

Daiki Axis' Business Strategies and Earnings Reviewed by KCR

Daiki Axis Announces New Medium-Term Management Plan as It Actively Promotes the Construction of Overseas Water Infrastructure, Establishes a New Factory in India, Focuses on Renewable Energy and Accelerates 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 approximately 95% of the Company’s business in the fiscal year ended December 31, 2018. 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 ¥5.5 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 ¥500 million in July 2018. With this sub-subsidiary, the Company aims to begin sales and production during the fiscal year ending December 31, 2019. 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 fiscal year ended December 31, 2018, the Company generated net sales of JPY36,224 million (up 7.9% YoY), operating income of JPY923 million (down 19.3% YoY) and ordinary income of JPY1,100 million (down 18.0% YoY). Profit attributable to owners of parent was JPY861 million (up 15.7% YoY). The year ended December 31, 2018 marked the seventh consecutive year that net sales have risen since the company began announcing its forecasts (the first announcement being for for the fiscal year ended December 31, 2011). Also, profit attributable to owners of parent reached a record high. Targets for the fiscal year ending December 31, 2019 are for net sales of JPY36,880 million, ordinary income of JPY1,300 million and profit attributable to owners of parent of JPY800 million.

The Company formulated a new medium-term management plan, "Make FOUNDATION Plan." This plan sets new targets for the period from 2019 to 2021. For the fiscal year ending December 31, 2021, the Company forecasts net sales of ¥40,000 million, ordinary income of ¥1,800 million and profit attributable to owners of parent of ¥1,100 million. While focusing on raising profitability, the Company is also targeting ROE of 13.2% or more and ROIC of 5.5% or higher. The current Company policy is to cover investment, which will take priority for the time being, with owned capital and bank loans.

Daiki Axis is promoting ESG management by pushing forward with initiatives aimed at increasing its use of renewable energy to 100% (Environment) , advancing diversity by encouraging work-style reforms and the active participation of women in the workforce (Society) and reforming its managerial structure while strengthening risk management (Governance).

KCR Inc. assigned an overall rating of +2 (BUY) to Daiki Axis Co., Ltd. (TOKYO: 42445) and has announced a buy recommendation (which is given to shares with prices that are

expected to grow by 10% within a year). KCR Inc. has set a target price of 1,533 yen.

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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