



BORDERLESS IR CO., LTD

ANNOUNCES NEWSLETTER

DAIKI AXIS CO., LTD. (4245, TSE) FINANCIAL RESULTS SUMMARY FOR THE FIRST QUARTER OF THE FISCAL YEAR ENDING DECEMBER 31, 2022

June 22, 2022 – Tokyo

Both net sales and profit increased in the fiscal first quarter which ended December 31, 2022. A large increase was seen in the mainstay segment of environmental equipment businesses. Within the renewable energy business segment focus was placed on compact wind power generation, with plans for a total of 70 sites to be operational by 2025.

Summary of Results

The overarching business climate that envelopes the company group during the current consolidated cumulative first quarter is one that while optimistic due to the proliferation of the COVID-19 vaccination, the easing of various types of restrictions in relation to the pandemic that allows for a return to normal economic operations and anticipated economic recovery, there is some uneasiness regarding the increasingly opaque direction of the global economy. Contributing factors include the tense geo-political situation in Ukraine, sudden price jumps for various materials, delayed supply chains, and other extenuating circumstances.

Under these circumstances, the medium-term management plan, “PROTECT x CHANGE” continues to drive forwards. More specifically, in the environmental equipment segment, the company will promote business development overseas while expanding maintenance and energy service company (ESCO) business as a recurring revenue model. Meanwhile, in the household equipment segment, the company will 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 organization to support the successful implementation of IT strategies and apply IT as a tool for improving productivity.

Net sales for the current consolidated cumulative first quarter that ended in December 31, 2022 totaled 11,023 million yen (+11.6% Year-on-Year). Gross profit totaled 2,147 million yen (+5.2% Year-on-Year), operating profit totaled 454 million yen (+1.1% Year-on-Year), ordinary income

totalled 532 million yen (+7.6% Year-on-Year), and net income attributable to the shareholders of the parent totalled 352 million yen (+27.2% Year-on-Year).

The hydrothermal treatment business handled by DA INVENT Co., Ltd., a consolidated subsidiary, was reclassified to the renewable energy segment from the environmental equipment segment.

In the environmental equipment segment, net sales in comparison to the same quarter period in the previous year rose considerably. Domestic sales benefitted from contributions generated by progress in large-scale construction projects such as Johkasou/wastewater treatment equipment for food factories, pharmaceuticals, and medical supplies. Overseas sales appear to incur a downward trend due to the continued negative economic effects of the COVID-19 pandemic, but instead did see a large improvement as a result of the delivery of Johkasou systems to the JICA support project with Iraq. With regards to the 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 inclusion of new contracts. As a result, sales generated in the environmental equipment segment for the quarter totalled 5,748 million yen (+11.8% Year-on-Year), and segment profit (operating profit) totalled 576 million yen (+15.9% Year-on-Year).

In the household equipment segment, while orders for products that saw an increase such as sanitary equipment and other installations for condominiums, orders for the delivery of specialized materials meant for furniture in educational facilities, and orders for the renewal of LED light fixtures meant for storefronts of the DCM group of hardware stores saw an increase, in the last year demand for contactless (non physical) products that grew related to the impact of COVID-19 started and continued settle therefore leading to an overall downturn in construction-related sales. Because of shipment restrictions to the makers of washlets and other similar products during the first quarter period, retail sales for hardware stores saw a downturn. Housing facilities projects saw a large improvement in recorded sales compared to the same quarter of the last fiscal year because of the completion of construction for DCM group hardware storefronts during this first quarter. The impact of the acquisition of a new subsidiary in the last fiscal year has allowed for an upturn in sales regarding housing sash exteriors. Completion of projects in regards to refrigeration, freezing equipment, and air conditioning sales fell compared to the same quarter period in the last fiscal year. In this segment focused of wholesale business, these sales items have a high profit margin. As the result of that, it stands as a contributing factor of profit loss for the segment. Despite this being the case, there are ongoing developments with current construction projects to reach the completion of major contracts within the second consolidated cumulative quarter. A website for the EC business was created in January of 2022, and an official Instagram account in an effort to strengthen PR operations was implemented. The EC business consists of online orders for household equipment construction in addition to collaborative work with the hardware store business group DCM. With these factors included the formulation of our company's proprietary nationwide household equipment reformation operation EC business has progressed. In addition of sales being conducted towards the general consumer through the website, through other corporate cooperation we are continuing forward with proposals for employee benefits for corporate employees. In closing, net sales for the household equipment

business totaled 4,541 million yen (+4.1% Year-on-Year), and segment profit (operating profit) totaled 117 million yen (-40.3% Year-on-Year).

In the renewable energy segment, because of the impact of acquiring Sanei Ecohome Inc., in October of last year, there was a large increase in sales related to solar power generation and power sales operations. Furthermore, before said acquisition, sales in power and solar power generation were mainly conducted by renting store roof space from DCM Holdings Co., Ltd. and installing solar power generation equipment within this space and using this equipment to sell electricity under Japan's feed-in tariff (FIT) system. Although the subsidiary is still conducting sales through the FIT system, because of the ability gained to provide construction and maintenance services related to solar power generation, we are capable of not only sales through property owned by the company but engage in sales of power generation facilities. When profit margins for the sale of power generation conducted up until now are compared with groups that operated under FIT, a disparity is occurring between the rate of change for lower profit margins of the sale of facilities to high sales and the rate of change in segment profit margin. In compact wind generation for the current consolidated cumulative first quarter through joint participation with other companies for the Ministry of the Environment, Government of Japan's "Low Carbon Technology Research, Development and Demonstration Program" there is an upturn in sales figures. We successfully linked with an additional five sites during the quarter for power generation facilities generating compact wind power under FIT. Currently there are seventeen sites operational with plans to operate a total of seventy site 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, engaged in a strengthening of sales and an increase in number of contracts. The hydrothermal treatment business is currently conducting R&D with a view to establish new technologies, and strong gains and transitions can be seen. As a result, net sales for the renewable energy business totaled 557 million yen (+183.7% Year-on-Year), and segment profit (operating profit) totaled 18 million yen (+41.0% Year-on-Year).

Performance in the household drinking water business saw a decline in bottled water contracts, but a rise in contractees for subscription based water servers occurred. Consequently, figures for other segment sales totaled to 156 million yen (-1.7% Year-on-Year) and segment profit (operating profit) totaled 22 million yen (-19.9% Year-on-Year).

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

"FINANCIAL RESULTS SUMMARY FOR THE FIRST QUARTER OF THE FISCAL YEAR ENDING DECEMBER 31, 2022" is available here:

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

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