



# BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

DAIKI AXIS CO., LTD. (4245, TSE PRIME) OVERVIEW OF  
OPERATING PERFORMANCE FOR THE six months ended June 30,  
2023

August 21, 2023—Tokyo

**In the six months ended June 30, 2023, sales increased but profit fell. Costs mounted as the company invested in growth areas, such as overseas business and M&A, and strengthened governance. Business in India was favorable. The company focused on compact wind power generation.**

## Summary of Results

In the first six months of the fiscal year ending December 31, 2023, the business environment surrounding the Daiki Axis Group remained uncertain due to the prolonged impact of COVID-19, which resulted in increased transportation costs, among other factors. While there are signs of recovery, the economic outlook remains opaque due to significant disruptions in the international situation, leading to higher prices on energy, including electricity, and soaring raw material costs.

Against this backdrop, the company worked to enhance corporate value by promoting “PROTECT x CHANGE,” its medium-term management plan ending in fiscal 2025. Specifically, in the environmental equipment segment, the Company will promote business development overseas and expand maintenance services and water energy service company (ESCO) businesses as part of its recurring-revenue business. Meanwhile, in the household equipment segment, the Company will discover 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.

On May 12, the Company submitted an application to the Tokyo Stock Exchange (TSE) for selection on the Standard market, and the market classification is scheduled to change to the Standard market on October 20, 2023.

Net sales in the six months ended June 30, 2023 were JPY21,067 million (up 4.9% YoY). Gross profit amounted to JPY4,333 million (up 4.3% YoY), operating profit JPY330 million (down 37.7% YoY), recurring profit JPY412 million (down 41.3% YoY), and profit attributable to owners of parent JPY4 million (down 98.9% YoY).

During the six months under review, selling, general and administrative (SG&A) expenses increased significantly due to investments in human capital, strengthening the organization's foundation through various initiatives, investments in overseas businesses, investments in growth areas through M&A, and a review of corporate governance. Additionally, the Company booked as extraordinary losses expenses of JPY198 million to resolve non-compliant product specifications.

In the environmental equipment segment, domestic sales of Johkasou/wastewater treatment systems increased year on year, driven by a significant increase in orders for repair work due to the recovery in capex demand.

Overseas sales benefited from the completion in China of a large industrial wastewater treatment plant project and stable business from India. However, overseas sales were down overall due to the lack of a project equivalent to the delivery of equipment including wastewater treatment tanks to a JICA-supported project in Iraq in the first half of the previous year. Sales from maintenance (recurring revenue) remained strong as the company promoted expansion of maintenance contracts in line with its growth strategy.

In the groundwater beverage business, sales related to ESCO contracts (recurring revenue) and maintenance revenue were up due to new contracts. Sales from this equipment without ESCO contracts increased as customer demand grew. As a result, sales in the environmental equipment segment in the first half were JPY10,853 million (up 3.4% YoY). Segment profit (operating profit) was JPY769 million (down 6.5% YoY).

In the household equipment segment, the Company resolved the effects of restrictions on product shipments stemming from difficulties in procuring parts from overseas manufacturers. However, the Company has not been able to pass the increase in procurement and outsourcing costs on to construction companies through selling prices, which is affecting profitability.

Sales of retail products for home improvement centers were up year on year. In housing equipment construction, sales of large-scale tiled exterior wall projects were favorable, and a subsidiary the Company acquired in the first quarter began contributing to performance from the start of the second quarter. As a result, sales in the household equipment segment were JPY8,817 million (up 8.3 YoY), and segment profit (operating profit) was JPY176 million (down 21.7% YoY).

Within the renewable energy segment, the solar power generation business faces the reality that the FIT system is time-limited. Meanwhile, in their aim of achieving carbon neutrality by 2050, demand for electricity is increasing from large companies with high power consumption. This necessitates the development of new business models to meet this demand. In response, through M&A the Company created a comprehensive system that can

handle everything from proposing to constructing and maintaining solar power generation facilities. Sales in the solar power generation business were solid year on year.

In the compact wind power generation business, sales fell year on year due to the booking of sales in the first half of the previous year from the Ministry of the Environment's Low Carbon Technology Research and Development Program, in which Daiki Axis participates jointly with three other companies. Currently, 24 sites are in operation for compact wind power generation using FIT; plans call for a total of 70 sites in operation by 2025.

In the biodiesel fuel business, the Company has been actively promoting the use of B5 diesel, which can be used similarly to regular light oil by blending it with 5% biodiesel fuel. As a result, the number of contracts has been steadily increasing, and segment sales have risen year on year. In the hydrothermal treatment business, the Company is conducting R&D in the aim of establishing new technologies. As a result, sales in the renewable energy segment totaled JPY1,095 million (down 3.5% YoY), and segment profit (operating profit) was JPY66 million (down 45.9% YoY).

In the household drinking water business, within the other business segment, the Company is transitioning from bottle-type water servers to water filtration units, given such issues as waste plastic. This resulted in a decrease in subscriptions for bottle-type water servers but a rise in subscriptions for the water filtration units.

As a result, sales in the other business segment amounted to JPY302 million (down 4.2% YoY), and segment profit (operating profit) was JPY25 million (up 21.4% YoY).

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

"Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023" is available here:

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

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