

## **Daiki Axis' Business Strategies and Earnings Reviewed by KCR**

### **Actively Proceed with Construction of Infrastructure Overseas, Focus on Renewable Energy and Accelerate ESG Initiatives**

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NOTE TO EDITORS: This release contains investment opinion issued by KCR Inc.

Tokyo –[Daiki Axis CO., Ltd. \(TOKYO:4245\)](#), an eco-creation and development company that creates social infrastructure centered on water-related businesses, recently has been reviewed by KCR Inc., an independent research and investor relations support company providing reports on various publicly traded Japanese companies. In this report, KCR provides analysis of the company's business model and earnings.

#### **Report Highlights**

Daiki Axis Co., Ltd. (4245, First Section, Tokyo Stock Exchange) promotes its corporate slogan, “Protect and change” (Protect the global environment and change humanity’s future) as its business mission. The Company is developing its businesses, including its key water businesses, aiming to become an eco-creation and development company that constructs social infrastructure that provides natural and comfortable living environments for people.

The Company has two primary segments. The first is the Company’s environmental equipment segment, in which the main driving force is wastewater treatment systems. System kitchens with garbage disposals and other features are representative of the Company’s second primary segment, the household equipment-related business segment. These two segments accounted for more than 95% of the Company’s business in the fiscal year ended December 31, 2017. Starting in the year ending December 31, 2018, the Company has converted its renewable energy business, represented by its compact wind generation and solar power generation businesses, into a segment. As growth strategies, the Company is promoting the construction of infrastructure related to water overseas, expanding its underground drinking water business, converting products to high value-added products, focusing on its renewable energy segment and conducting M&A.

The Company is actively expanding its water-related infrastructure business with projects led by its president. With the goal of maintaining infrastructure in regions extending across the Indian and Pacific oceans, the Japanese government announced that it will invest or

lend about US\$50 billion (about JPY5.5 trillion) to the public and private sectors over the next three years. This announcement coincides with the Company's plan to establish a consolidated sub-subsidiary, Daiki Axis India, in accordance with the Indian government's Clean India policy with a total investment of JPY500 million in July 2018. With this sub-subsidiary, the Company aims to begin sales and production within 2018. In light of China's toilet revolution policy, the Company has entered the septic tank business for general households in China, establishing a joint venture with local companies. The Ministry of the Environment included septic tanks as a target field in its Basic Strategies to Promote Japanese Environmental Infrastructure Overseas, so the Company is actively conducting sales promotion strategies in countries across Asia and Africa.

During the first three months of the fiscal year ending December 31, 2018, the Company generated net sales of JPY9,722 million (up 3.3% YoY), operating income of JPY382 million (down 32.0% YoY), ordinary income of JPY423 million (down 26.4% YoY) and profit attributable to owners of parent of JPY241 million (down 31.2% YoY) with a year-on-year drop in profit. This decline was mainly due to the fact that the Company did not record any large overseas projects that compared to those conducted in China during the previous year but results were mostly in line with company projections.

The Company is promoting initiatives for all three major ESG factors. In terms of the environment, the Company is promoting reducing CO2 through compact wind generation and solar power generation, improving the global environment through water-related infrastructure as a comprehensive water processing manufacturer and obtaining certification under the environmental management system ISO 14001. Society initiatives include providing social support through the biodiesel fuel-related business, obtaining certification as a childcare support company and conducting work-style reforms such as setting and expanding overtime-free days. In terms of governance, the Company is strengthening internal control and risk management systems as well as dialogue with stakeholders.

KCR Inc. forecasts for the fiscal year ending December 31, 2018 predict that net sales and profit will reach all-time highs and believes the company may raise dividends further.

Once again, KCR assigns a rating of +1 (Strong Buy) to Daiki Axis and maintains its buy recommendation (issues expected to outperform +20% within one year) as an investment decision, with an immediate target share price of JPY2,265.

**Read the full research report (KCR Inc.), please see:**

<http://www.daiki-axis.com/ir/info/index09.html>

**For details about Daiki Axis Co., Ltd. (TOKYO:4245), please see:**

<http://www.daiki-axis.com/english/>

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### **Report Content Inquiries**

KCR Inc.

TEL: +81-6-6965-6100

Yojiro Kindaichi

[info@kcr-inc.com](mailto:info@kcr-inc.com) (English and Japanese correspondence)

### **News release Inquiries**

[Borderless IR Co., Ltd.](#)

Sixth Floor, Toyo Building 1-2-10 Nihonbashi, Chuo-ku, Tokyo 103-0027 JAPAN

TEL: +81-3-4588-6706

[info@b-ir.co.jp](mailto:info@b-ir.co.jp) (English and Japanese correspondence)

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