

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

### Daiki Axis Actively Promotes the Construction of Overseas Water Infrastructure, Began Selling Johkasou Made 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.

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).

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.

During the six months ended June 30, 2019, the Company generated net sales of

JPY17,848 million (up 2.4% YoY), operating income of JPY504 million (up 2.2% YoY), ordinary income of JPY575 million (down 3.5% YoY) and profit attributable to owners of parent of JPY214 million (down 32.4% YoY). In the sales amount share according to the segment, the Company's environmental equipment segment, in which the main driving force is domestic small community Johkasou and wastewater treatment systems is 53.3%, the household equipment-related business segment in which the main driving force is water-related home and public equipment is 39.6%, the renewable energy business segment composed selling power from solar power facilities, biodiesel fuel business and compact wind power equipment is 1.7% , the other business segment such as comprised home drinking water is 5.4%.

As growth strategies, the Company is promoting the construction of infrastructure related to water overseas, expanding underground drinking water business, converting products to high value-added products, focusing on renewable energy segment and conducting M&A. Also the Company is actively expanding overseas 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 began selling Johkasou made in India during the first six months ended June 30, 2019. 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.

Targets for the fiscal year ending December 31, 2019 are for net sales of JPY36,880 million (up 1.8% YoY), operating income of JPY1,200 million (up 30.0% YoY) and ordinary income of JPY1,300 million (up 18.1% YoY) and profit attributable to owners of parent of JPY800 million (up 66.7% YoY).

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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