



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, 2021

JUNE 11, 2021—Tokyo

In the three months ended March 31, 2021, net sales increased while profit declined. Meanwhile, the Company has formulated its new medium-term management plan, “PROTECT × CHANGE” and is proceeding with its corporate mission of “Protecting the environment and changing the future.”

Summary of Results

The business environment surrounding the Company remained sluggish during the three months ended March 31, 2021 due to impact from the COVID-19 pandemic.

Under these circumstances, in February 2021, the Company formulated “PROTECT × CHANGE,” a new medium-term management plan extending from the fiscal year ending December 31, 2021 through the fiscal year ending December 31, 2023. The plan’s title, which simultaneously functions as the Company’s corporate slogan, also represents the plan’s main theme. All Group employees will freshly refamiliarize themselves with, and strive to embody, this theme and corporate slogan as the Group advances its corporate mission of “protecting the environment and changing the future” on a unified front.

In formulating this new medium-term management plan, the Company has only calculated quantitative targets on a year-by-year basis due to impact from the COVID-19 pandemic. Meanwhile, the qualitative targets of the plan follow those of the Company’s previous medium-term management plan and continue to center on the promotion of growth strategies moving forward. Specifically, in the environmental equipment segment, the Company will promote business development overseas while expanding its recurring-revenue energy service company (ESCO) business in the areas of maintenance and water. Meanwhile, in the household equipment-related business segment, the Company will launch an e-commerce business as it aims to transition from stability in business to growth. In the renewable energy segment, the Company will conduct initiatives aimed at achieving a recycling-oriented society, strengthening its capacity to secure stable profits, and devising high value-added businesses and products for conditions following the conclusion of the feed-in tariff (FIT) system’s application. In terms of overall initiatives, the Company will strengthen its internal organizations to support the successful implementation of IT strategies and apply IT as a tool for improving productivity.

Net sales generated during the three months ended March 31, 2021 amounted to JPY9,878 million (up 3.0% YoY). At the conclusion of the six-month period ending June 30, 2020, the Company sold subsidiary DAD Co., Ltd., which had operated civil engineering business. As a result, gross profit amounted to JPY2,041 million (versus JPY2,042 million during the three-month period ended March 31, 2020) as operating profit came to JPY449 million (down 10.5% YoY), recurring profit JPY495 million (down 8.9% YoY), profit before income taxes JPY498 million (up 8.7% YoY), and profit attributable to owners of parent JPY277 million (down 1.4% YoY).

In the environmental equipment segment, sales of wastewater treatment systems increase year on year. Domestic sales rose thanks to a rise in orders for large-scale projects that occurred despite a decline in capital investment demand caused by the COVID-19 pandemic. Overseas sales continued to incur downward impact from deteriorating business conditions resulting from the pandemic. With regard to recurring-revenue businesses, performance associated with wastewater treatment systems and maintenance was level year on year while sales generated by energy service company (ESCO) businesses in the area of water utilities declined year on year due primarily to a decline in customer water usage. Consequently, sales in the environmental equipment segment amounted to JPY5,172 million (up 2.6% YoY) while segment profit came to JPY481 million (down 3.9% YoY).

In the household equipment-related business segment, construction-related sales rose significantly thanks to upward impact from large-scale projects primarily involving environmentally friendly products, such as cooling systems for gymnasiums, and DIY store renovations. Housing facilities projects incurred impact from a conservative shift in capital investment demand, and associated sales declined overall as decrease in sales related to agricultural greenhouses and sales generated by exterior wall repair offset an increase in sales from refrigeration and freezing equipment that occurred thanks to impact from large-scale projects. During the three-month period ended March 31, 2020, sales of retail products made through DIY stores were impacted by late shipments of manufacturers' products, which were caused by circumstances associated with the COVID-19 pandemic and resulted in delivery delays. However, the supply of these products encountered no such obstacles during the three months ended March 31, 2021, and corresponding sales increased substantially. In the EC business, field surveys targeting end users and other sales activities were delayed by the pandemic. As a result of these factors, sales in the household equipment-related business segment amounted to JPY4,363 million (up 9.5% YoY) while segment operating profit came to JPY197 million (up 59.8% 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. As of March 31, 2021, the Company had interconnected with 130 external power sources (versus 126 as of March 31, 2020) and corresponding sales increased year on year. Sales in both the biodiesel fuel and compact wind generation businesses were nearly level year on year. Despite the overall increase in segment sales, operating profit declined primarily because the Company recorded JPY7 million in costs associated with the repair of solar power facilities. Consequently, sales in the renewable energy segment amounted to JPY183 million (up 11.6% YoY) while segment operating profit came to JPY29 million (down 1.9% YoY).

In other segments, sales in the engineering business fell substantially year on year due to the sale of DAD Co., Ltd., which was executed at the end of the six-month period ended June 30, 2020. In the household drinking water business, sales were strong due to a rise in the number of contracts for water dispensers connected directly to water supply systems. As a result of these factors, sales generated in other segments amounted to JPY158 million (down 60.4% YoY) while operating profit in other segments came to JPY28 million (down 55.1% YoY).

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, 2021” is available here:

→<https://www.daiki-axis.com/ir/library/#>

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