



BORDERLESS IR CO., LTD ANNOUNCES NEWSLETTER

DAIKI AXIS' BUSINESS STRATEGIES AND EARNINGS REVIEWED BY KCR

November 17, 2021—Tokyo

Both net sales and profit are expected to increase thanks to strong performance. The Company actively implemented ESG management and accelerated overseas operations in India and elsewhere. Meanwhile, it participated in the joint development of next-generation low-voltage compact wind power equipment and focused on expanding its renewable energy segment.

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. (TSE1: 4245) has adopted PROTECT × CHANGE (“protect the global environment” and “change the future of humanity”) as a corporate mission and slogan. Supported by the water-related businesses that form its central pillar, the Company is developing its business operations with the aim of becoming an "eco-creation and development company" that builds social infrastructure, thereby helping to create comfortable living environments that are friendly to both the natural environment and people. Meanwhile, the Company is adopting a variety of ESG management measures. Within the category of Environment, the company is promoting initiatives aimed at achieving 100% renewable energy. In terms of measures related to Society, the Company is promoting diversity by introducing new and reformed work styles and encouraging active participation from women. At the same time, the Company is reforming its management structure and strengthening risk management as part of its efforts in the category of Governance.

The Company's two main segments are its environmental equipment segment (primarily focused on Johkasou and wastewater treatment systems) and its household equipment business (characterized by its custom kitchens), which together account for more than 90% of its operations. At the same time, it is expanding its renewable energy segment, which is typified by compact wind power equipment business operations and business activities targeting the sale of power generated by solar power facilities. The company's growth strategy includes constructing water-related infrastructure overseas, expanding recurring revenue business by converting groundwater into drinking water, generating products with high added value, concentrating on its renewable energy business, and conducting M&A.

Daiki Axis is actively expanding its business operations in the field of overseas water-related infrastructure. The Japanese government has announced that it will create a system for facilitating about USD5,000 million (approximately JPY5,500 billion) in public and private investment and financing for infrastructure development in the region straddling the Indian and Pacific Oceans. In particular, the Company is focusing on ASEAN regions and India as overseas markets and has acquired an ecological certification for Johkasou it manufactures in India. This GreenPro certification is the Company's first in the category of wastewater treatment. Daiki Axis expects that this certification will raise awareness regarding its products in India and lead to an increase in inquiries concerning Johkasou for government buildings and green buildings. Meanwhile, the Company also maintains that the Regional Comprehensive Economic Partnership (RCEP), which includes both Japan and China and is currently the world's largest free-trade agreement, can be expected to have a positive impact on its corporate performance over the medium to long term.

Net sales generated during the six months ended June 30, 2021 amounted to JPY19,117 million (up 9.6% YoY). Gross profit came to JPY4,008 million (up 5.7% YoY) as operating profit amounted to JPY780 million (up 14.3% YoY), recurring profit JPY864 million (up 14.2% YoY), and profit attributable to owners of parent JPY440 million (up 56.3% YoY). For the fiscal year ending December 31, 2021, the Company projects JPY35,400 million in net sales, JPY1,300 million in recurring profit, and JPY700 million in profit attributable to owners of parent.

In formulating this new medium-term management plan, the Company has only calculated quantitative targets on a year-by-year basis due to impact from the COVID-19 pandemic. Meanwhile, the qualitative targets of the plan follow those of the Company's previous medium-term management plan with a continued focus on improving future profitability and promoting growth strategies moving forward. Specifically, in the environmental equipment segment, the Company will promote business development overseas while expanding its recurring-revenue energy service company (ESCO) business in the areas of maintenance and water. Meanwhile, in the household equipment segment, the Company will launch an ecommerce business, unearth 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.

Zephyr Corporation, Ricoh Japan Co., Ltd. and Daiki Axis Sustainable Power Corporation will team up to develop a new wind turbine generator with a rated output of 50 kW, and promote its use as a power source on par with solar power generation. These three companies launched efforts associated with this wind turbine generator in January 2021 and expect to carry them out to their conclusion by around April 2023. The Company plans to fulfill independent power supply needs and prepare for upcoming smart grid technology by leveraging the abundant research data it has accumulated through many years of R&D concerning compact wind power generation and through its power sales business. It also plans to facilitate associated efforts by utilizing expertise regarding FRP molding of long products (cylindrical tanks) that Daiki Axis has developed over an extended period of time.

The exercise of stock acquisition rights has raised the Company's equity ratio to the 30% range. Daiki Axis is characterized by its high efficiency benchmarks and its well-systematized turnover of capital. When conducting its financial analysis of the Company, KCR Inc. chose Kubota Corporation (TSE1: 6326), Tsukishima Kikai Co., Ltd. (TSE1: 6332), and EPCO., Ltd. (TSE1: 2311) as similar or competing companies for purposes of comparison.

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

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

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

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

Attentions

This report is intended to provide reference information for investment decisions, and is not intended to solicit investment. Although figures and opinions in the report are based on data obtained from sources deemed reliable, KCR Inc. does not guarantee their accuracy. KCR will assume no responsibility for any loss or damage caused by using part or all of these materials. Investors are advised to make investment decisions based on their own judgment and responsibility. Opinions and forecasts described in the report were made as of its preparation date, and we do not make any guarantees about their accuracy and completeness. In addition, these opinions and forecasts may change in the future without prior notice. KCR reserves all rights with respect to the contents. Copying or reproducing the contents without prior approval is prohibited.

Report Content Inquiries

KCR Inc.

TEL: +81-6-6965-6100

Yojiro Kindaichi

info@kcr-inc.com

(English and Japanese correspondence)

Release Disclaimer

This release is for the purpose of providing information to serve as a reference for investment decisions and not for the purpose of soliciting investment. Please exercise your own judgment on final decisions such as investment policy, timing and selection. Please be advised that we do not assume any responsibility for damages caused by this service.

Release Inquiries

Borderless IR Co., Ltd. <http://b-ir.co.jp/english/main.php>

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

TEL: +81-3-4588-6706

POC: Toru Fukuda (English and Japanese correspondence)

Contact form: <http://b-ir.co.jp/english/contact.php>

Borderless IR specializes in the global distribution of IR content, including the dissemination of newsletters and annual reports providing the latest information and main strengths of Japanese companies directly to overseas investors through leading global media, corporate information database services and mailing lists. Borderless is also engaged in supporting other global IR efforts.

©Borderless IR Co., Ltd. All rights Reserved

The content of this release may not be duplicated or reproduced.