



# BORDERLESS IR CO., LTD. ANNOUNCES NEWSLETTER

**DAIKI AXIS CO., LTD. (4245, FIRST SECTION, TOKYO STOCK EXCHANGE) OVERVIEW OF OPERATING PERFORMANCE FOR THE FIRST SIX MONTHS ENDED JUNE 30, 2021**

August 26, 2021—Tokyo

**Both net sales and profit increased in the six months ended June 30, 2021, achieving double-digit growth in the core environmental equipment and the household equipment segment. In India, the Company received an abundant volume of inquiries regarding equipment associated with Johkasou/wastewater treatment systems.**

## **Summary of Results**

The business environment surrounding the Company remained sluggish during the six months ended June 30, 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 with a continued focus on improving future profitability and promoting 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 segment, the Company will launch an e-commerce business, unearth new products, and implement a number of other initiatives 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 indicates that it 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 six months ended June 30, 2021 amounted to JPY19,117 million (up 9.6% YoY). Gross profit came to JPY4,008 million (up 5.7% YoY) as operating profit amounted to JPY780 million (up 14.3% YoY), recurring profit JPY864 million (up 14.2% YoY), and profit attributable to owners of parent JPY440 million (up 56.3% YoY).

In the environmental equipment segment, sales of Johkasou/wastewater treatment systems increased substantially year on year. Domestic sales incurred downward impact from a decline in capital investment demand caused by the COVID-19 pandemic but also benefitted from the recording of sales generated by large-scale projects (involving industrial Johkasou/wastewater treatment equipment for food factories and other facilities) using the percentage-of-completion method, which recognizes sales in accordance with progress toward a project's completion. Meanwhile, despite ongoing downward impact from deteriorating business conditions caused by the COVID-19 pandemic, overseas sales rose thanks to the completion of large-scale projects in China (involving industrial Johkasou/wastewater treatment equipment for food factories) and an abundant volume of inquiries in India. At the same time, sales generated by maintenance (a recurring-revenue business) increased as the Company promoted maintenance contract expansion in accordance with its growth strategy.

With regard to the Company's business of converting groundwater into drinking water, sales generated through ESCO agreements (a source of recurring-revenue) rose while sales stemming from maintenance operations also increased thanks to the conclusion of new contracts. Meanwhile, sales revenue generated from plant-related sales grew thanks to the completion of projects during the six months ended June 30, 2021. Additionally contributing to a substantial rise in segment profit that occurred despite higher personnel expenses were declines in travel and transportation expenses and other types of expenditures, which kept SG&A expenses level year on year. As a result of these factors, sales generated through the environmental equipment segment in the six months ended June 30, 2021 amounted to JPY10,134 million (up 17.1% YoY) while segment profit (operating profit) came to JPY882 million (up 51.0% YoY).

In the household equipment segment, construction-related sales rose significantly despite construction delays stemming from the COVID-19 pandemic. Primarily contributing to this growth in construction-related sales were installations of radiant heating and cooling systems for gymnasiums; sales of environmentally friendly products; repair and replacement of apparatuses such as air conditioning and sanitary equipment for DCM, a hardware store operator; and large-scale projects involving operations such as the delivery of furniture to educational facilities and sanitary equipment and other apparatuses to condominiums. Meanwhile, demand associated with toilets that function without physical contact (equipped with automated seats and lids, cleaning systems, etc.) was abundant thanks to the granting of subsidies related to the COVID-19 pandemic. Amid a conservative shift in capital investment demand that impacted housing facilities projects, sales generated through exterior wall repair and refrigeration and freezing equipment rose thanks to contributions from medium- and large-scale projects while agricultural greenhouse-related sales declined. In the category of retail products sold through DIY stores, the Company reported that the COVID-19 pandemic delayed shipment of manufacturers' products during the six months ended June 30, 2021. Due in large part to these delays, the delivery of contactless products, which are in high demand, currently requires substantial amounts of time. Despite these

circumstances, procurement of other products proceeded without incurring substantial impact, and sales revenue generated by retail products sold through DIY stores increased thanks to the marketing of new products in accordance with a change in the Company's business model. In the EC business, sales rose even as the COVID-19 pandemic held up establishment of collaborative relationships with other business operators and the Company encountered restrictions on areas in which it could provide its products and services and on the range of services it was able to provide. As a result of these factors, sales in the household equipment segment came to JPY8,200 million (up 11.1% YoY) while segment profit (operating profit) amounted to JPY293 million (up 10.2% YoY).

Through its renewable energy segment, the Company rented store roof space from DCM Holdings Co., Ltd. during the fiscal year ended December 31, 2018 and installed solar power generation equipment within this space. Since then, the Company has been using this equipment to sell electricity under Japan's feed-in tariff (FiT) system. As of June 30, 2021, the Company had completely linked its solar power generation equipment with 130 commercial power systems (versus 127 as of June 30, 2020), completing all initially planned installations. Despite upward impact stemming from a YoY increase in daylight hours, sales of electricity produced through solar power generation declined primarily due to the sale of DAD Co., Ltd. on June 30, 2020. At the same time, segment profit decreased due to costs incurred by the Company when conducting inspections in response to the discovery of construction defects in a portion of its facilities. Through its small wind power generation equipment-related business, the company successfully linked with six facilities during the six months ended June 30, 2021. In the biodiesel fuel-related business, contracts associated with B5 light diesel oil, which can be used in the same ways as standard gas oil because it is 5% biodiesel fuel by volume, rose year on year. Consequently, sales in the renewable energy segment amounted to JPY452 million (up 1.5% YoY) while segment profit (operating profit) came to JPY121 million (down 33.6% YoY).

Meanwhile, sales in the engineering business declined substantially due to the sale of DAD Co., Ltd. on June 30, 2020 while performance in the household drinking water business was strong due to an increase in subscribers using water servers that connect directly to water supply systems. As a result of these factors, sales in other segments were JPY329 million (down 65.8% YoY) while operating profit in other segments (operating profit) amounted to JPY63 million (down 34.8% YoY).

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

“Summary of Consolidated Financial Results for the Six Months Ended June 30, 2021” is available here:

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

#### **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.