



# BORDERLESS IR CO., LTD

## ANNOUNCES NEWSLETTER

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

December 15, 2022 — Tokyo

**Increase in sales, decrease in profits for the third quarter of the fiscal year which ends December 31<sup>st</sup>, 2022. Plants for the flagship Johkasou were completed in Sri Lanka and India, strengthening production in overseas business. In renewable energy business, there was expansion of the solar power business and a focus on compact wind generation and biodiesel fuel.**

### Summary of Results

The overarching business climate that envelopes the company group during the current consolidated cumulative third quarter is one where measures to combat COVID-19 have been adopted, accompanied by the continuous transition to normal socioeconomic activities. On the other hand, factors such as the prolonged lockdown in Shanghai and geo-political tensions in Ukraine led to sudden price jumps for various materials and delays in supply chains, the impact of which still currently persists from the previous quarter. In addition, with Sri Lanka falling into default the economic outlook remains ambiguous due to growing uncertainty of global affairs. Under these circumstances, the medium-term management plan set to be implemented by the fiscal year ending in December 2025, “PROTECT x CHANGE”, continues to drive forward. 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, a shift from a stable business to a growing business occurred by the launch of the EC business, the discovery of new commercial products, and other initiatives. 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 third quarter that ends on December 31, 2022 totaled 29,059 million yen (+5.4% Year-on-Year). Gross profit totaled 6,077 million yen (+4.4% Year-on-Year), operating profit totaled 590 million yen (-35.9% Year-on-Year), ordinary income totaled 865 million yen (-16.5% Year-on-Year), and net income attributable to the shareholders of the parent totaled 489 million yen (-1.1% Year-on-Year).

In the environmental equipment segment, domestic sales of Johkasou/wastewater treatment systems declined from the same period of the previous year, largely due to the progression status of large-scale construction projects. Overseas sales continue to be affected by the influence of the COVID-19 pandemic, but still see improvement due to projects such as the delivery of Johkasou systems to the JICA support project with Iraq. Sales generated by maintenance (a recurring-revenue business) are performing steadily as the Company promotes contract expansion. In addition, an assembly plant in Sri Lanka was completed in October, and a manufacturing plant for medium and large-sized Johkasou systems in India was completed in November, and preparations for full-scale operations are underway. In 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 due to new contracts. Sales generated through non-ESCO groundwater treatment systems also increased due to growing customer needs.

As a result, sales generated in the environmental equipment segment for the third quarter came to 15,081 million yen (+4.8% Year-on-Year), and segment profit (operating profit) amounted to 1,090 million yen (-10.1% Year-on-Year)

In the household equipment segment, sales for construction related companies declined due to saturation in demand for non-contact type products which had been in high demand the previous year because of the COVID-19 pandemic. Severe delays in product supply continue as a direct result of shipping restrictions placed on manufacturers in relation to the Shanghai lockdown that occurred in March. Sales of home center retail products have also seen downturn due to the impact of supply disruptions caused by shipping restrictions on manufacturers. Housing facilities projects recorded sales in the third quarter due to the completion of construction for DCM group, which operates hardware storefronts. Due to the impact of the COVID-19 pandemic, there was a reluctance to make capital investments in agricultural greenhouses during the last fiscal year, but sales are in recovery and on the upswing. A website for the EC business was created in January of 2022, and official Instagram and Youtube accounts were launched to strengthen PR operations. The EC business consists of online orders for household equipment construction, the Company is building a nationwide EC business for home facility renovation under its own management in addition to collaborative work with the hardware store business group DCM. Along with sales being conducted towards the general consumer through the website, through other corporate

cooperation we are continuing forward with proposals for employee benefits and welfare for their employees.

As a result, net sales for the household equipment business totaled 11,927 million yen (−0.1% Year-on-Year), and segment profit (operating profit) totaled 235 million yen (−33.6% Year-on-Year).

In the renewable energy segment, because of the impact of acquiring Sanei Ecohome Inc., in October of last year, sales in the solar power generation business increased significantly. 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. In addition to using its own facilities for FIT activities, since the subsidiary is capable of proposing, constructing, and maintaining solar power generation facilities, it not only sells electricity through its own property, but also 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 third quarter, through joint participation with three other companies for the Ministry of the Environment's "Low Carbon Technology Research Development and Demonstration Program" there is an upturn in sales figures. We successfully linked with an additional 10 sites during the quarter for power generation facilities generating compact wind power under FIT. Currently there are 22 sites operational with plans to operate a total of seventy 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, 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 1,564 million yen (+112.1% Year-on-Year), and segment profit (operating profit) totaled 191 million yen (+22.7% Year-on-Year).

In other business, performance in the household drinking water business saw a decline in bottled water subscribers, but a rise in the number of subscribers for subscription-based water servers occurred. Consequently, figures for other segment sales totaled to 485 million yen (−4.5% Year-on-Year) and segment profit (operating profit) totaled 40 million yen (−60.7% Year-on-Year).

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

“FINANCIAL RESULTS SUMMARY FOR THE THIRD QUARTER OF THE FISCAL YEAR ENDING DECEMBER 31, 2022” is available here:

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

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**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>

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