COMPANY RESEARCH AND ANALYSIS REPORT

MIDAC HOLDINGS CO., LTD.

6564

Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

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Summary

Expects to continue achieving record highs in FY3/27, with double-digit increase in net sales and profits

MIDAC HOLDINGS CO., LTD. <6564> (hereafter, also "the Company") is a pure holding company for a corporate group that seeks to establish a recycling-oriented society through appropriate waste treatment. With a mission of passing down this irreplaceable Earth as beautiful as it was before, the Company develops solutions related to waste treatment and management for waste dischargers (companies, local municipalities, etc.), seeking to be an environment-creation group on the frontlines of these endeavors.

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

The Company's business segments are the waste treatment business, the collection and transportation business, the intermediary management business, and the other business. The waste treatment business provides waste treatment services that consist of intermediate treatment at the Company's facilities (including incineration, pulverization, water treatment, and concrete solidification) and final disposal of waste given off by dischargers. 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 materials, such as waste that is difficult for the Company to process, to other processing companies. Other business encompasses the crushed stone manufacturing and surplus soil disposal businesses. 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. As a result, the Company's earnings structure is extremely profitable.

2. The Company achieved higher net sales and profits at the planned level in FY3/26

Consolidated financial results for FY3/26 (TAIHEI KOSAN CO., LTD. was consolidated on the income statement from 2Q) were net sales of ¥11,844mn, up 8.6% year on year (YoY), operating profit of ¥4,723mn, up 4.2%, ordinary profit of ¥4,649mn, up 4.5%, and profit attributable to owners of parent of ¥2,888mn, up 0.9%. The Company achieved higher net sales and profits generally in line with the plan initially announced on May 15, 2025, finishing with record high profits for the 11th consecutive fiscal year. In the waste treatment business, the Company increased the volume of waste consigned, particularly to Okuyama-No-Mori Clean Center (Hamamatsu City, Shizuoka Prefecture), driven by the acquisition of new large-scale projects and a greater volume of transactions with existing clients. This growth offset temporary negative impacts, such as restricted reception of waste due to construction at Otsukayama Clean Center (Futtsu City, Chiba Prefecture) and associated costs, which were not incorporated into the initial plan, and a reactionary decrease from surplus soil disposal business in the previous fiscal year at ENSHU CRUSHED STONE in the other business. Operating profit margin declined 1.7 percentage points (pp) YoY to 39.9% but remains at a high level.

3. Expects to continue achieving record highs in FY3/27, with double-digit increase in net sales and profits

The FY3/27 consolidated results forecasts (ENOKEN KOGYO CO., LTD. will be consolidated on the income statement from 2Q) are net sales of ¥13,494mn, up 13.9% YoY, operating profit of ¥5,489mn, up 16.2%, ordinary profit of ¥5,268mn, up 13.3%, and profit attributable to owners of parent of ¥3,340mn, up 15.6%. The Company expects to continue achieving record highs, with double-digit growth in net sales and profits. With the impact of restricted reception of waste in the previous fiscal year coming to an end, growth will be driven by an increase in the volume of waste consigned, particularly to Okuyama-No-Mori Clean Center and Otsukayama Clean Center. Furthermore, the newly consolidated ENOKEN KOGYO will also contribute to the results. In the area of intermediate treatment, the Company will pursue sales activities aimed at expanding its sales channels, with a focus on Miyakoda Techno Plant, which started operation in June 2026. In terms of costs, depreciation and amortization will increase in conjunction with proactive capital investment and M&A, but this will be offset by the increased volume of consigned waste and the effect of the higher capacity utilization rate. Considering that the volume of waste consigned for final disposal with high profitability is on an upward trend, FISCO believes that strong results can be expected in FY3/27.

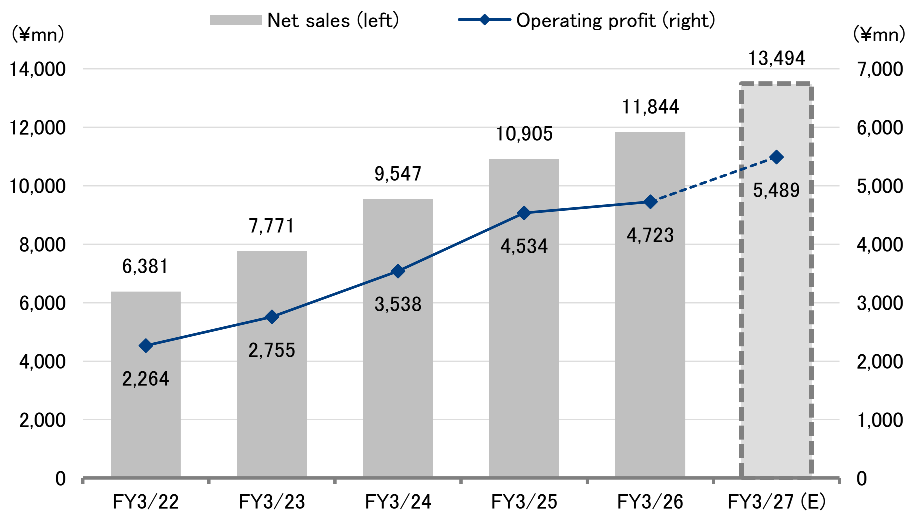
4. Expects to achieve targets in first medium-term plan, with growth driven by both organic and M&A investment

In June 2022, the Company established a 10-year vision, Challenge 80th, in which the first medium-term plan (FY3/23 to FY3/27) is positioned as 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 of establishing an industry-leading position through that accelerated growth. The results targets for the first medium-term plan are net sales of ¥10.0bn and ordinary profit of ¥5.0bn in FY3/27 (organic growth only and excluding M&A). In terms of progress as of FY3/26, net sales have already surpassed ¥10.0bn based on organic growth only, achieving the target ahead of schedule. Ordinary profit is also progressing extremely well and is expected to reach the target in FY3/27. The growth strategy is to promote growth through both organic and M&A investment and to expand business areas while pursuing the Company's strengths. It plans to increase its scale while maintaining a high profit margin.

Key Points

- Characteristics and strengths of integrated treatment system for collection/transportation, intermediate treatment, and final disposal, and an extremely profitable earnings structure
- The Company achieved higher net sales and profits in line with its plan in FY3/26
- Expects to set record highs in FY3/27, with double-digit increase in net sales and profits
- Expects to achieve targets in first medium-term plan, with growth driven by both organic and M&A investment

Results trends



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

Company profile

Corporate group seeking to establish a recycling-oriented society through appropriate waste treatment

1. Company profile

The Company is a pure holding company for a corporate group that seeks to establish a recycling-oriented society through appropriate waste treatment. The name MIDAC comes from the Japanese words for water, land, and air, 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.

As of the end of FY3/26, the Company has total assets on a consolidated basis of ¥39,412mn, net assets of ¥18,022mn, an equity ratio of 45.6%, shares outstanding of 27,773,500 shares (including 93,272 treasury shares), and 427 employees (including temporary workers). The Group consists 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), FRIEND SANITARY (headquartered in Tsu City, Mie Prefecture), ENSHU CRUSHED STONE (headquartered in Hamamatsu City, Shizuoka Prefecture), and TAIHEI KOSAN (headquartered in Shinagawa Ward, Tokyo); non-consolidated subsidiaries LOVE THY NEIGHBOR CO., LTD. (headquartered in Setagaya City, Tokyo) and 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%). Recently, the Company made ENOKEN KOGYO (Makinohara City, Shizuoka Prefecture) a wholly owned subsidiary in April 2026, and it also entered into a capital and business alliance by acquiring a 7% stake in M.M. Plastic Co., Ltd., a subsidiary of Terrarem Group Co., Ltd. (with which it signed a basic agreement regarding joint commercialization of resource recycling in May 2024).

2. History

KOJIMA SEISOSHA, the forerunner to the current Company, was founded in April 1952 to conduct general waste handling operations in Hamamatsu City, Shizuoka Prefecture. 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., then in September 2021 to MIDAC HOLDINGS CO., LTD. In April 2022, the Company transitioned to a holding company structure. The Company actively uses M&A to expand its business, and in recent years it has made the following companies wholly owned subsidiaries: ENSHU CRUSHED STONE in July 2023, FRIEND SANITARY in September 2023, TAIHEI KOSAN in April 2025, and ENOKEN KOGYO in April 2026.

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

History

Date	Event
April 1952	KOJIMA SEISOSHA was founded in Hamamatsu City, Shizuoka Prefecture, and was authorized in the same month by the Hamamatsu City sanitation department to conduct general waste handling operations
April 1960	Licensed to conduct general waste collection, transportation and disposal by Kamimura in Hamana 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, Shizuoka Prefecture
April 1988	Obtained licenses from Hamamatsu City, Shizuoka Prefecture, to perform industrial waste disposal and specially controlled industrial waste disposal and built a new controlled landfill 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, Shizuoka Prefecture
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)

Date	Event
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
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 wholly owned subsidiary MIDAC LINER CO., LTD. in Hamamatsu City, Shizuoka Prefecture
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, Shizuoka Prefecture, and transitions to a holding company
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, Shizuoka Prefecture, and transfers the agriculture business
July 2005	Established the Nagoya Sales Office in Nagoya City, Aichi Prefecture
March 2006	The Company merges with NIES, SOSEKI, I CLEAN KARIYA, and MIDAC ANALYSIS CENTER MIDAC LINER merges with SUN MIDAC
April 2010	The Company merges with MIDAC HOLDINGS and MIDAC LINER
April 2011	The Company makes MIDAC FUJINOMIYA a wholly owned subsidiary
March 2012	The Company merges 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, Shizuoka Prefecture, for establishing industrial waste processing facility as a new controlled landfill 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	Changed name to MIDAC HOLDINGS, and MIDAC HAMANA CO., LTD. changed name to MIDAC
October 2021	Newly establishes final disposal business (Okuyama-No-Mori Clean Center) in 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	Okuyama-No-Mori Clean Center, a new controlled landfill 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
May 2024	Signed a basic agreement with Terrarem Group Co., Ltd. regarding joint commercialization of resource recycling
November 2024	Signed a basic agreement with Chubu Recycle Co., Ltd. regarding joint commercialization of resource recycling business
April 2025	Made TAIHEI KOSAN CO., LTD. a wholly owned subsidiary
March 2026	Completed new water treatment facility (Miyakoda Techno Plant)
April 2026	Made ENOKEN KOGYO CO., LTD. a wholly owned subsidiary Formed capital and business alliance (7% stake) with M.M. Plastic Co., Ltd., a subsidiary of Terrarem Group

Source: Prepared by FISCO from the Company's annual securities report, press releases, etc.

Business overview

Engaged in the waste treatment business, collection and transportation business, and intermediary management business

1. Business overview

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

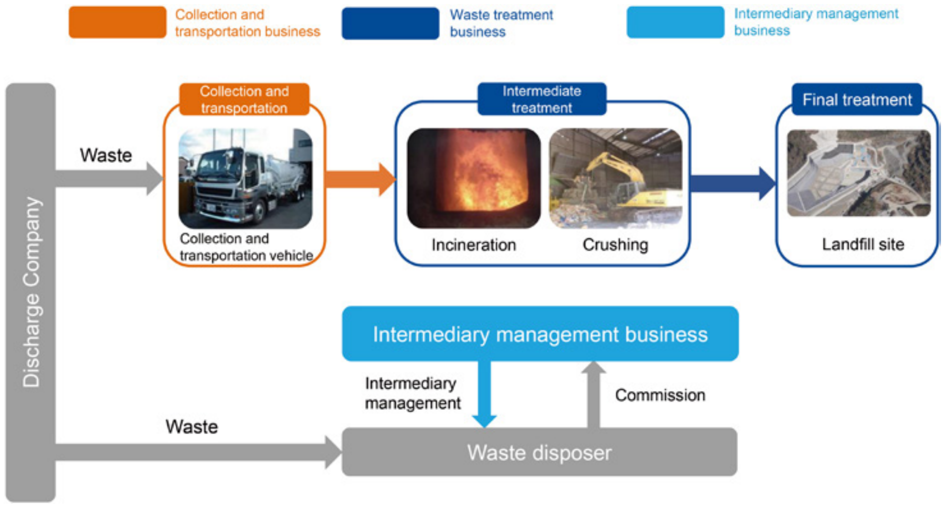
Industrial waste constitutes 20 categories of waste defined under the Waste Management and Public Cleansing Act among the waste given off by business activities (cinder, sludge, waste oil, waste acid, waste alkali, waste plastics, scrap rubber, scrap metal, scrap glass, scrap concrete, scrap ceramics, 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). Among industrial waste, explosive, toxic, and infectious wastes are referred to as specially controlled industrial wastes.

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), and specially controlled general waste (parts that use PCB included in household waste, soot and dust gathered at dust collection facilities in waste processing facilities, and infectious waste).

(1) Business segments / description

The Company's business segments are the waste treatment business, the collection and transportation business, the intermediary management business, and the other business. The waste treatment business consists of waste treatment services for intermediate treatment and final disposal at its own facilities of waste given off by dischargers. It is the Group's core business and has established a structure that enables it to process a wide range of waste. The collection and transportation business consists of services for collecting waste given off by dischargers and transporting it to treatment sites by way of tanker trucks and packer trunks. Along with these, it also provides cleaning services. The intermediary management business consists of services for referring customers (dischargers) 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. Other business encompasses the crushed stone manufacturing and surplus soil disposal businesses.

About MIDAC Group: Waste treatment process



Source: The Company's results briefing materials

Intermediate processing consists of reducing the amount and volume, stabilizing, detoxification, and recycling of waste before final disposal. 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 this structure with waste and storing the waste 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 their original state—for example, waste plastics or rubble), shielded landfill sites (landfill disposal sites that are filled with waste that includes toxic substances and are isolated from their 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; such facilities are mandated for seepage control and leachate treatment because the hazardous substances give off eluate, gas, or sewage).

(2) Business environment

The Company is a member of the domestic industrial waste processing industry (waste treatment and recycling services). In 2023, the industry's market scale was estimated at ¥4.8315tn (source: Ministry of the Environment, "Report on the Market Size and Employment of the Environmental Industry (March 2025)"), an increase of about 20% from ¥4.0236tn in 2019. Japan's total industrial waste output was 367 million tons in fiscal 2023 (source: Ministry of the Environment, "Industrial Waste Discharge and Treatment Status (FY2023 Results)"). After falling below 400 million tons in fiscal 2009, the volume has shown a gradual downward trend due to progress in waste recycling, but waste emissions are expected to continue at a certain level in the future.

Final disposal volume (source: Ministry of the Environment, "Industrial Waste Discharge and Treatment Status (FY2023 Results)") has remained at around 9 million tons since fiscal 2018. That volume has fallen compared with 14 million tons in fiscal 2010, but under the Ministry of the Environment's "Fundamental Plan for Establishing a Sound Material-Cycle Society," a target has been set of approximately 11 million tons for the final disposal volume of general and industrial waste in fiscal 2030, and going forward, final disposal will be unavoidable and landfill sites will continue to be essential to society—a situation that is unlikely to change.

In addition, landfill sites in Japan (number of licensed facilities) numbered 1,551 as of April 1, 2023 (source: Ministry of the Environment, "Status of the Installation of Industrial Waste Treatment Facilities and Permitting for Industrial Waste Treatment Businesses, etc. (FY2022 Results, etc.)"). The remaining volume of 180.63mn m^3 (shielded landfill sites 0.02mn m^3, stable landfill sites 66.25mn m^3, and controlled landfill sites 114.35mn m^3) increased YoY by 3.04mn m^3, or 1.7%. The number of remaining years (= remaining volume/final disposal volume) in Japan is 20.0 years. This number is 11.7 years in the Tokyo metropolitan area and 18.2 years in the Kinki area.

Moreover, the concepts of a "circular economy," where a recycling-oriented economy is established through business activities, and "3R + Renewable," which was listed as a basic principle in Japan's Resource Circulation Strategy for Plastics in May 2019, have gained attention in recent years, and industries involved in treating and recycling waste are becoming as important as industries involved in making and selling products. As a result, the business climate appears favorable for the Company.

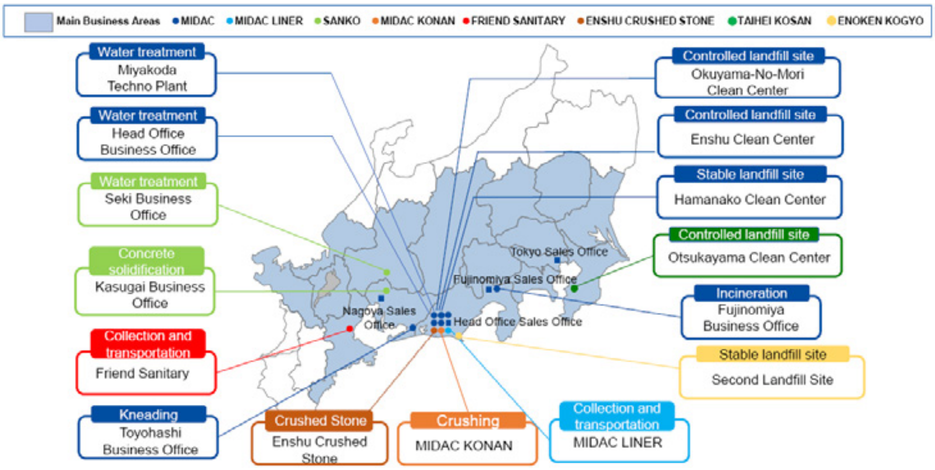
Characteristics and strengths of integrated treatment system for collection/transportation, intermediate treatment, and final disposal

2. Features, strengths, and business units

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. These processes are 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. As a result, the Company's earnings structure is extremely profitable. Dischargers, which are the Company's customers, 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 such as lower costs at intermediate treatment facilities.

Regarding the Group's business units, MIDAC's Head Office Business Office handles the intermediate treatment, collection, and transportation of sludge and waste liquids; the Toyohashi Business Office offers pulverizing and sorting of waste products as well as the sorting and kneading of sludge, etc.; 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 is a controlled landfill site. In addition, SANKO handles concrete solidification of sludge, etc.—an intermediate treatment—at the Kasugai Business Office and intermediate treatment of sludge and waste fluids at the Seki Business Office; MIDAC KONAN crushes, sorts, and reduces solid waste; ENSHU CRUSHED STONE crushes stone; MIDAC LINER and FRIEND SANITARY handle collection and transportation; and TAIHEI KOSAN operates a controlled landfill site at Otsukayama Clean Center (opened in 1985). In April 2026, the Company also added ENOKEN KOGYO's stable landfill site (Disposal Site No. 2, Makinohara City, Shizuoka Prefecture), and in June 2026, it started operating a new water treatment facility (Miyakoda Techno Plant, Hamamatsu City, Shizuoka Prefecture) to enhance the treatment capacity of MIDAC's water treatment facilities and address the aging of its existing facilities. Its treatment capacity is approximately five times that of the existing facility at the Head Office Business Office. Another characteristic and strength of the Company is that its operating base is in Hamamatsu City, Shizuoka Prefecture—roughly in the middle of the so-called Pacific Belt, where waste discharge is substantial—and its service area extends east to west from the Kanto area to the Chubu area.

About MIDAC Group: List of business units



Source: The Company's results briefing materials

Furthermore, in June 2024, the Company received permission from Hamamatsu City to make changes to its industrial waste processing facility in relation to a plan to increase the landfill capacity of the controlled landfill site at the Enshu Clean Center. In February 2025, the Company received permission to establish an industrial waste facility in relation to a plan to increase the capacity of the stable landfill site at the Hamanako Clean Center. In April of the same year, construction to increase landfill capacity at the Enshu Clean Center's controlled landfill site was completed, and the license to perform industrial waste disposal was renewed. In July of the same year, construction to increase capacity at the Hamanako Clean Center's stable landfill site was completed, and the license to perform industrial waste disposal was renewed. Furthermore, reception of waste at Otsukayama Clean Center had remained restricted due to construction work at the third disposal site, seventh embankment section, but reception resumed in November 2025.

Mainstay waste treatment business is expanding

3. Trends by segment

Looking at trends by segment over the past five fiscal years (FY3/22–FY3/26), the Company's mainstay waste treatment business is expanding. Net sales increased 1.7 times from ¥5,724mn in FY3/22 to ¥9,975mn in FY3/26 and operating profit increased 2.0 times from ¥2,715mn to ¥5,321mn. There has been a steady increase in the volume of waste accepted, particularly at the Okuyama-No-Mori Clean Center, which was licensed and began operations in February 2022, and sales for intermediate treatment and final disposal increased. The operating profit margin in FY3/26 was 53.3%, down 2.3pp from 55.6% in FY3/25, but this was due to the impact of temporary factors such as restricted reception of waste in conjunction with construction at Otsukayama Clean Center. In terms of the overall trend, it has risen to a level exceeding 50% since FY3/24, compared to 47.4% in FY3/22.

In the collection and transportation business, FRIEND SANITARY, which focuses on the highly profitable sewage collection and transportation business, became consolidated on the income statement from 3Q FY3/24, as a result of which net sales and operating profit have both increased rapidly since FY3/24. Net sales in FY3/26 were ¥2,040mn (2.8 times higher than in FY3/23), while operating profit was ¥561mn (5.8 times higher). Furthermore, the operating profit margin rose from 13.4% in FY3/23 to 27.5% in FY3/26. The intermediary management business remains stable.

As a result, the operating profit margin on a consolidated basis rose 4.4pp from 35.5% in FY3/22 to 39.9% in FY3/26. This extremely profitable earnings structure is also characteristic of the Company.

Trends by segment

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Consolidated net sales	6,381	7,771	9,547	10,905	11,844
Waste treatment	5,724	7,202	8,445	8,902	9,975
Collection and transportation	701	719	1,314	2,023	2,040
Intermediary management	422	137	148	158	184
Total	6,848	8,059	9,908	11,084	12,201
Other	-	-	25	217	63
Adjustments	-467	-287	-386	-395	-419
Consolidated operating profit	2,264	2,755	3,538	4,534	4,723
Waste treatment	2,715	3,586	4,508	4,951	5,321
Collection and transportation	115	96	220	529	561
Intermediary management	173	79	94	91	111
Total	3,004	3,762	4,823	5,572	5,994
Other	-	-	-29	82	-51
Adjustments	-739	-1,006	-1,255	-1,120	-1,218
Consolidated operating profit margin	35.5%	35.5%	37.1%	41.6%	39.9%
Waste treatment	47.4%	49.8%	53.4%	55.6%	53.3%
Collection and transportation	16.4%	13.4%	16.8%	26.2%	27.5%
Intermediary management	40.9%	57.8%	63.8%	57.3%	60.5%

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

Strengthening 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, changes in waste discharge volumes due to changing economic conditions, and intensified market competition. Regulations include the Waste Management and Public Cleansing Act and other related regulations, and 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 landfill sites, when the prescribed volume of waste fills a site, operations come to an end, but developing a new landfill site involves a process of prior discussions with the municipality, land selection and acquisition, an environmental assessment survey, presentations to local residents, and so on before the municipality grants the license and construction can begin. This takes a considerable amount of time, so the Company is promoting new landfill site development plans in line with its medium- to long-term business plans.

There has been no major change in waste discharge volumes in recent years, and a certain amount of waste is expected to continue in the future. 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. Taking these factors into account, FISCO believes there is only a small risk of a decline in the Company's results due to fluctuations in waste discharge volumes caused by economic cycles or intensified market competition.

Results trends

The Company achieved higher net sales and profits in line with its plan in FY3/26

1. Summary of consolidated financial results for FY3/26

Consolidated financial results for FY3/26 (TAIHEI KOSAN was consolidated on the income statement from 2Q) were net sales of ¥11,844mn, up 8.6% YoY, operating profit of ¥4,723mn, up 4.2%, ordinary profit of ¥4,649mn, up 4.5%, and profit attributable to owners of parent of ¥2,888mn, up 0.9%. Net sales and profits increased generally in line with the plan (figures initially announced on May 15, 2025, were for net sales of ¥11,617mn, operating profit of ¥4,792mn, ordinary profit of ¥4,700mn, and profit attributable to owners of parent of ¥2,930mn), as the Company achieved record highs for net sales and each profit line for the 11th consecutive fiscal year. In the waste treatment business, the volume of waste consigned—particularly to Okuyama-No-Mori Clean Center—increased due to the acquisition of new large-scale projects and expansion of transactions with existing customers. This growth offset temporary negative impacts, such as restricted reception of waste due to construction at Otsukayama Clean Center and associated costs, which were not incorporated into the initial plan, and a reactionary decrease from surplus soil disposal business in the previous fiscal year at ENSHU CRUSHED STONE in the other business.

Gross profit increased 8.4% YoY due to the expansion of highly profitable final disposal, but the gross profit margin fell 0.1pp to 62.5% due to the impact of temporary factors. SG&A expenses increased 16.9% and the SG&A expense ratio increased 1.6pp to 22.6%. As a result, the operating profit margin was 39.9%. While it fell 1.7pp YoY, it remains at a high level. Capital investment grew 3.0 times to ¥10,582mn, and depreciation and amortization (including goodwill amortization) grew 20.2% to ¥1,177mn. Capital investment grew significantly due to factors such as the completion of construction being delayed from the previous fiscal year, but there is no major change in the plan.

Summary of consolidated financial results for FY3/26

(¥mn)

	FY3/25		FY3/26			YoY		vs. plan	
	Results	% of net sales	Plan	Results	% of net sales	Amount	Change (%)	Amount	Attainment rate
Net sales	10,905	-	11,617	11,844	-	939	8.6%	227	102.0%
Gross profit	6,824	62.6%	7,338	7,400	62.5%	576	8.4%	-	100.8%
SG&A expenses	2,289	21.0%	2,546	2,676	22.6%	387	16.9%	-	105.1%
Operating profit	4,534	41.6%	4,792	4,723	39.9%	189	4.2%	-69	98.6%
Ordinary profit	4,450	40.8%	4,700	4,649	39.3%	199	4.5%	-51	98.9%
Profit attributable to owners of parent	2,862	26.3%	2,930	2,888	24.4%	26	0.9%	-42	98.5%

Note: The plan is the values initially announced on May 15, 2025.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Waste treatment business is steadily expanding

2. Trends by segment

In the waste treatment business, net sales (including internal net sales and transfers) increased 12.4% YoY to ¥9,975mn and operating profit (prior to adjustments and eliminations) increased 7.5% to ¥5,321mn, resulting in both higher sales and profits. The operating profit margin decreased 2.3pp to 53.3%. The overall operating profit margin fell due to the impact of restricted reception of waste associated with construction at Otsukayama Clean Center (reception of waste resumed in November 2025, but there were no net sales until then and only costs were incurred). However, in addition to a steady increase in the volume of waste consigned to final disposal sites, particularly at Okuyama-No-Mori Clean Center, the volume handled by intermediate treatment facilities, particularly for incineration, remained stable as well.

In the collection and transportation business, net sales increased 0.8% YoY to ¥2,040mn and operating profit rose 6.1% to ¥561mn, resulting in higher sales and profits. The operating profit margin increased 1.3pp to 27.5%. FRIEND SANITARY secured net sales comparable to the previous fiscal year due to factors such as the acquisition of spot projects. The number of contracts for MIDAC LINER increased due to devoting efforts to new business development focused on restaurants.

In the intermediary management business, both sales and profits grew, with net sales increasing 14.2% YoY to ¥184mn and operating profit increasing 22.4% to ¥111mn. The operating profit margin rose 3.2pp to 60.5%. Performance was favorable due to factors such as acquiring large-scale projects.

In the other business, net sales decreased 70.9% to ¥63mn, and an operating loss of ¥51mn was recorded (compared to a profit of ¥82mn in the previous fiscal year). A decrease in the amount of surplus soil disposal business at ENSHU CRUSHED STONE, which had increased in the previous fiscal year due to the acceptance of surplus soil generated from the second to fourth phases of construction at Okuyama-No-Mori Clean Center, had a negative impact.

Overview of FY3/26 results by segment

(¥mn)

	FY3/25		FY3/26		YoY	
	Results	Composition ratio / profit margin	Results	Composition ratio / profit margin	Amount	Change (%)
Net sales by segment						
Waste treatment	8,902	80.3%	9,975	81.8%	1,073	12.4%
Collection and transportation	2,023	18.3%	2,040	16.7%	17	0.8%
Intermediary management	158	1.4%	184	1.5%	25	14.2%
Total	11,084	-	12,201	-	1,116	10.1%
Other	217	-	63	-	-153	-70.9%
Adjustments	-395	-	-419	-	-	-
Operating profit by segment						
Waste treatment	4,951	55.6%	5,321	53.3%	369	7.5%
Collection and transportation	529	26.2%	561	27.5%	32	6.1%
Intermediary management	91	57.3%	111	60.5%	20	22.4%
Total	5,572	-	5,994	-	421	7.6%
Other	82	-	-51	-	-134	-
Adjustments	-1,120	-	-1,218	-	-	-

Notes 1: Segment net sales percentage is the percentage of the total before adjustments.
Notes 2: Segment operating profit margin percentage is the operating profit as a percentage of the segment's net sales.
Source: Prepared by FISCO from the Company's financial results

According to the Company's results briefing materials, the main factors behind the ¥939mn YoY increase in net sales were a decrease of ¥11mn in water treatment, an increase of ¥81mn in incineration treatment, an increase of ¥928mn in final disposal from steady growth in the volume of waste accepted at the Okuyama-No-Mori Clean Center, an increase of ¥75mn in other waste treatment, an increase of ¥17mn in collection and transportation, an increase of ¥25mn in intermediary management, a decrease of ¥153mn due to a reactionary decrease from surplus soil treatment business at ENSHU CRUSHED STONE, and a decrease of ¥23mn in adjustments. The factors behind the ¥189mn increase in operating profit were as follows: water treatment decreased ¥22mn due to lower net sales; incineration increased ¥135mn due to factors such as revising the regular repairs schedule; final disposal increased ¥193mn as the negative impact from Otsukayama Clean Center was offset by higher waste consignment volumes at existing final disposal sites; other waste disposal increased ¥61mn; collection and transportation increased ¥32mn; intermediary management increased ¥20mn; other business decreased ¥134mn due to a reactionary decrease from surplus soil disposal business; and adjustments decreased ¥98mn.

Maintaining financial soundness

3. Financial condition

Looking at financial aspects, total assets at the end of FY3/26 increased ¥10,919mn compared to the end of the previous fiscal year to ¥39,412mn. Mainly due to investments in M&A, final disposal sites, and new water treatment facilities, cash and deposits decreased ¥1,620mn, while tangible non-current assets such as buildings and structures, landfill sites, and land increased ¥8,156mn in total, goodwill increased ¥2,198mn, and investments and other assets increased ¥1,179mn. Total liabilities increased ¥8,348mn to ¥21,389mn. Primarily, provision for retirement benefits for directors (and other officers) decreased ¥758mn, while accounts payable increased ¥758mn, provisions for landfill site maintenance and management increased ¥3,473mn, and reserve for special repairs increased ¥758mn. Interest-bearing debt (total of long- and short-term borrowings and bonds) increased ¥3,769mn to ¥13,092mn. Net assets increased ¥2,570mn to ¥18,022mn. Primarily, retained earnings increased ¥2,500mn. As a result, the equity ratio decreased 8.5pp to 45.6%.

Although the equity ratio has decreased, building a foundation for growth through M&A and capital investment is essential for the Company. Taking into account its plentiful cash and deposits from steady operating cash flow, FISCO believes that it remains financially disciplined and sound.

Consolidated balance sheet and statements of cash flows (summarized version)

(¥mn)

	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	End of FY3/26	Change
Total assets	20,040	21,607	26,901	28,492	39,412	10,919
Current assets	7,129	7,833	10,436	9,605	8,871	-733
Non-current assets	12,910	13,773	16,465	18,887	30,540	11,653
Total liabilities	10,503	10,623	14,111	13,040	21,389	8,348
Current liabilities	7,450	3,929	6,811	3,993	6,410	2,417
Non-current liabilities	3,053	6,693	7,299	9,047	14,979	5,931
Total net assets	9,536	10,983	12,789	15,452	18,022	2,570
Shareholders' equity	9,529	10,965	12,758	15,413	17,974	2,560
Equity ratio	47.6%	50.7%	47.4%	54.1%	45.6%	-8.5pp

	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Cash flows from operating activities	1,807	2,849	2,653	4,174	3,261
Cash flows from investing activities	-3,908	-2,243	-2,845	-3,470	-8,040
Cash flows from financing activities	3,700	39	2,263	-1,376	3,334
Cash and cash equivalents at year-end	5,894	6,540	8,611	7,939	6,495

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

Outlook

Expects to continue achieving record highs in FY3/27, with double-digit increase in net sales and profits

● **Summary of the FY3/27 consolidated results forecasts**

The FY3/27 consolidated results forecasts (ENOKEN KOGYO CO., LTD. will be consolidated on the income statement from 2Q) are net sales of ¥13,494mn, up 13.9% YoY, operating profit of ¥5,489mn, up 16.2%, ordinary profit of ¥5,268mn, up 13.3%, and profit attributable to owners of parent of ¥3,340mn, up 15.6%. The Company expects to continue achieving record highs, with double-digit growth in net sales and profits. With the impact of restricted reception of waste associated with construction at Otsukayama Clean Center in the previous fiscal year coming to an end, growth will be driven by an increase in the volume of waste consigned, particularly to Okuyama-No-Mori Clean Center and Otsukayama Clean Center. Furthermore, the stable landfill site at the newly consolidated ENOKEN KOGYO will also contribute to the results. In the area of intermediate treatment, the Company will pursue sales activities aimed at expanding its sales channels, focusing on Miyakoda Techno Plant, which started operation in June 2026, with the goal of improving its capacity utilization rate. In terms of costs, depreciation and amortization will increase in conjunction with proactive capital investment and M&A, but this will be offset by the increased volume of consigned waste and the effect of the higher capacity utilization rate.

Summary of the FY3/27 consolidated results forecasts

(¥mn)

	FY3/26		FY3/27		YoY		1H forecast	2H forecast
	Results	% of net sales	Forecast	% of net sales	Amount	Change (%)		
Net sales	11,844	-	13,494	-	1,649	13.9%	6,490	7,004
Gross profit	7,400	62.5%	8,132	60.3%	731	9.9%	-	-
SG&A expenses	2,676	22.6%	2,643	19.6%	-33	-1.3%	-	-
Operating profit	4,723	39.9%	5,489	40.7%	765	16.2%	2,523	2,966
Ordinary profit	4,649	39.3%	5,268	39.0%	618	13.3%	2,412	2,856
Profit attributable to owners of parent	2,888	24.4%	3,340	24.8%	451	15.6%	1,440	1,900

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

The Company expects gross profit to increase 9.9% YoY, the gross profit margin to decrease 2.2pp to 60.3%, SG&A expenses to decrease 1.3%, the SG&A expense ratio to decrease 3.0pp to 19.6%, and the operating margin to rise 0.8pp to 40.7%. Furthermore, it expects capital investment to decrease 25.8% to ¥7,857mn and depreciation and amortization to rise 24.0% to ¥1,460mn. In terms of capital investment, it plans to invest in developing new waste processing facilities as well as investing in existing final disposal sites.

By half, it forecasts net sales of ¥6,490mn, operating profit of ¥2,523mn, ordinary profit of ¥2,412mn, and profit attributable to owners of parent of ¥1,440mn in 1H and net sales of ¥7,004mn, operating profit of ¥2,966mn, ordinary profit of ¥2,856mn, and profit attributable to owners of parent of ¥1,900mn in 2H. The Company is subject to seasonal factors that result in a lower composition ratio for 2Q due to the number of operating days. As a result, in the initial plan, the composition ratio is higher in 2H. Considering that the volume of waste consigned for final disposal with high profitability is on an upward trend, FISCO believes that strong results can be expected in FY3/2027.

Growth strategy

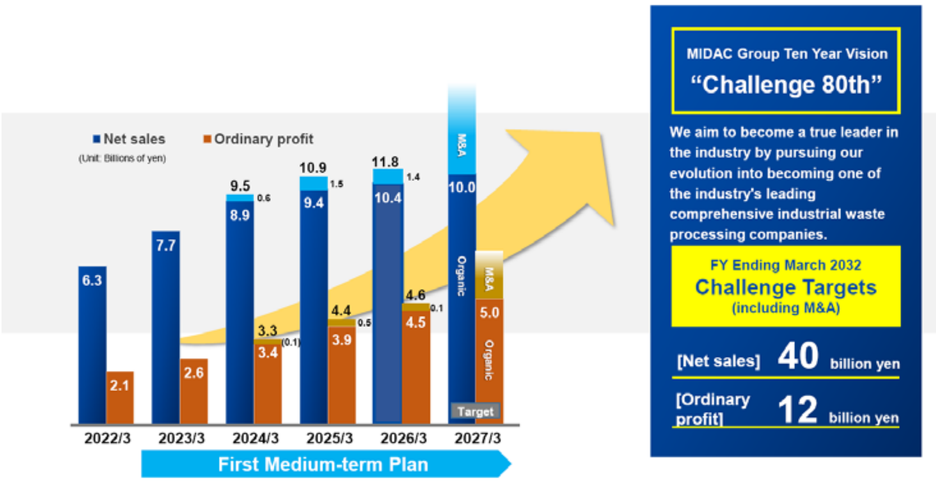
Growth driven by both organic and M&A investment

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

In April 2022, the Company celebrated its 70th anniversary, and in June of the same year, it formulated "Challenge 80th," a 10-year vision for the MIDAC Group, in order to realize the vision it should aim for on its 80th anniversary in 2032. To fulfill Challenge 80th, the Company created the first of two medium-term plans, each of which will last five years. This first medium-term plan runs from FY3/23 to FY3/27. 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 is positioned as the stage of building a foundation to accelerate growth, while the subsequent second medium-term plan (FY3/28 to FY3/32) is positioned as the stage of establishing an industry-leading position through that accelerated growth. The results targets for FY3/27, the final year of the first medium-term plan, are net sales of ¥10.0bn and ordinary profit of ¥5.0bn based on organic growth. For FY3/32, the final year of Challenge 80th (including M&A), the targets are net sales of ¥40.0bn and ordinary profit of ¥12.0bn.

In terms of results, the first medium-term plan is progressing as follows as of FY3/26: net sales of ¥10.4bn and ordinary profit of ¥4.5bn based on organic growth alone and consolidated net sales of ¥11.8bn and consolidated ordinary profit of ¥4.6bn including M&A. Net sales have already surpassed ¥10.0bn based on organic growth alone, achieving the FY3/27 net sales target of ¥10.0bn ahead of schedule. Ordinary profit is also progressing extremely well and is expected to achieve the target of ¥5.0bn in FY3/27.

Progress of the medium-term management plan (Challenge 80th)



Source: The Company's results briefing materials

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The business strategy is to promote growth through both organic and M&A investment, and to expand business areas while pursuing the Company's strengths. The Company plans to increase its scale while maintaining a high profit margin through active expansion in the Kanto area, which is a particularly large market. As a key strategy, the Company will increase its advantage in final disposal (acquisition of licenses for landfill sites through organic investment, the Company's unique supportive M&A investment, etc.), which is positioned as a core business, enhance intermediate treatment facilities (incineration, water treatment, etc.), and strengthen the horizontal deployment of collection and transportation business, with a view to comprehensively strengthening its integrated treatment system (collection/transportation, intermediate treatment, and final disposal), which is the foundation of the Group's strength.

Regarding the expansion of landfill sites to increase the Company's advantage in final disposal, because the acquisition of licenses for landfill sites requires considerable time, the Company will promote investment in increased volume and longer service lives at existing sites and the utilization of M&A. It will also select multiple candidate sites for facilities while simultaneously promoting its plans, with the aim of acquiring licenses for establishing facilities at an early stage and further expanding the business. In June 2025, the Company disclosed the progress of plans for two controlled landfill sites in eastern Japan, in Koriyama City, Fukushima Prefecture (with a landfill capacity of 1.61mn m^3 and a landfill period of approximately 17 years) and in Nasu Shiobara City, Tochigi Prefecture (with a landfill capacity of approximately 2.30mn m^3 and a landfill period of approximately 20 years). The company also disclosed a plan for Misato Town, Ochi-gun, Shimane Prefecture as its first controlled landfill site in western Japan (approximately 4.00mn m^3 and a landfill period of approximately 20 years, making this one of the largest landfill sites in the Chugoku region). It is proceeding with the acquisition of these licenses and preparations for starting operations. The Company will also significantly enhance the processing capacity of its final disposal sites as a group, including with the second to fourth phases of construction at the existing Okuyama-No-Mori Clean Center, the Hamanako Clean Center, the Enshu Clean Center, the Otsukayama Clean Center (TAIHEI KOSAN), and the No. 2 Disposal Site (ENOKEN KOGYO). Furthermore, it will promote efficient operations by clarifying the roles of its two controlled landfill sites in Hamamatsu City, Shizuoka Prefecture, such as making the Enshu Clean Center a facility that focuses on projects with high rates. Regarding development plans for intermediate treatment facilities, it acquired a new site for incineration facilities in Kumagaya City, Saitama Prefecture, in November 2021. The Company's growth investment is thus progressing steadily.

Final disposal site development plan

Source: The Company's results briefing materials

The Company has executed four M&As (ENSHU CRUSHED STONE in July 2023, FRIEND SANITARY in September 2023, TAIHEI KOSAN in April 2025, and ENOKEN KOGYO in April 2026) since April 2022, when the first medium-term plan started. Based on its extensive experience and results, including expertise in the appropriate operation of landfill sites, operation of intermediate treatment facilities to reduce the burden on landfill sites, capital support through a stable financial base, and stable business continuity support through appropriate post-M&A integration processes (PMI), the Company promotes unique supportive M&A that addresses social issues (chronic shortage of final disposal sites, remaining capacity running low, etc.) and industry issues (difficulties with final disposal site operations and business operations, difficulties with business continuity, including maintenance and management, etc.) and extends the life of final disposal sites.

Among the companies with which the Company has executed M&As, ENSHU CRUSHED STONE intends to expand its ties with the Group and increase earnings. FRIEND SANITARY was made a subsidiary in order to expand business areas and improve profitability of the general waste collection and transportation business. TAIHEI KOSAN is a waste disposal company that aims to realize proper waste management and a scientifically and environmentally efficient waste treatment system. In 1997, it became the first industrial waste disposal company in Japan to obtain ISO 14001 certification. Over the long term, it is also considering expanding the Otsukayama Clean Center. ENOKEN KOGYO operates a stable landfill site in Makinohara City, Shizuoka Prefecture. Over the medium to long term, it is also considering establishing new stable landfill sites with the aim of expanding its share of stable landfill in Shizuoka Prefecture.

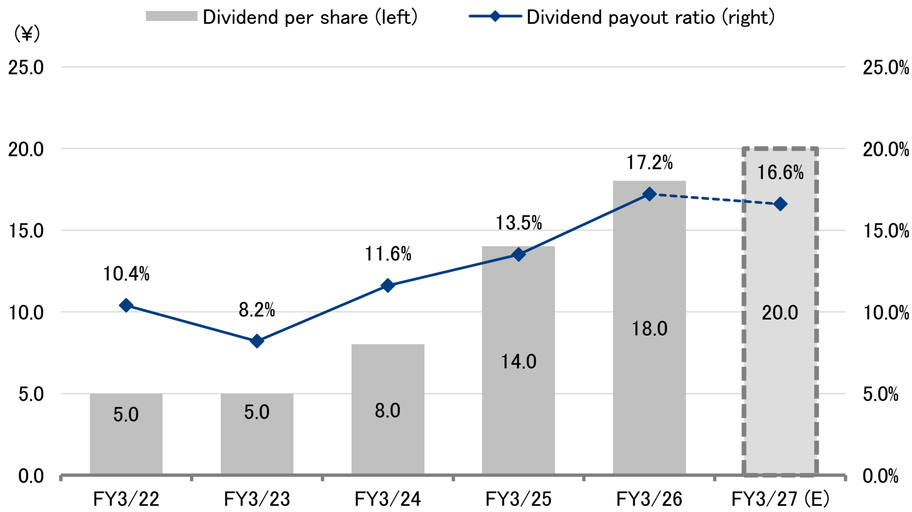
In June 2026, the Company disclosed measures to realize management that takes into account the cost of capital and the share price. The Company reports that its latest analysis shows the Group's cost of capital to be around 7% to 9%. In contrast, return on equity (ROE) has consistently exceeded cost of capital, and the Company has also continuously maintained its target ROE level of 15%. In terms of future direction, the Company will implement various steps to increase return on capital (ROC) and ensure that 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. In October 2025, the Company published its first integrated report, the Integrated Report 2025.

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. Internal reserves 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 dividend for FY3/26 was ¥18.0 (lump sum year-end dividend), an increase of ¥4.00 YoY. This is the third consecutive fiscal year that the dividend has increased, and the payout ratio is 17.2%. Furthermore, the dividend forecast for FY3/27 is ¥20.0 (lump sum year-end dividend), an increase of ¥2.0, and the payout ratio is expected to be 16.6%. Going forward, FISCO believes that the Company can be expected to further enhance shareholder returns as its results expand.

Dividend per share and dividend payout ratio



Note: 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

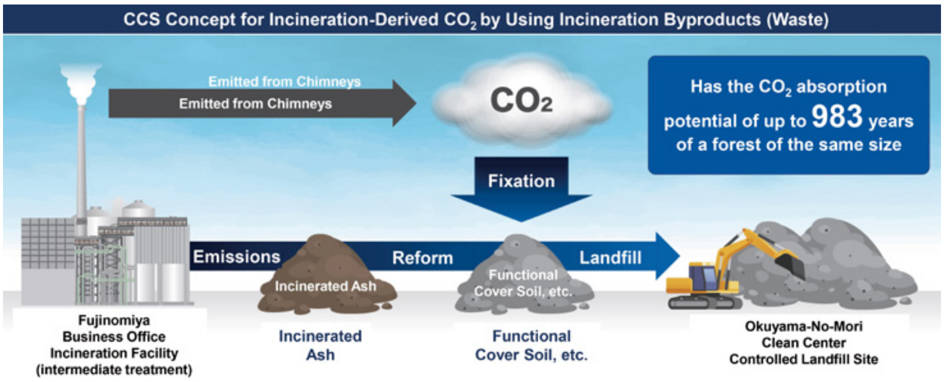
Strengthening initiatives to establish a recycling-oriented society

3. Sustainability management

Regarding sustainability management, as well as protecting the natural environment by reducing and de-toxifying waste through its business activities—specifically waste treatment—the Company established a Sustainability Committee in April 2022 to strengthen decarbonization initiatives, initiatives for a better workplace environment, contributions to local communities, and initiatives for regional revitalization. In June 2022, the Company declared its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Furthermore, in September 2023, it established GREEN CIRCULAR FACTORY (an equity-method affiliate), a joint venture with YAMADA HOLDINGS, to build a strategic creative partnership and invest in growing recycling-based infrastructure.

An example of a decarbonization initiative is CO_2 capture and storage (CCS) technology for disposal sites, which is being researched jointly with the Waseda University GeoLab (Prof. Hideo Komine). This technology solidifies CO_2 emitted by waste incineration facilities in the functional covering or waste produced from soot and dust—which are discharged as a byproduct of incineration—and stores it in a landfill site.

Decarbonization initiative: Development of CCS technologies at landfill sites



Source: The Company's results briefing materials

In April 2023, MIDAC concluded a joint research contract with ALNUR Co., Ltd., a subsidiary of PATH Corporation <3840>, for a decarbonized society. This research relates to carbon capture and utilization (CCU) technology involving the cultivation of microalgae. Algae cultivation is one technology being focused on as a method for solidifying CO_2 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. In collaborating with ALNUR, the goal is to accelerate development of technology for the mass production and stable supply of fucoxanthin through microalgae cultivation that uses CO_2 from incineration and reduces CO_2 emissions, while at the same time maintaining economic viability.

In May 2024, the Company signed a basic agreement with the Terrarem Group, 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 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 aim to build a sustainable, recycling-oriented society through the development of resource recycling technology and appropriate treatment. Also, the subsidiary MIDAC KONAN introduced a solar panel aluminum frame / junction box separation system and has started recycling solar panels. In November 2024, the Company signed a basic agreement with Chubu Recycle Co., Ltd. regarding joint commercialization of resource recycling business. Given growing momentum for autonomous and robust recycling systems such as the circular economy, the Company and its subsidiaries will strive to establish a sustainable, recycling-oriented society through the development of resource recycling technologies, appropriate treatment of waste, and more.

In March 2026, IWAHARA ORCHARDS (a non-consolidated subsidiary) obtained Achievement Certification under the Yamanashi 4 per 1000 Initiative Certification System for Agricultural Products, which is a certification system administered by Yamanashi Prefecture. This system includes Effort Certification, which sets targets for specific actions to be taken and certifies plans that are expected to reliably sequester carbon in soil, and Achievement Certification, which provides certification based on the results of carbon that is sequestered in soil. IWAHARA ORCHARDS obtained Effort Certification in June 2023, and it has now obtained Achievement Certification based on its results. In April 2026, it entered into a capital and business alliance with M.M. Plastic, a subsidiary of the Terrarem Group, for the purpose of promoting decarbonization and improving recycling efficiency. As a recycling business registered with The Japan Containers and Packaging Recycling Association, M.M. Plastic recycles plastic container and packaging waste generated by households into plastic raw materials, then manufactures and sells high-quality logistics pallets made using its own technology. In May 2026, in collaboration with Riken Technos <4220> and the Waseda University GeoLab, it developed a resin product using calcium carbonate derived from leachate which occurs at industrial waste landfill sites. This is a technological development that both makes effective use of CO_2 and promotes sustainability.

With regard to initiatives aimed at building good relations with local communities, in November 2025, the Company held a signing ceremony with the Okuyama District Residents' Association Federation, which represents the community where the Okuyama-No-Mori Clean Center is located, for the establishment prospectus of the Okuyama-No-Mori Clean Center Council, which aims to promote initiatives for regional development, coexistence between companies and the local community, and corporate growth. Furthermore, in the same month, at MIDAC's Toyohashi Business Office, the Company conducted a hands-on training exercise for a temporary disaster-related waste storage site, assuming a Nankai Trough earthquake. This exercise was organized by Toyohashi City. Besides these, the Company entered into agreements on processing disaster-related waste when large-scale disasters like earthquakes occur with Shimizu Town, Sunto District, Shizuoka Prefecture, in January 2026 and with Tsu City, Mie Prefecture, in February 2026 for the purpose of collaboration on matters such as waste processing to ensure rapid recovery in the event of a major disaster. In March 2026, it signed a basic agreement on joint evaluation aimed at establishing a recycling-oriented society with Saga City, Saga Prefecture.

Moreover, as other SDGs activities, in creating a better workplace environment, the Company implements a staggered work schedule system called the "MIDAC Omoiyari System," adopts an individual designation method for annual paid leave that allows employees to take time off according to their circumstances and preferences, and provides support for childcare, nursing care, and female employees. The Company has also started and manages a corporate YouTube channel introducing SDG initiatives; introduced a MIDAC SDGs Support Team system; holds interactive recycling classes; removes weeds from areas of vegetation planted at Kiga Station as part of Tenhama Line: Flower Relay Project Linking People and Times; and donates food products to children's cafeterias. Furthermore, in October 2025, the Company raised funds through an ESG management support loan provided by MUFG Bank, Ltd. The Company received an A rating in the ESG evaluation, which recognizes its ESG management as particularly advanced. In May 2026, the MIDAC Scholarship Foundation decided to start a scholarship program for high school students in Shizuoka Prefecture.

Evaluating the business model with a high profit margin and medium- to long-term growth potential

4. FISCO's viewpoint

The Company's net sales are on an expansionary trend, and it has maintained the operating profit margin and ordinary profit ratio at a high level (around 40%) while making proactive capital investments, thereby achieving its basic growth policy of balancing business expansion and rising profitability. This can be attributed to its expansion of high-margin final disposal operations while leveraging the strengths of its integrated waste treatment system, and FISCO highly commends the Company's business model for achieving high profit margins. The industry waste treatment sector has a somewhat anonymous reputation, but it plays a crucial role in realizing a sustainable society, establishing a recycling-oriented society, and achieving carbon neutrality by 2050 by contributing to environmental conservation through waste volume reduction, detoxification, and so forth. As the development of new final disposal sites requires a considerable period of time, the Company is promoting its business in line with medium- to long-term plans. It is systematically expanding its final disposal capacity through capacity enhancement at final disposal sites, particularly Okuyama-No-Mori Clean Center, support-type M&A, and new final disposal site development plans (Fukushima Prefecture, Tochigi Prefecture, Shimane Prefecture). The business environment remains favorable over the medium to long term, and the Company's medium- to long-term growth potential is also highly regarded.

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