JPY12 per share).

Daiki Axis Co., Ltd. (4245, First Section, TSE http://www.daiki-axis.com/english/)
"Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2020" is available at http://www.daiki-axis.com/ir/info/index.html#

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