



BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

DAIKI AXIS CO., LTD. (4245, TOKYO) OVERVIEW OF OPERATING PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2021

February 28, 2022—Tokyo

Both net sales and profit increased in the year ended December 31, 2021. In the mainstay environmental equipment segment, sales and profit rose by double digits. In Johkasou/wastewater treatment systems, performance was robust in Japan, China, India, and other countries. The Company reinforced its renewable energy segment, which is involved in such areas as solar, wind, and biofuel.

Summary of Results

During the fiscal year ended December 31, 2021, the business environment in which the Daiki Axis Group operates was affected by the COVID-19 pandemic, to which no end is in sight.

Under these circumstances, the Company formulated “PROTECT × CHANGE,” a new medium-term management plan. 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. At the time of its announcement, this plan had been scheduled to run from 2021 through 2023. However, due to the uncertain operating environment, the decision was made to extend the period of the plan until 2025. Amid the reorganization of the Tokyo Stock Exchange, the Company was selected for listing on the Prime Market. Daiki Axis aims to enhance corporate value by continuing to promote ESG management.

Under the new medium-term management plan, 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 ecommerce 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 will strengthen its internal

organizations to support the successful implementation of IT strategies and apply IT as a tool for improving productivity.

Net sales in the year ended December 31, 2021 were JPY37,824 million (up 9.2% YoY). Meanwhile, gross profit amounted to JPY7,860 million (up 7.1% YoY), operating profit JPY1,119 million (up 7.1% YoY), recurring profit JPY1,300 million (up 7.4% YoY), and profit attributable to owners of parent JPY610 million (up 28.0% YoY).

The hydrothermal treatment business handled by DA Invent Co., Ltd., a consolidated subsidiary, was previously classified as part of the environmental equipment segment. However, from the fiscal year under review this business was reclassified to the renewable energy segment, in light of a change in business management category.

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. Sales generated through groundwater treatment plants also rose. As a result, sales generated in the environmental equipment segment came to JPY20,130 million (up 15.7% YoY), and segment profit (operating profit) amounted to JPY1,688 million (up 36.7% YoY).

In the household equipment segment, the recording of a portion of construction-related sales was pushed back as some construction projects were delayed by COVID-19-related impact. However, the Company also observed strong sales from environmentally friendly products, such as radiant heating and cooling systems for gymnasiums, and robust performance from building construction utilizing wood-based construction methods. Construction-related sales were also boosted by substantial upward impact from repair and replacement of apparatuses, including 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 instruments 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. In the category of retail products sold through DIY stores, the Company observed delayed shipments of manufacturers' products during the year. 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 hurdles, sales of retail products sold through DIY stores were strong thanks to the marketing of new products in accordance with a change in the Company's business model. Overcoming impact from a conservative shift in capital investment demand that affected housing facilities

projects, sales generated through exterior wall repair and refrigeration and freezing equipment rose thanks to contributions from medium- and large-scale projects, and agricultural greenhouse-related sales rose slightly.

The Company began operating its EC business on a full scale in 2020, but efforts to build relationships with partner companies have been stalled due to COVID-19-related impact, which has also limited the services the Company can provide and the areas in which it can render them. A website for the business launched in January 2022. As a result of these factors, sales in the household equipment segment amounted to JPY15,875 million (up 7.7% YoY), and segment profit (operating profit) came to JPY370 million (up 18.2% 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 December 31, 2021, the Company had completely linked its solar power generation equipment with 130 commercial power systems (versus 129 as of December 31, 2020), completing all initially planned installations. During the year, the company acquired Sanei Ecohome Inc., boosting sales. As a result of this acquisition, the Company is now able to provide construction and maintenance services related to solar power generation. Accordingly, the Group can offer a total range of total services, from proposals to sales and operation of solar power generation facilities.

Through its small wind power generation business, the Company successfully linked with 11 facilities during the year ended December 31, 2021, bringing the operating total to 12 sites at the end of the year and resulting in solid sales. The Company plans to operate a further 11 sites in 2022 and expand the total to 70 sites by 2025.

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. In July 2021, the Company consolidated its renewable energy segment by merging its biodiesel fuel-related business into subsidiary Daiki Axis Sustainable Power Co., Ltd. The company has established a system for quicker collaboration and a wider range of proposals to meet the needs of the rapidly expanding renewable energy market.

From the fiscal year under review, the hydrothermal treatment business was reclassified from the environmental equipment segment to the renewable energy segment. In this business, the Company is conducting R&D with a view to establishing new technologies, and is working to help solve environmental problems through future collaboration with existing businesses related to solar, wind, and biodiesel fuel. The renewable energy segment generated sales of JPY1,141 million (down 4.6% YoY), and segment profit (operating profit) amounted to JPY179 million (down 42.4% 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. Consequently, in other segments sales amounted to JPY677 million (down 48.4% YoY), and segment profit came to JPY120 million (down 29.8% YoY).

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

“Summary of Consolidated Financial Results for the Year December 31, 2021” is available here:

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

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