



BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

DAIKI AXIS' BUSINESS STRATEGIES AND EARNINGS REVIEWED BY KCR

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Daiki Axis Focused on ESG as an Environmental Company, Benefitted from the Regional Comprehensive Economic Partnership, Actively Engaged in Initiatives Associated with Water-Related Infrastructure in India and Other Countries, and Developed Its Renewable Energy Segment into a Stable Source of Earnings

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).

Daiki Axis's core segments are the environmental equipment segment, which is characterized by its mainstay wastewater treatment systems, and the household equipment-related business segment, which is represented by its integrated kitchen systems. These two segments account for more than 90% of the Company's sales. Daiki Axis is currently expanding its renewable energy segment, which is characterized by the compact wind generation and solar power sales businesses. As growth strategies, the Company is publicizing efforts aimed at building water-related infrastructure overseas, expanding its recurring-revenue business of converting groundwater to drinkable water, adding value to its products, focusing on its renewable energy segment, and conducting M&A.

The Company is actively expanding its overseas water-related infrastructure business. Meanwhile, with the goal of maintaining infrastructure in regions extending across the Indian and Pacific oceans, the Japanese government has announced that it will invest or lend about

US\$50 billion (about ¥5.5 trillion) to the public and private sectors. The Company has specifically identified the ASEAN region and India as overseas focus destinations, and its wastewater treatment systems made in India have received the Ecomark from the Bureau of Indian Standards. These products also received the Company's first GreenPro certification under the waste water treatment system category. This certification is expected to raise awareness regarding the Company's wastewater treatment systems in India and lead to an increase in inquiries regarding their use in government-related buildings and in common eco-friendly buildings. Additionally, the Japanese government has signed on to the Regional Comprehensive Economic Partnership (RCEP), which includes China among its signatory nations and is currently the world's largest free trade agreement. The Company anticipates that this agreement will have a favorable impact on its corporate performance over the medium to long term.

Net sales in the nine months ended September 30, 2020 were JPY25,687 million (down 3.4% YoY). However, thanks to comprehensive income improvement measures, gross profit came to JPY5,430 million (up 6.2% YoY) while operating income closed at JPY830 million (up 9.9% YoY) and ordinary income at JPY961 million (up 12.3% YoY). In terms of its balance sheet, the Company is reducing its dependence on interest-bearing debt. For the fiscal year ending December 31, 2020, the Company projects net sales of JPY34,400 million (down 3.8% YoY), operating income of JPY1,010 million (up 0.9% YoY), ordinary income of JPY1,160 million (up 0.4% YoY), profit attributable to owners of parent of JPY550 million (down 29.7% YoY), and EPS of JPY44.32.

In the renewable energy segment, the Company has nearly completed its capital investment in solar power generation. Corresponding electric power sales operations have launched and are progressing steadily, providing a stable source of earnings for the Company. In response to impact from the COVID-19 pandemic, the Company is apparently reformulating its medium-term management plan, "Make FOUNDATION Plan," which extends from 2019 through 2021, and plans to announce the updated plan during the first half of 2021.

The Company has issued sustainability stock acquisition rights to procure funds for expenses incurred through its drinking water business (WaterKiosk business) and associated with projects such as the construction and operation of wastewater treatment system manufacturing plants in Myanmar, Sri Lanka, Bangladesh, and Kenya; the administration of wastewater treatment businesses in India and Bangladesh (BOO/BOT business); and the establishment and management of drinking water sales centers in public spaces (train stations, etc.) in India. Through these stock acquisitions rights, the Company expects to procure funds totaling JPY2,180 million and anticipates an associated rise in its equity ratio.

Daiki Axis has high efficiency indicators. It demonstrates higher performance than the average value of similar and competing companies and is characterized by its efficient capital turnover. When conducting its financial analysis, KCR Inc. compared Daiki Axis to the following three similar and competing companies: Kubota Corporation (TSE1: 6326), Tsukishima Kikai Co., Ltd. (TSE1: 6332), and EPCO., Ltd. (TSE1: 2311).

Daiki Axis focuses on shareholder return. Although it consistently targets a consolidated dividend payout ratio of 30%, the Company has indicated its intention to maintain a dividend payout ratio of 54.2% for the fiscal year ending December 31, 2020 and has made adjustments to shareholder incentives. These varied incentives, which include the gifting of 3,000 reward points to holders of 500 or more shares, benefit shareholders who have held

stock in the Company for at least one year, and the actual yield of the Company's shares as of date this report was written was 3.4% (based on 100 shares). KCR Inc. assigned a rating of +2 (BUY) to Daiki Axis Co., Ltd. (TSE1: 4245) and has announced a buy recommendation (which is given to shares with prices that are expected to grow by 10% within a year). KRC Inc. has set a target price of JPY 1,448..

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

<http://www.daiki-axis.com/ir/004/index.htm#010>

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

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

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