

MIDAC HOLDINGS Co., LTD.

6564

Tokyo Stock Exchange Prime Market

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<https://www.fisco.co.jp>

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Summary

Corporate group seeking to establish a recycling-based society though appropriate waste treatment

MIDAC HOLDINGS CO., LTD.<6564> (also “the Company”) is a pure holding company for a corporate group that seeks to establish a recycling-based society through appropriate waste treatment. The name MIDAC derives from the words for water, land, and air in Japanese, all of which symbolize the environment. With a mission of passing down this irreplaceable Earth as beautiful as it was before, it develops solutions related to waste treatment and management for waste dischargers, seeking to be an environment-creation group on the frontlines of these endeavors. It celebrated its 70th anniversary in April 2022.

1. Characteristics and strengths of integrated treatment system of collection/transportation, intermediate treatment, and final disposal, and an extremely profitable earnings structure

The Company’s business segments are the waste treatment business, collection and transportation business, and intermediary management business. It collects, transports and disposes of industrial waste and specially controlled industrial waste and also collects, transports and disposes of general waste. The waste disposal business provides waste treatment services that consist of intermediate treatment (incineration, pulverization, water treatment, and concrete hardening) and final disposal of waste given off by dischargers (companies, municipalities, etc.). The collection and transportation business provides services involving the collection of waste given off by dischargers and its transport to treatment facilities. The intermediary management business is a service that refers customers (waste dischargers) to other processing companies for waste that is difficult for the company to process or falls outside the Company’s scope of business. The waste treatment business, which is highly profitable, accounts for around 90%. The Company’s characteristic and strength is having built an integrated treatment system that undertakes everything from collection and transport, to intermediate processing, to final disposal, something made possible by the Group owning a diverse array of equipment, whereas most companies in the same sector only offer collection and transport or only offer intermediate processing. As a result, the Company has an extremely profitable earnings structure.

2. FY3/24 net sales and profits up sharply, beating previous forecast

Consolidated financial results for FY3/24 (including results from ENSHU CRUSHED STONE CO., LTD. and FRIEND SANITARY CO., LTD. from 3Q) were net sales of ¥9,547mn, up 22.8% year on year (YoY), operating profit of ¥3,538mn, up 28.4%, ordinary profit of ¥3,377mn, up 25.5%, and profit attributable to owners of parent of ¥1,907mn, up 13.1%. Net sales and profits rose sharply, beating the company’s previous forecast revised on February 14, 2024. Earnings were driven by a large increase in the volume of waste accepted by Okuyama-No-Mori Clean Center in the waste treatment business. The consolidation of FRIEND SANITARY CO., LTD. from 3Q in the collection and transportation business also contributed to earnings. The gross margin improved 1.8 percentage points (pt) YoY to 61.4%, mainly driven by strong growth in high-margin final disposal operations. The SG&A expense ratio rose 0.2pt to 24.3%. M&A-related costs and general and administrative expenses increased. As a result, the Company’s already-high profitability improved further, with the operating profit margin rising 1.6pt YoY to 37.1%.

Summary

3. Forecast for increased sales and profits in FY3/25, with a possibility of further upward movement

The Company's FY3/25 consolidated forecasts are net sales of ¥10,391mn, up 8.8% YoY, operating profit of ¥3,849mn, up 8.8%, ordinary profit of ¥3,881mn, up 14.9%, and profit attributable to owners of parent of ¥2,484mn, up 30.3%. It expects both sales and profits to increase YoY. The Company is aiming to lift net sales above the ¥10bn mark, supported by growth in waste volume handled by Okuyama-No-Mori Clean Center and by a full-year of consolidated earnings from ENSHU CRUSHED STONE CO., LTD. and FRIEND SANITARY CO., LTD. It expects the gross margin to decline slightly on higher costs, but it sees SG&A expenses falling due to the absence of one-time M&A-related expenses booked in the previous fiscal year. As a result, the operating profit margin is forecast to be as high as in FY3/24. The Company forecasts double-digit growth in ordinary profit due to the absence of one-time non-operating expenses incurred in the previous fiscal year. It also forecasts sharply higher profit attributable to owners of parent on a decline in income taxes. We at FISCO believes the Company's full-year gross margin assumption is very cautious. We see prospects for an upside to the Company's forecasts, given 1) higher-than-expected waste volumes being received for highly profitable final disposal, especially at Okuyama-no-Mori Clean Center, 2) a full-year earnings contribution from highly profitable subsidiary FRIEND SANITARY CO., LTD., and 3) the potential for improved synergies in the Group's integrated treatment system.

4. Steady progress with long-term vision "Challenge 80th" and first medium-term plan

The Company celebrated its 70th anniversary in April 2022 and marked the occasion by establishing a 10-year vision, Challenge 80th, for the MIDAC Group. To fulfill Challenge 80th, the Company created the first of two medium-term plans, each of which will last five years. As a basic strategy, the Company will aim to become a true leader in the industry by promoting its evolution into one of the industry's leading comprehensive waste processing companies. To accomplish this the first medium-term plan (FY3/23 to FY3/27) is the stage of building a foundation to accelerate growth, while the second medium-term plan (FY3/28 to FY3/32) is positioned as the stage to establish an industry-leading position through accelerating growth. Numerical results targets are ¥10.0bn in net sales and ¥5.0bn in ordinary profit (organic growth excluding M&A) in FY3/27, the final year of the first medium-term plan. For FY3/32, the final year of Challenge 80th, the Company is targeting net sales of ¥40.0bn and ordinary profit of ¥12.0bn (including M&A). Leveraging its advantage of having multiple treatment facilities and licenses, the Company aims to expand in scale by active expansion in the Kanto area, a large market, while maintaining a high profit margin. As of FY3/24, net sales generated by organic growth alone totaled ¥8.95bn, with the Company well on its way to reaching its net sales target of ¥10bn in FY3/27.

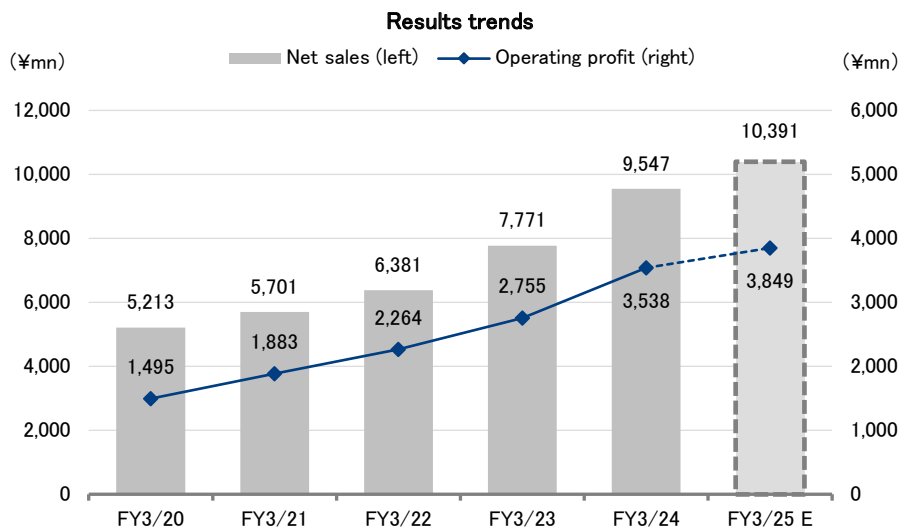
5. Highly profitable business strategy and earnings structure are commendable, and progress in growth strategies from a medium- to long-term perspective is a focus of attention

Looking at the Company's results trends, it is a growth trend with an upward trajectory. The profit margin has been rising as well, so the Company is superbly both growing in size and increasing its profit margin. It can be considered a result of leveraging the strengths of the integrated waste treatment system to promote the expansion of high-margin final disposal operations. Establishing a new landfill site takes a considerable amount of time, but the Company has created a business plan with a medium- to long-term viewpoint. We at FISCO believe the Company should be highly commended for its business strategy and earnings structure that maintains earnings growth with a high profit margin. Although the industrial waste treatment industry may seem unassuming, it plays an important role in the realization of a sustainable society, the establishment of a recycling-oriented society, and the SDGs, which aim for carbon neutrality by 2050, by reducing the volume of waste and neutralizing its harms, thereby contributing to global environmental preservation. Thus, it is also considered to have significant potential for medium- to long-term growth. Going forward, the focus will be on the progress of this first medium-term plan, which is positioned as the stage for creating a foundation for growth acceleration.

Summary

Key Points

- Pure holding company for a corporate group that seeks to establish a recycling-based society through appropriate waste treatment
- Characteristics and strengths of integrated treatment system of collection/transportation, intermediate treatment, and final disposal, and an extremely profitable earnings structure
- FY3/24 net sales and profits up sharply, beating previous forecast
- Forecast for increased sales and profits in FY3/25, with a possibility of further upward movement
- Seeking to expand scale while maintaining a high profit margin by actively expanding in the large Kanto area
- Highly profitable earnings structure is commendable, and progress in growth strategies from a medium- to long-term perspective is a focus of attention



Source: Prepared by FISCO from the Company's financial results

Company profile

The MIDAC name comes from the Japanese words for water, land, and air, symbolizing the environment

1. Company profile

The Company is a pure holding company for a corporate group that seeks to establish a recycling-based society through appropriate waste treatment. The name MIDAC comes from the Japanese words for water, land and air, symbolizing the environment. With a mission of passing down this irreplaceable Earth as beautiful as it was before, it develops solutions related to waste treatment and management by dischargers, seeking to be an environment-creation group on the frontlines of these endeavors. It celebrated its 70th anniversary in April 2022.

Company profile

As of the end of FY3/24, the Group consisted of the Company (a pure holding company headquartered in Hamamatsu City, Shizuoka Prefecture), consolidated subsidiaries MIDAC CO., LTD. (headquartered in Hamamatsu City, Shizuoka Prefecture), MIDAC LINER CO., LTD. (headquartered in Hamamatsu City, Shizuoka Prefecture), SANKO CO., LTD. (headquartered in Kasugai City, Aichi Prefecture), MIDAC KONAN CO., LTD. (headquartered in Hamamatsu City, Shizuoka Prefecture), ENSHU CRUSHED STONE CO., LTD. (headquartered in Hamamatsu City, Shizuoka Prefecture), FRIEND SANITARY CO., LTD. (headquartered in Tsu City, Mie Prefecture), non-consolidated subsidiaries LOVE THY NEIGHBOR CO., LTD. (headquartered in Setagaya City, Tokyo), IWAHARA ORCHARDS CO., LTD. (headquartered in Hokuto City, Yamanashi Prefecture) and equity-method affiliate GREEN CIRCULAR FACTORY CO., LTD (headquartered in Takasaki City, Gunma Prefecture; a joint venture with YAMADA HOLDINGS CO., LTD. <9831>; the Company's share is 40%). The Company has total assets on a consolidated basis of ¥26,901mn, net assets of ¥12,789mn, an equity ratio of 47.4%, shares outstanding of 27,773,500 shares (including 115,302 treasury shares), and 403 employees (including temporary workers).

2. History

The forerunner to MIDAC HOLDINGS, KOJIMA SEISOSHA was founded to conduct general waste handling operations in Hamamatsu City, Shizuoka Prefecture in April 1952. In 1964, the company was incorporated as KOJIMA SEISO CO., LTD. to increase its credibility in society and thereafter expanded its business by collecting, transporting and disposing of industrial waste. In July 1996, the Company changed its name to MIDAC CO., LTD. In September 2021, its name changed to MIDAC HOLDINGS, and in April 2022, the Company shifted to a holding company structure. To expand business, the Company actively uses M&A, and in recent years it made ENSHU CRUSHED STONE CO., LTD. a wholly owned subsidiary in July 2023 and made FRIEND SANITARY CO., LTD. a wholly owned subsidiary in September 2023.

Regarding the Company's stock, it listed on the Second Section of Nagoya Stock Exchange (NSE) in December 2017 and listed on the Second Section of the Tokyo Stock Exchange (TSE) in December 2018. It then listed on the TSE First Section and NSE First Section in December 2019. In April 2022, in connection with market restructuring, it listed on the TSE Prime Market and NSE Premier Market.

History

Date	Event
April 1952	KOJIMA SEISOSHA was founded in Hamamatsu City and was authorized the same month by Hamamatsu City to conduct general waste handling operations
April 1960	Licensed to conduct general waste collection, transportation and disposal by Kamimura in Hamamatsu County, Shizuoka Prefecture (now Hamamatsu City)
July 1964	Incorporated as KOJIMA SEISO CO., LTD. to increase its credibility in society
September 1972	Obtained license in Shizuoka Prefecture to conduct collection, transport and final disposal
May 1986	Established new liquid waste processing center in Hamamatsu City
April 1988	Obtained licenses from Hamamatsu City to perform industrial waste disposal and specially controlled industrial waste disposal, and built a new managed final disposal site in the city
October 1992	Added new active sludge treatment facility at the head office plant
October 1993	Built new carbonization facilities primarily for processing infectious waste
July 1996	Changed name to MIDAC CO., LTD. (currently MIDAC HOLDINGS)
March 1997	Added new specified hazardous industrial waste treatment facility at the head office plant
May 1997	Opened Fujinomiya Business Office (intermediate processing facility) in Fujinomiya City, Shizuoka Prefecture
January 1998	Established wholly owned subsidiary MIDAC ANALYSIS CENTER CO., LTD. in Hamamatsu City
April 1998	Opened Fukude Business Office (incinerating facility) in Fukude Town, Iwata District, Shizuoka Prefecture (now Iwata City)
March 2000	Established MIDAC FUJINOMIYA CO., LTD. in Fujinomiya City, Shizuoka Prefecture (50% joint venture in September 2001)
December 2001	Head office acquires ISO 14001 certification Opened the Toyohashi Business Office (sludge treatment facility) in Toyohashi City, Aichi Prefecture
April 2002	Opened the Tokyo Sales Office in Setagaya City, Tokyo
December 2002	MIDAC FUJINOMIYA opens facility for processing municipal waste and industrial waste

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Company profile

Date	Event
August 2003	Established NIES CO., LTD, a wholly owned subsidiary, in Toyohashi City, Aichi Prefecture for intermediate processing of industrial waste (sorting, kneading, crushing, sorting)
October 2003	Operations of Toyohashi Business Office transferred to NIES
November 2003	Established SOSEKI CO., LTD . a new wholly owned subsidiary in Toyohashi City, Aichi Prefecture for recycling of industrial waste (manufacture of roadbed material)
April 2004	Established MIDAC LINER CO., LTD., a wholly owned subsidiary in Hamamatsu City
June 2004	Municipal waste collection and transportation business transferred to MIDAC LINER
July 2004	MIDAC HOLDINGS CO., LTD. established as a pure holding company in Hamamatsu City and switched to holding company structure
October 2004	SOSEKI opened an industrial waste recycling facility in Toyohashi City, Aichi Prefecture MIDAC HOLDINGS established I CLEAN KARIYA CO., LTD . in Nagoya City (75% share)
January 2005	Tokyo Sales Office relocated to Kawasaki City
April 2005	MIDAC HOLDINGS establishes SUN MIDAC, CO., LTD., a wholly owned subsidiary in Hamamatsu City and transfers the agriculture business
July 2005	Established the Nagoya Sales Office in Nagoya City
March 2006	MIDAC merges NIES, SOSEKI, I CLEAN KARIYA, and MIDAC ANALYSIS CENTER MIDAC LINER merges with SUN MIDAC
April 2010	MIDAC merges with MIDIC HOLDINGS and MIDAC LINER
April 2011	MIDAC makes MIDAC FUJINOMIYA a wholly owned subsidiary
March 2012	MIDAC mergers with MIDAC FUJINOMIYA
January 2013	Seki Business Office established in Seki City, Gifu Prefecture
March 2015	Made SANKO CO., LTD. a wholly owned subsidiary
December 2015	Made SANSEI KAIHATSU CO., LTD. a wholly owned subsidiary (now MIDAC)
December 2017	Listed on the Second Section of the Nagoya Stock Exchange (NSE)
December 2018	Acquired license from Hamamatsu City for establishing industrial waste processing facility as a newly managed final disposal site Listed on the Second Section of the Tokyo Stock Exchange (TSE)
December 2019	Listed on First Section of TSE and First Section of NSE
September 2021	MIDAC changes name to MIDAC HOLDINGS, and MIDAC HAMANA CO., LTD. changes its name to MIDAC
October 2021	The final disposal business (Okuyama-No-Mori Clean Center) split off from MIDAC via a company split YANAGI INDUSTRY CO., LTD. made a wholly owned subsidiary (name changed to MIDAC KONAN CO., LTD. in April 2023)
February 2022	Okayama-No-Mori Clean Center, a new managed final disposal site, begins operations
April 2022	Changed to holding company structure (existing businesses split off into consolidated subsidiaries via company split method) Changed listings to Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market as part of market reclassification
May 2022	Made LOVE THY NEIGHBOR CO., LTD. a wholly owned subsidiary (non-consolidated)
November 2022	Made IWAHARA ORCHARDS CO., LTD. a wholly owned subsidiary (non-consolidated)
July 2023	Made ENSHU CRUSHED STONE CO., LTD. a wholly owned subsidiary
September 2023	Established GREEN CIRCULAR FACTORY CO., LTD (equity-method affiliate), a joint venture with YAMADA HOLDINGS <9831> Made FRIEND SANITARY CO., LTD. a wholly owned subsidiary

Source: Prepared by FISCO from the Company's materials

Business overview

Carries out the waste treatment business, collection and transportation business, and intermediary management business

1. Business overview

The Company carries out the collection, transport and treatment of industrial waste and specially controlled industrial waste and the collection, transport and treatment of general waste. Waste is defined as an item no longer needed because it can't be used by its owner or sold for a fee to another party (excludes radioactive substances and items exposed to such substances). It is largely divided between industrial waste and general waste.

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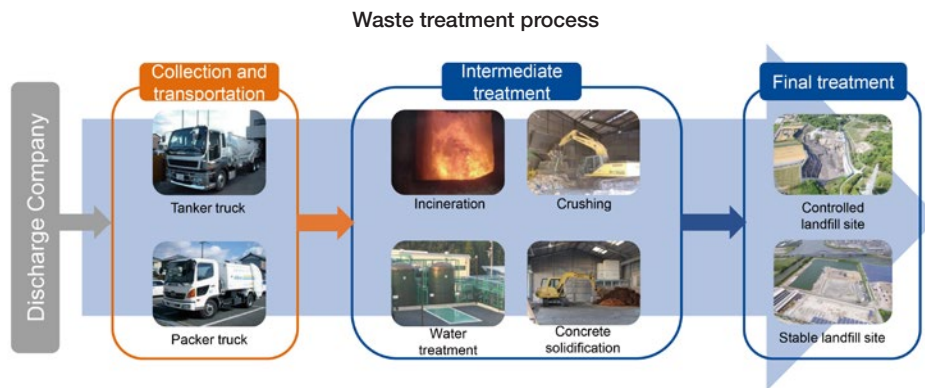
Business overview

Industrial waste is 20 categories of waste defined under the Waste Management and Public Cleansing Act among the waste given off by business activities (cinder, sludge, waste oil, waste acid, waste alkali, waste plastics, scrap rubber, scrap metal, scrap glass, scrap concrete, scrap ceramics, slag, rubble, soot and dust, scrap paper, scrap lumber, scrap textiles, animal and plant residue, animal-based solid waste, animal waste, animal carcasses, and items not included in the aforementioned that are processed in order to dispose of the above industrial waste).

General waste is any waste that is not classified as industrial waste under the Waste Management and Public Cleansing Act. General waste is divided into regular business waste (non-industrial waste given off by business activities), regular household waste (waste given off by the everyday living activities of regular households), specially controlled general waste (parts that use PCB included in household waste, soot and dust gathered at dust collection facilities at waste processing facilities, and infectious waste).

(a) Business segments / Description

The Company's business segments are the waste treatment business, the collection and transportation business, and the intermediary management business. The waste treatment business consists of waste treatment services for intermediate treatment (incineration, pulverization, water treatment, concrete solidification, etc.) and final disposal at its own facilities for waste discharged by providers (companies, local municipalities, etc.). The collection and transportation business consists of services for transporting waste given off by dischargers to treatment sites by way of tanker trucks and packer trucks. The intermediary management business consists of services for intermediating for customers (dischargers) to refer them to other treatment providers for waste that is difficult for the Company to treat and waste outside its scope of business. In the waste treatment business and collection and transportation business, fees are charged to the discharger for intermediate processing, final disposal and collection and transportation. In the intermediary management business, referral fees are collected from the treatment provider.



Source: The Company's results briefing materials

Business overview

Intermediate processing consists of reducing the amount, reducing the volume, stabilizing, detoxification, and recycling of waste before final processing. Depending on the properties of the waste, it is treated by incineration, pulverization and sorting, reducing and forming, neutralizing, dehydrating, or melting. Final disposal consists of landfilling, ocean disposal, or recycling. Landfilling involves building a storage structure by separating off a place limited by land or sea in order to avoid unauthorized spreading or discharge of waste into the environment, filling it with waste and storing it there until after a number of years it returns to nature. There are three types of sites. Stable landfill sites (landfill disposal sites filled only with items that do not hinder environmental safety even if landfilled in its original state like waste plastics or rubble), shielded landfill sites (landfill disposal sites that are filled with waste that include toxic substances and are isolated from its surroundings with a concrete enclosure and roof), and controlled landfill sites (landfill disposal sites that are filled with waste that is not toxic enough to meet the threshold for shielded landfill sites but cannot be treated at a stable landfill site; facilities are mandated for seepage control and leachate treatment because the hazardous substances give off eluate, gas or sewage).

(b) Business environment

The estimated market scope of the domestic industrial waste processing industry, to which the Company belongs, is approximately ¥5.3tn (Source: Ministry of the Environment, “FY2011 Report on the Fact-Finding Survey of Industrial Waste Treatment Business”). By region, Kanto is ¥2.1tn, Kinki is ¥0.9tn, Chubu is ¥0.7tn, Hokkaido and Tohoku are ¥0.6tn, Kyushu and Okinawa are ¥0.6tn and Chugoku and Shikoku are ¥0.4tn. Total output of industrial waste in Japan (Source: Ministry of the Environment, “Industrial Waste Discharge and Treatment Status (Preliminary Figures for FY2022)”) was 370mn tons in fiscal 2022 (by region, Kanto 25.2%, Hokkaido and Tohoku 19.4%, Chubu 17.0%, Kyushu 14.2%, Kinki 13.5%, and Chugoku and Shikoku 10.7%.) After falling below 400mn tons in fiscal 2009, there has been no major change and this stable amount of discharge is expected to continue going forward.

Final disposal volume (Source: Ministry of the Environment, “Industrial Waste Discharge and Treatment Status (Preliminary Figures for FY2022)”) has trended at around 9mn tons since 2018. This is a large decline compared to fiscal 2008’s 17mn tons, but progress made by recycling (the 3 R’s: Reduce, Reuse, Recycle) is thought to have had an impact, but under the Ministry of the Environment’s “Fundamental Plan for Establishing a Sound Material-Cycle Society (June 2018),” a target has been set of 10mn tons for the final disposal volume of industrial waste in fiscal 2025, and going forward, final disposal will be unavoidable, and landfill sites will continue to be essential to society; this is not likely to change.

In addition, landfill sites in Japan (number of licensed facilities) numbered 1,568 nationwide as of April 1, 2022 (Source: Ministry of the Environment, “Status of the Installation of Industrial Waste Treatment Facilities and Permitting for Industrial Waste Treatment Businesses, etc. (FY2021 Results, etc.)”) The remaining volume of 171.09mn m³ (shielded landfill sites 0.2mn m³, stable landfill sites 59.23mn m³, and controlled landfill sites 111.83mn m³) increased YoY by 14.02mn m³, or 8.9%. Remaining years (=remaining volume/final disposal volume) in Japan is 19.7 years; it is 13.4 years in the Tokyo metropolitan area, and 20.5 years in the Kinki area.

Characteristics and strengths of integrated treatment system of collection/transportation, intermediate treatment, and final disposal, and an extremely profitable earnings structure

2. Features and strengths

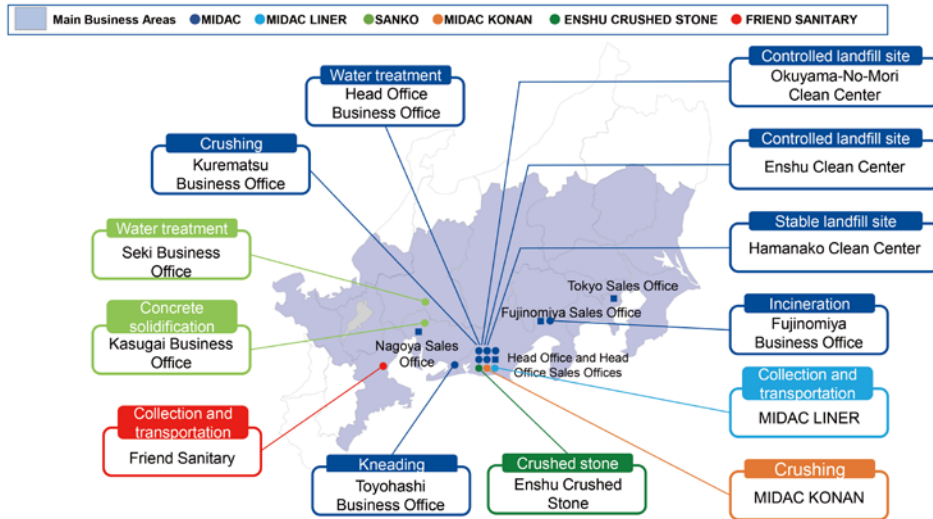
As a characteristic and strength of the Company, it has built an integrated treatment system that undertakes processes from collection and transportation to intermediate treatment, and final disposal made possible by the Group owning a variety of facilities, whereas most companies in the same industry are either collection and transportation only or intermediate treatment only. Dischargers, which are the Company's customer, can contract waste processing to the Company with full confidence and with no concerns about inappropriate treatment, etc., in the process of waste treatment. Moreover, integrated treatment within the Group creates Group synergies like lower costs at intermediate treatment facilities.

The Group's business sites and facilities are as follows. MIDAC's Head Office Business Office conducts intermediate treatment and collection and transportation of sludge and waste liquids, the Toyohashi Business Office offers pulverizing and sorting of waste products and sorting and kneading of sludge, the Fujinomiya Business Office incinerates various types of waste, the Enshu Clean Center (Hamamatsu City, Shizuoka Prefecture) provides controlled landfill sites, the Hamanako Clean Center (Hamamatsu City, Shizuoka Prefecture) is a stable landfill site, and Okuyama-No-Mori Clean Center (Hamamatsu City, Shizuoka Prefecture) is a controlled landfill site. SANKO handles concrete solidification of sludge, etc., an intermediate treatment, and the Seki Business Office does intermediate treatment for sludge and waste fluids, MIDAC KONAN crushes and sorts solid waste, ENSHU CRUSHED STONE crushes stone, MIDAC LINER and FRIEND SANITARY handles collection and transportation.

Regarding Okuyama-No-Mori Clean Center, it was licensed and began operations in February 2022, and now the second to fourth phases of construction are underway. The second to fourth phases are scheduled to launch operations in September 2026. Having its base of operations in Hamamatsu City, Shizuoka Prefecture nearly in the middle of the so-called Pacific Belt where waste discharge is substantial means its service area extends from east to west from the Kanto area to the Kansai area, which is another characteristic and strength. Regarding the MIDAC Kurematsu Business Office, the solid waste crushing business will be integrated into MIDAC KONAN CO., LTD. to improve efficiency and the Kurematsu site will be considered for other uses after operations have been fully transferred.

Business overview

List of business units



Source: The Company's results briefing materials

Net sales and operating income from the waste treatment business increasing. Operating margin also on the upswing

3. Trends by segment

Segment sales, operating profit and operating profit margins for the past six years (FY3/19 to FY3/24) results are as shown below. Looking by share, the waste treatment business, which has high profit margins, accounts for around 90% of both net sales and operating profit. The mainstay waste treatment business has seen steady increases in net sales and operating profit. In addition, the operating profit margin is on the upswing, rising 17.9pt from 35.5% in FY3/19 to 53.4% in FY3/24. Along with increased revenue from business expansion, the higher sales shares of incineration (intermediate treatment) and final disposal, which have high profit margins in particular, also contributed. As a result, the operating profit margin on a consolidated basis rose 13.6pt from 23.5% in FY3/19 to 37.1% in FY3/24, so the Company has an extremely profitable earnings structure.

Business overview

Trends by segment

	(¥mn)					
	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Consolidated net sales	4,676	5,213	5,701	6,381	7,771	9,547
Waste treatment business	4,029	4,546	4,975	5,724	7,202	8,445
Collection and transportation business	698	714	756	701	719	1,314
Intermediary management business	275	323	381	422	137	148
Total	5,003	5,584	6,113	6,848	8,059	9,908
Other	-	-	-	-	-	25
Adjustments	-327	-370	-412	-467	-287	-386
Consolidated operating profit	1,098	1,495	1,883	2,264	2,755	3,538
Waste treatment business	1,432	1,916	2,162	2,715	3,586	4,508
Collection and transportation business	110	92	163	115	96	220
Intermediary management business	88	130	178	173	79	94
Total	1,631	2,138	2,504	3,004	3,762	4,823
Other	-	-	-	-	-	-29
Adjustments	-533	-643	-620	-739	-1,006	-1,255
Consolidated operating profit margin	23.5%	28.7%	33.0%	35.5%	35.5%	37.1%
Waste treatment business	35.5%	42.1%	43.5%	47.4%	49.8%	53.4%
Collection and transportation business	15.8%	12.9%	21.7%	16.5%	13.4%	16.8%
Intermediary management business	32.1%	40.3%	46.6%	40.9%	57.8%	63.8%

Note: Operating profit margin for each segment is before consolidation adjustments.
 Source: Prepared by FISCO from the Company's financial results

Strengthen governance against regulatory risk; low risk from market competition

4. Risk factors and issues and measures in response to them

Typical risks faced by the waste treatment industry include legal regulations, development of landfill sites, change in waste discharge due to changing economic conditions, and intensified market competition. Regarding regulations, there is the Waste Management and Public Cleansing Act and other related regulations, but the Company is working to maintain compliance by strengthening overall Group governance so that it does not receive an order to suspend operations or other punishment such as a license being revoked.

Regarding final disposal, when the prescribed volume of landfill fills up the site, operations come to an end, but to develop a new landfill site, it takes a process of prior discussions with the municipality, land selection and acquisition, an environmental assessment survey, presentations to local residents and more before the municipality grants the license and construction can begin. It takes a considerable amount of time, so new final disposal development plans are promoted in line with medium- to long-term business plans. There has been no major change in waste discharge in recent years, and going forward a fixed amount of waste continues to be expected. With regard to market competition, the Group has built an integrated treatment system and maintains a competitive advantage over other operators in the industry, which tend to be relatively small and are only involved in the collection and transportation business or in the intermediate treatment business. FISCO believes there is low risk its financial results deteriorate due to competition intensifying.

Results trends

FY3/24 net sales and profits up sharply, beating previous forecast

1. Summary of consolidated financial results for FY3/24

Consolidated financial results for FY3/24 (including results from ENSHU CRUSHED STONE CO., LTD. and FRIEND SANITARY CO., LTD. from 3Q) were net sales of ¥9,547mn, up 22.8% YoY, operating profit of ¥3,538mn, up 28.4% YoY, ordinary profit of ¥3,377mn, up 25.5%, and profit attributable to owners of parent of ¥1,907mn, up 13.1%. Net sales and profits came in well above the Company's previous forecasts, which were revised on February 14, 2024 to net sales of ¥9,307mn (up ¥852mn from previous forecast), operating profit of ¥3,354mn (up ¥340mn), ordinary profit of ¥3,196mn (up ¥320mn), and profit attributable to owners of parent of ¥1,728mn (down ¥2mn). Earnings were driven by a large increase in the volume of waste accepted by Okuyama-No-Mori Clean Center in the waste treatment business. The consolidation of FRIEND SANITARY CO., LTD. from 3Q in the collection and transportation business also contributed to earnings.

Gross profit increased 26.7% YoY and the gross margin improved 1.8pt to 61.4%, mainly driven by strong growth in high-margin final disposal operations. SG&A expenses rose 24.1% YoY, reflecting increases for M&A-related costs and general and administrative expenses. The SG&A expense ratio rose 0.2pt to 24.3%. As a result, the Company's already-high profitability improved further, with the operating profit margin rising 1.6pt YoY to 37.1%. Capital investment increased ¥956mn YoY to ¥2,457mn and depreciation plus amortization of goodwill rose ¥124mn to ¥929mn.

Summary of consolidated financial results for FY3/24

	FY3/23		FY3/24		YoY		Previous forecast	Vs forecast	
	Results	% of net sales	Results	% of net sales	Change	Change (%)		Amount	Attainment rate
Net sales	7,771	100.0%	9,547	100.0%	1,775	22.8%	9,307	240	102.6%
Gross profit	4,628	59.6%	5,862	61.4%	1,234	26.7%	5,632	230	104.1%
SG&A expenses	1,872	24.1%	2,323	24.3%	450	24.1%	2,278	45	102.0%
Operating profit	2,755	35.5%	3,538	37.1%	783	28.4%	3,354	184	105.5%
Ordinary profit	2,692	34.6%	3,377	35.4%	685	25.5%	3,196	181	105.7%
Profit attributable to owners of parent	1,685	21.7%	1,907	20.0%	221	13.1%	1,728	179	110.3%

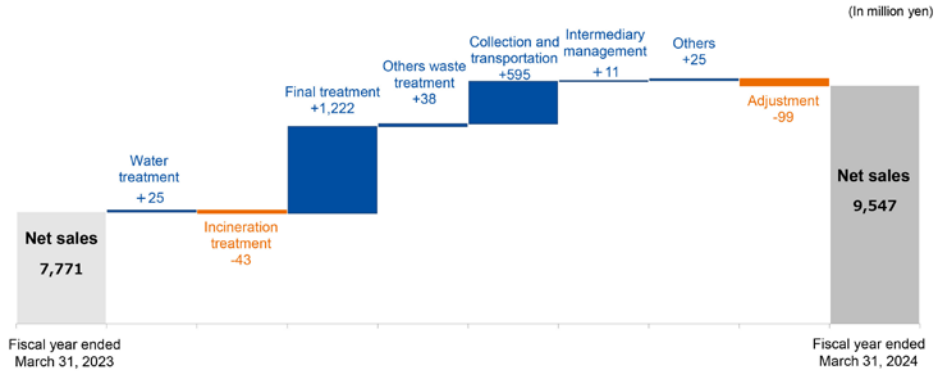
Note: Previous forecasts revised on February 14, 2024

Source: Prepared by FISCO from the Company's financial results and results briefing materials

The ¥1,775mn YoY increase in net sales breaks down as an increase of ¥25mn in water treatment, a decrease of ¥43mn in incineration treatment, an increase of ¥1,222mn in final disposal, an increase of ¥38mn in other waste treatment, an increase of ¥595mn in collection and transportation, an increase of ¥11mn in intermediary management, an increase of ¥25mn in other, and a decrease of ¥99mn in adjustments. The ¥783mn YoY increase in operating profit breaks down as an increase of ¥18mn in water treatment, a decrease of ¥72mn in incineration treatment, an increase of ¥1,064mn in final disposal, a decrease of ¥87mn in other waste treatment, an increase of ¥124mn in collection and transportation, an increase of ¥15mn in intermediary management, a decrease of ¥29mn in other, and a decrease of ¥249mn in adjustments.

Results trends

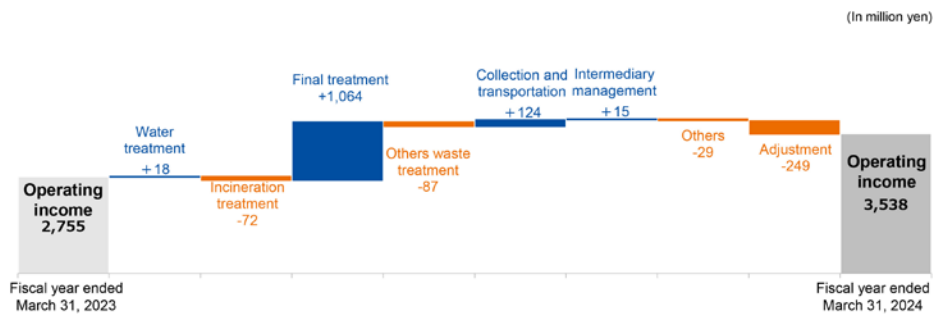
Analysis of changes in net sales



Note 1: Figures for each category include internal transactions.
Note 2: Adjustments represent changes from eliminations of intragroup transactions.

Source: The Company's results briefing materials

Analysis of changes in operating income



Note 1: Figures for each category include internal transactions.
Note 2: Adjustments represent changes from eliminations of intragroup transactions and company wide expenses.

Source: The Company's results briefing materials

Waste treatment business is steady

2. Trends by business segments

Looking by segment (net sales include internal net sales and transfers; operating profit is prior to adjustments and eliminations), the waste treatment business's net sales and profits rose sharply, with sales up 17.3% to ¥8,445mn and operating profit up 25.7% to ¥4,508mn. The amount of waste accepted increased significantly, centering on large transactions with the construction industry, in relation to expanded volume accepted at Okuyama-No-Mori Clean Center, a controlled landfill site operated by MIDAC. Net sales and profits declined in incineration treatment due to scheduled maintenance. Net sales increased in other waste treatment, but profits declined due to costs related to decommissioning work for the MIDAC Kurematsu Business Office. Net sales and profits both increased strongly in the collection and transportation business, with net sales up 82.7% YoY to ¥1,314mn and operating profit up 128.4% to ¥220mn. This reflected the consolidation of FRIEND SANITARY CO., LTD. from 3Q, as well as an improvement in the order unit price for industrial waste after price revisions and an increase in the volume of general waste handled, particularly for restaurants. Net sales in the intermediary management business increased 8.0% YoY to ¥148mn and operating profit rose 19.1% to ¥94mn. There was a stable trend of referring large-scale projects and others to partner companies.

Results trends

Overview of FY3/24 results by segment

	FY23		FY24		YoY	
	Results	% of net sales	Results	% of net sales	Change	Change (%)
(¥mn)						
Consolidated net sales						
Waste treatment business	7,202	89.4%	8,445	85.2%	1,243	17.3%
Collection and transportation business	719	8.9%	1,314	13.3%	595	82.7%
Intermediary management business	137	1.7%	148	1.5%	11	8.0%
Total	8,059	100.0%	9,908	100.0%	1,849	22.9%
Other	-	-	25	-	-	-
Adjustments	-287	-	-386	-	-	-
Consolidated operating profit						
Waste treatment business	3,586	49.8%	4,508	53.4%	922	25.7%
Collection and transportation business	96	13.4%	220	16.8%	124	128.4%
Intermediary management business	79	57.8%	94	63.8%	15	19.1%
Total	3,762	46.7%	4,823	48.7%	1,061	28.2%
Other	-	-	-29	-	-	-
Adjustments	-1,006	-	-1,255	-	-	-

Note 1: Segment net sales are a percentage of total before adjustments

Note 2: Segment operating income margin is operating income as a percentage of the segment's net sales

Source: Prepared by FISCO from the Company's financial results

Maintaining financial soundness

3. Financial condition

Looking at financials, total assets at the end of FY3/24 increased ¥5,293mn compared to the end of FY3/23 to ¥26,901mn. In current assets, cash and deposits rose ¥2,247mn, and in non-current assets, there were increases of ¥1,726mn for land, ¥388mn for deferred tax assets and ¥286mn for goodwill. These increases in both current and non-current assets primarily reflected M&A and business expansion. Total liabilities increased ¥3,487mn to ¥14,111mn, mainly due to an increase of ¥758mn in provision for retirement benefits for directors (and other officers). Interest-bearing debt (total of short- and long-term borrowings and bonds) rose ¥2,428mn to ¥10,457mn, largely due to fund procurement for M&A activities. Net assets increased ¥1,805mn to ¥12,789mn and retained earnings rose ¥1,768mn. As a result, the equity ratio declined 3.3pt to 47.4%.

The balance of interest-bearing debt increased to fund M&A and the equity ratio decreased, but in the Company's case, building a platform for growth through M&A and capital investment is seen as essential, and, furthermore, considering the abundance of cash and deposits from steady operating cash flow, for the time being there is no cause for concern, and we at FISCO believe that financial soundness is being maintained.

Results trends

Balance sheet and statements of cash flows (summarized version)

	End of FY3/20	End of FY3/21	End of FY3/22	End of FY3/23	End of FY3/24	Change
	(¥mn)					
Total assets	11,919	14,222	20,040	21,607	26,901	5,293
Current assets	4,683	5,327	7,129	7,833	10,436	2,602
Non-current assets	7,235	8,894	12,910	13,773	16,465	2,691
Total liabilities	7,537	8,699	10,503	10,623	14,111	3,487
Current liabilities	4,725	6,147	7,450	3,929	6,811	2,881
Non-current liabilities	2,811	2,551	3,053	6,693	7,299	605
Net assets	4,382	5,522	9,536	10,983	12,789	1,805
Shareholders' equity	4,382	5,520	9,529	10,965	12,758	1,792
Equity ratio	37%	39%	48%	51%	47%	-3%

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24
Cash flows from operating activities	1,651	1,773	1,807	2,849	2,653
Cash flows from investing activities	-1,474	-2,063	-3,908	-2,243	-2,845
Cash flows from financing activities	1,778	827	3,700	39	2,263
Cash and cash equivalents at end of period	3,756	4,293	5,894	6,540	8,611

Source: Prepared by FISCO from the Company's financial results

Outlook

Forecast for increased sales and profits in FY3/25, with a possibility of further upward movement

● Summary of the FY3/25 consolidated results forecasts

The forecast for consolidated financial results for FY3/25 is net sales of ¥10,391mn, up 8.8% YoY, operating profit of ¥3,849mn, up 8.8%, ordinary profit of ¥3,881mn, up 14.9%, and profit attributable to owners of parent of ¥2,484mn, up 30.3%. Net sales and profits are both projected to reach record highs. The Company is aiming to lift net sales above the ¥10bn mark, supported by growth in waste volume handled by Okuyama-No-Mori Clean Center and by a full-year of earnings from ENSHU CRUSHED STONE CO., LTD. and FRIEND SANITARY CO., LTD., which were both included in the consolidated accounts from 3Q FY3/24. It expects the gross margin to decline slightly on changes to sales composition and higher costs, but it sees SG&A expenses declining due to the absence of one-time M&A-related expenses booked in the previous fiscal year. As a result, the operating profit margin is forecast to be as high as in FY3/24. The Company forecasts double-digit growth in ordinary profit due to the absence of one-time non-operating expenses incurred in the previous fiscal year. It also forecasts sharply higher profit attributable to owners of parent on a decline in income taxes. It expects capital investment to increase ¥1,709mn YoY to ¥4,166mn and depreciation plus amortization of goodwill to rise ¥31mn to ¥960mn. In addition to investing in the development of new waste treatment facilities, the Company plans to make capital investments to increase capacity at existing final disposal sites.

Outlook

Looking at forecasts on a half-year basis, the Company forecasts 1H FY3/25 net sales of ¥5,013mn, up 19.5% YoY, and operating profit of ¥1,562mn, up 15.3%. For 2H, it forecasts net sales of ¥5,378mn, up 0.5%, and operating profit of ¥2,287mn, up 4.8% YoY. While forecasts are weighted to 2H, this reflects the tendency for net sales and profits to be lower in 2Q due to seasonal factors such as maintenance costs and a drop in the number of operating days. Net sales and profits are projected to increase at double-digit rates in 1H but rise only slightly in 2H. This reflects the fact that earnings from ENSHU CRUSHED STONE CO., LTD. and FRIEND SANITARY CO., LTD. were not included in consolidated results in 1H FY3/24.

As a key strategy, the Company aims to increase the volume of waste accepted by Okuyama-No-Mori Clean Center and other facilities through efficient, wide-area marketing to strong-performing industries and customers, backed by its integrated treatment system. In intermediate treatment facilities, the Company aims to improve capacity utilization by implementing sales activities to expand sales channels. It also plans to promote more efficient operations by clarifying the roles of two controlled landfill sites located in the same region (Enshu Clean Center and Okuyama-No-Mori Clean Center).

FISCO believes the Company's full-year gross margin assumption is very cautious. We see prospects for upside to the Company's forecasts, given 1) higher-than-expected waste volumes being received for highly profitable final disposal, especially at Okuyama-no-Mori Clean Center, 2) a full-year earnings contribution from highly profitable subsidiary FRIEND SANITARY CO., LTD., and 3) the potential for improved synergies in the Group's integrated treatment system.

Overview of FY3/25 consolidated forecast

	FY3/24		FY3/25		YoY		1H forecasts	YoY change	2H forecasts	YoY change
	Results	% of net sales	Forecast	% of net sales	Change	Change (%)				
Net sales	9,547	100.0%	10,391	100.0%	843	8.8%	5,013	19.5%	5,377	0.5%
Gross profit	5,862	61.4%	6,125	58.9%	262	4.5%	-	-	-	-
SG&A expenses	2,323	24.3%	2,275	21.9%	-47	-2.1%	-	-	-	-
Operating profit	3,538	37.1%	3,849	37.0%	310	8.8%	1,562	15.3%	2,286	4.7%
Ordinary profit	3,377	35.4%	3,881	37.4%	503	14.9%	1,578	19.4%	2,302	12.0%
Income taxes	1,470	15.4%	1,396	13.4%	-74	-5.1%	-	-	-	-
Profit attributable to owners of parent	1,907	20.0%	2,484	23.9%	577	30.3%	976	29.6%	1,508	30.8%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

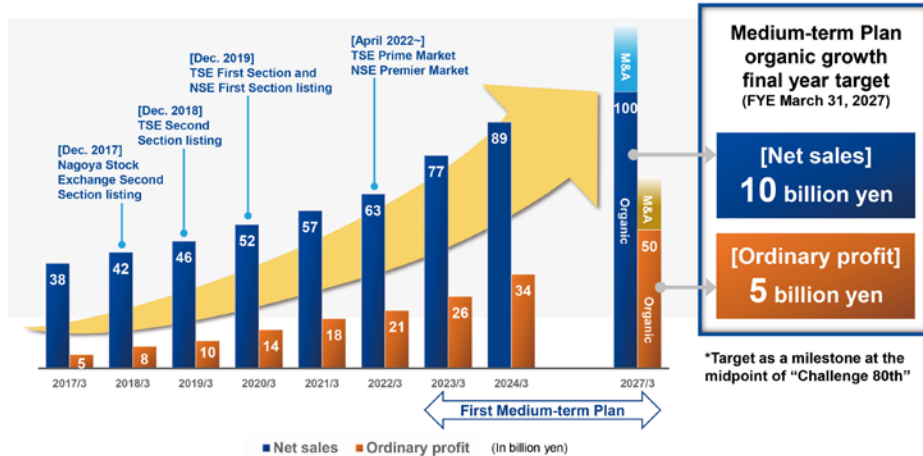
Growth strategy

In its long-term vision, the Company is aiming for ¥12.0bn in ordinary income in FY3/32

1. Long-term vision “Challenge 80th” and the first medium-term plan, focused on the foundation-building stage

On the occasion of its 70th anniversary in April 2022, the Company established its Challenge 80th MIDAC Group 10-year vision in June 2022 to embody what the Company is aiming to be in 10 years for its 80th anniversary. To fulfill Challenge 80th, the Company created the first of two medium-term plans, each of which will last five years. As a basic strategy, the Company will aim to become a true leader in the industry by promoting its evolution into one of the industry’s leading comprehensive waste processing companies. To accomplish this, the first medium-term plan (FY3/23 to FY3/27) is the stage of building a foundation to accelerate growth, while the second medium-term plan (FY3/28 to FY3/32) is positioned as the stage to establish an industry-leading position through accelerating growth. Results targets for FY3/27, the final year of the first medium-term plan, (organic growth excluding M&A) are net sales of ¥10.0bn, and ordinary profit of ¥5.0bn. For FY3/32, the final year of Challenge 80th the targets are net sales of ¥40.0bn and ordinary profit of ¥12.0bn. As of FY3/24, net sales generated by organic growth alone totaled ¥8.95bn, with the Company well on its way to reaching its net sales target of ¥10bn in FY3/27.

First medium-term plan



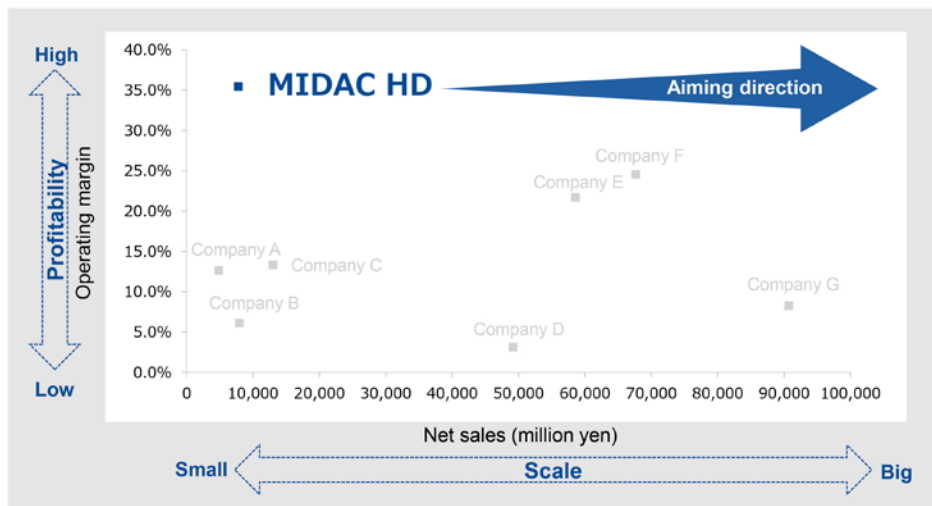
Source: The Company's results briefing materials

Regarding development of business areas, the Company plans to focus on expansion in the Kanto region. Leveraging its advantage in having multiple processing facilities and licenses, it plans to increase its scale while maintaining a high profit margin through active expansion in the Kanto area, a large market. Regarding capital investment plans (intermediate treatment facilities and landfill sites), the Company will promote investing in increased volume and longer service lives at existing sites and will also select multiple candidate sites in the Pacific Belt region and Kanto area for facilities while simultaneously promoting plans with the aim of acquiring licenses for facility establishment at an early date and further expansion of the business.

Growth strategy

Regarding development plans for landfill sites in the first medium-term plan, the Company is planning to develop two sites for controlled landfill site (over 1.5-2.0mn m³ each), but licenses for landfill sites are not easy to obtain and will require considerable time, so it has expanded candidate sites to all of eastern Japan. Regarding its two candidate sites, it has already performed topographical surveys and geological surveys and is in the midst of environmental surveys. Regarding development plans for intermediate treatment facilities, it acquired a new site for incineration facilities in Kumagaya City, Saitama Prefecture in March 2022. MIDAC also plans to start operation of a new water treatment facility in Hamamatsu City, Shizuoka Prefecture (tentative name: Miyakoda Business Office) in April 2026 or later to expand treatment capacity and address its aging existing water treatment facilities (site has been purchased and construction contracts were signed in April and May 2024). Treatment capacity will be roughly five times that of its existing facility at the MIDAC Head Office Business Office, with total investment projected to be around ¥3.5bn. Regarding new facility development, it plans to actively utilize M&A and not just rely on its own development activities.

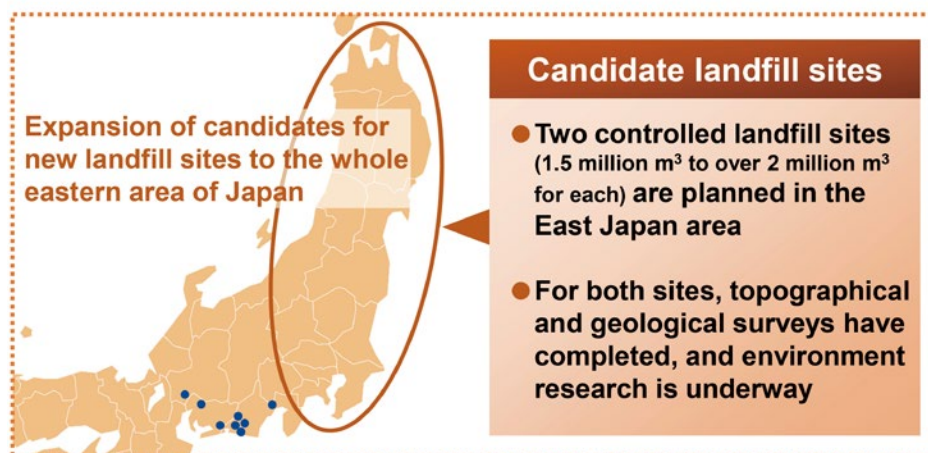
Comparison with competitors and aiming direction



Source: The Company's results briefing materials

Facility development plan

We will promote development by establishing a wide range of site candidates for final landfill sites for which it may be difficult to obtain permits.



Source: The Company's results briefing materials

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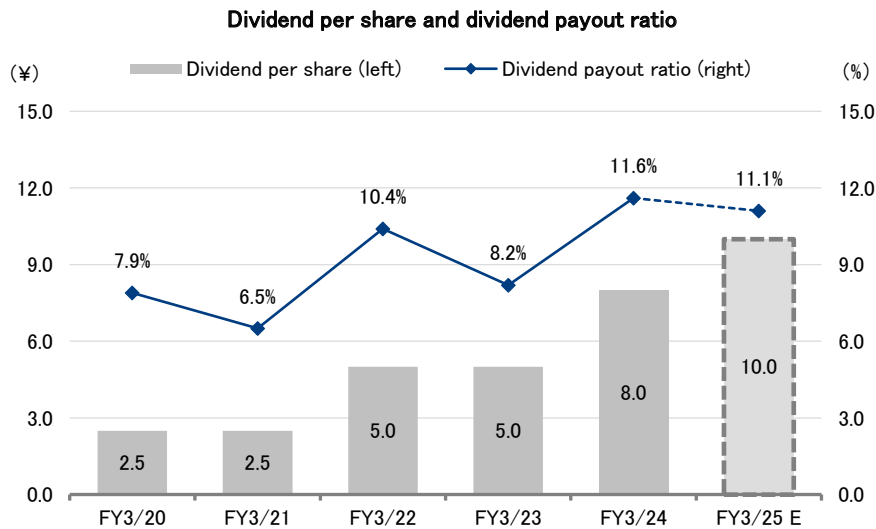
Growth strategy

In May 2024, the Company disclosed measures to realize management that takes into account cost of capital and the share price. The Company reports its latest analysis shows the Group’s cost of capital is around 9%. Return on equity (ROE) has consistently exceeded this level for the last five years, and it has continuously maintained its target ROE level of 15%. Also, over the same period, the price-to-book value (P/B) ratio has trended above 2x. In terms of future measures, the Company will implement various steps to increase return on capital (ROC) and ensure ROE is consistently higher than cost of capital. This will include steadily working to achieve the targets of the first medium-term plan, continuously returning profits to shareholders and actively engaging in investor relations activities.

Continuing to pay a stable dividend for shareholder returns

2. Shareholder return policy

Regarding returning profits to shareholders, the Company’s basic policy is to continue to pay a stable dividend while strengthening its management base and financial position. With respect to internal reserves, they are to be used effectively to strengthen the management base and for investments to further expand the scope of business into the future. Based on this basic policy, the Company paid a dividend of ¥8.0 per share for FY3/24 (lump sum year-end dividend), an increase of ¥3.0 from the previous fiscal year. The payout ratio is 11.6%. For FY3/25, the Company forecasts ¥10.0 per share (lump sum year-end dividend), an increase of ¥2.0 from FY3/24. The forecast is for a consecutive increase in the dividend and a payout ratio of 11.1%. Going forward, we at FISCO believe the Company can be expected to increase its dividend and raise its payout ratio as its results expand.



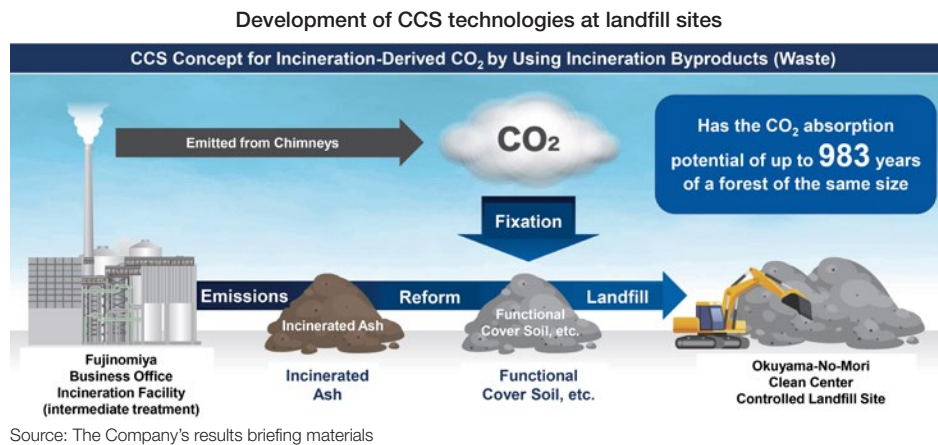
Note 1: A 2-for-1 stock split was conducted on July 1, 2021, so figures for FY3/21 have been retroactively revised
 Note 2: FY3/22 includes a regular dividend of ¥2.5 and a special 70th anniversary dividend of ¥2.5
 Source: Prepared by FISCO from the Company’s financial results

Strengthening initiatives for decarbonization

3. Sustainability management

The Company not only contributes to protecting the natural environment by reducing and de-toxifying waste through its business activities, specifically waste treatment, in April 2022 it established a Sustainability Committee to strengthen sustainability management initiatives, including decarbonization initiatives, initiatives for a better workplace environment, contributions to local communities and initiatives for regional revitalization.

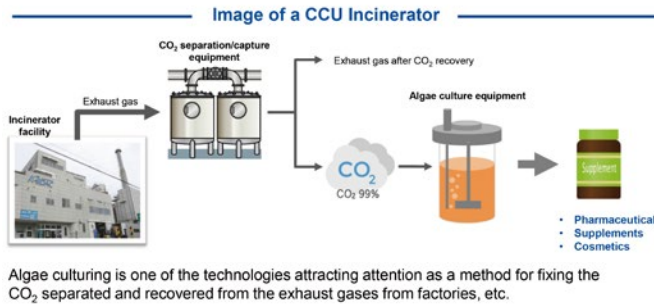
An example of a decarbonization initiative is CO₂ capture and storage (CCS) technology for disposal sites being research jointly with the Waseda University GeoLab (Prof. Hideo Komine). The technology solidifies CO₂ given off by waste incineration facilities in the functional covering or waste produced from soot and dust discharged as a byproduct of incineration and stores it in a landfill site.



The Company also announced in April 2023 the start of joint research on carbon capture and utilization (CCU) technology involving the cultivation of microalgae for a decarbonized society. Subsidiary MIDAC concluded a joint research contract with ALNUR Co., Ltd., a subsidiary of PATH Corporation <3840>. Algae cultivation is one technology being focused on as a method of solidifying CO₂ that has been captured from the exhaust gas of factories, etc. ALNUR's strength is that it possesses continuous cultivation technology for the generative algae fucoxanthin, a rare substance derived from microalgae. Collaborating with ALNUR, the goal is to accelerate technology for the mass production and stable supply of fucoxanthin through microalgae cultivation that uses CO₂ from incineration and reduces CO₂ emissions while maintaining economic viability.

Growth strategy

Microalgae culturing CCU technologies



New laboratory at the MIDAC Fujinomiya Business Office



ALNUR R&D Center

Algae culturing is one of the technologies attracting attention as a method for fixing the CO₂ separated and recovered from the exhaust gases from factories, etc.

Source: The Company's results briefing materials

In September 2023, MIDAC entered into a joint research agreement with Logomix Inc., a genome engineering company that started at Tokyo Institute of Technology, for the purpose of conducting development of environmental impact and cost reducing technologies for landfill sites. The Company aims to solve issues faced by landfill sites using biotechnologies, which is the strength of Logomix.

In May 2024, the Company signed a basic agreement with Terrarem Group Co., Ltd., which is involved in resource recycling and the operation of resource recycling facilities. The agreement covers joint commercialization of resource recycling, including the establishment of a business scheme for the appropriate reuse and recycling of used solar panels. The lifespan of solar panels is estimated to be approximately 25-30 years, with around 800,000 tons of solar panels projected to be disposed of each year in the mid-2030s. By maximizing their respective strengths, MIDAC and Terrarem Group Co., Ltd. aim to build a sustainable, recycling-oriented society through the development of resource recycling technology and appropriate treatment. Also in May 2024, subsidiary MIDAC KONAN CO., LTD. introduced a solar panel aluminum frame/junction box separation system and started recycling solar panels.

With regard to other initiatives (SDGs, governance, workplace environment improvements, contributions to local communities, etc.), in May 2022, the Company established a voluntary Nomination and Compensation Committee and Special Committee to serve as advisory groups for the Board of Directors. Also, in June 2022, the Company declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures. In June 2023, IWAHARA ORCHARDS (non-consolidated subsidiary), which is promoting initiatives to rein in CO₂ emissions, received Effort Certification under the Yamanashi prefectural government's Yamanashi 4 per 1000 Initiative Certification System for Agricultural Products. Going forward, it aims to acquire the Achievement Certification by compiling the results of carbon storage in soil. In September 2023, the Company established a joint venture, GREEN CIRCULAR FACTORY CO., LTD., to build a strategic creative partnership with YAMADA HOLDINGS and invest in growth in recycling-based infrastructure.

Moreover, to create a better workplace environment, the Company has a flexible working hours system called the Midac Omoiari System, which is a system of annual paid leave that allows the individual employee to choose the days to take off based on their own circumstances and requests, and offers support for child-raising and nursing care and also support for female employees. For building good relationships with local communities, the Company enters into agreements with municipalities on processing disaster waste when large scale disasters like earthquakes occur, has started and manages a corporate YouTube channel introducing SDGs initiatives, introduced a MIDAC SDGs Support Team system, holds interactive recycling classes, plants vegetation and removes weeds at Kiga Station as a part of Tenhama Line: Flower Relay Project Linking People and Times, and supplies food products to the Children's Cafeteria. In November 2023, as part of its support for children's canteen activities, the Company donated funds to NPO Sustainable Net to cover some of the costs of purchasing a food truck.

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Highly profitable earnings structure is commendable, and progress in growth strategies from a medium- to long-term perspective is a focus of attention

4. Analyst viewpoint

Looking at the Company's results trends, it shows a steady upward expansion and the profit margin is also on an upward trajectory. The Company has successfully balanced scale expansion with increases in profitability. This can be considered a result of leveraging the strengths of its integrated waste treatment system to promote the expansion of high-margin final disposal operations. While establishing new landfill sites requires a considerable amount of time, the Company has created its business plans with a medium- to long-term perspective. We at FISCO believe the Company's business strategy and earnings structure, which maintain a trend of profit growth with high margins, should be highly commended. Additionally, although the industrial waste treatment sector may have a somewhat bland reputation, it plays a crucial role in realizing a sustainable society, establishing a recycling-oriented society, and achieving carbon neutrality by 2050 as part of the SDGs, by contributing to environmental conservation through waste volume reduction and neutralization. This industry also has significant potential for medium- to long-term growth. Therefore, we are keen to observe the progress of the first medium-term management plan, which is positioned as a stage for building the foundation for growth acceleration.

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