

MIDAC HOLDINGS CO., LTD.

6564

Tokyo Stock Exchange Prime Market

29-Jan.-2025

FISCO Ltd. Analyst

Masanobu Mizuta



FISCO Ltd.

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

Contents

Summary	01
1. Characteristics and strengths of integrated treatment system of collection/transportation, intermediate treatment, and final disposal, and an extremely profitable earnings structure	01
2. 1H FY3/25 net sales and profits increased above plan, reaching record highs	01
3. FY3/25 forecast for net sales and profit growth is intact, also scope for upside	02
4. Aims to expand business while maintaining high profit margins	02
Company profile	03
1. Company profile	03
2. History	04
Business overview	05
1. Business overview	05
2. Features and strengths	08
3. Trends by segment	09
4. Risk factors and issues and measures in response to them	10
Results trends	11
1. Summary of consolidated financial results for FY3/25	11
2. Trends by segment	12
3. Financial condition	13
Outlook	14
● Summary of the FY3/25 consolidated results forecasts	14
Growth strategy	16
1. Long-term vision “Challenge 80th” and the first medium-term plan, focused on the foundation-building stage	16
2. Shareholder return policy	18
3. Sustainability management	19
4. Analyst viewpoint	21

Summary

Solid 1H performance, with forecast for net sales and profit growth in FY3/25

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, 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.

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, intermediary management business, and 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. The other business encompasses the crushed stone manufacturing and surplus soil management operations of ENSHU CRUSHED STONE CO., LTD., which became a subsidiary in July 2023. 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. 1H FY3/25 net sales and profits increased above plan, reaching record highs

Consolidated financial results for 1H FY3/25 were net sales of ¥5,147mn, up 22.7% year on year (YoY), operating profit of ¥1,911mn, up 41.0%, ordinary profit of ¥1,859mn, up 40.6%, and profit attributable to owners of parent of ¥1,179mn, up 56.5%. Net sales and profits grew to record highs, topping plan. In addition to big new project wins and increased business with existing partners in the waste treatment business, earnings from FRIEND SANITARY CO., LTD., which was consolidated on the income statement from 3Q FY3/24, contributed in the collection and transportation business. The operating profit margin rose 4.8 percentage points (pp) to 37.1%, marking even higher profitability.

Summary

3. FY3/25 forecast for net sales and profit growth is intact, also scope for upside

The Company's initial FY3/25 consolidated results forecasts are unchanged. It forecasts net sales will rise 8.8% YoY to ¥10,391mn, operating profit grow 8.8% to ¥3,849mn, ordinary profit increase 14.9% to ¥3,881mn, and profit attributable to owners of parent grow 30.3% to ¥2,484mn. It envisions net sales and profits rising to record highs. In addition to growth in waste volume, this reflects a contribution from a full year of earnings from ENSHU CRUSHED STONE and FRIEND SANITARY (both consolidated on the income statement from 2H FY3/24). The Company plans on an operating profit margin of 37.0%, high on par with the previous fiscal year. It 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, owing to a decline in income taxes. Reasons the Company gave for maintaining its full-year results forecasts include uncertainty surrounding economic trends, as well as that 1H results topped plan but 1H profits were buoyed by some regular repairs for incineration facilities being postponed to 1H. However, we think there is scope for upside to the Company's forecasts, given solid 1H progress rates against full-year forecasts, generally lower earnings in 1H due to seasonal factors in relation to the number of operating days, the uptrend in the volume of waste accepted, and a full-year earnings contribution from the highly profitable subsidiary FRIEND SANITARY.

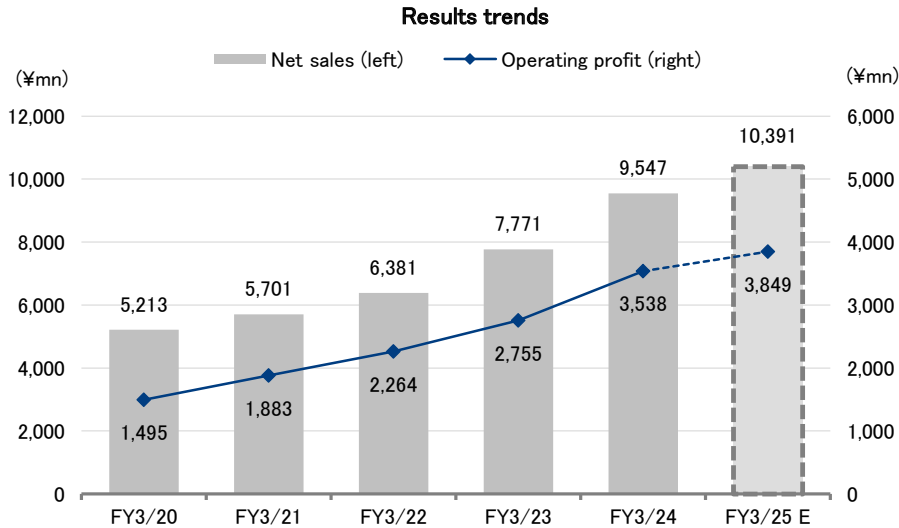
4. Aims to expand business while maintaining high profit margins

The Company established a 10-year vision, Challenge 80th, for the MIDAC Group in 2022. 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.

Key Points

- Characteristics and strengths of integrated treatment system of collection/transportation, intermediate treatment, and final disposal, and an extremely profitable earnings structure
- 1H FY3/25 net sales and profits increased above plan, reaching record highs
- FY3/25 forecast for net sales and profit growth is intact, also scope for upside
- Aims to expand business while maintaining high profit margins

Summary



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, 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.

As of the end of 1H FY3/25, 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 (headquartered in Hamamatsu City, Shizuoka Prefecture), FRIEND SANITARY (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 ¥27,364mn, net assets of ¥13,760mn, an equity ratio of 50.2%, shares outstanding of 27,773,500 shares (including 115,322 treasury shares), and 403 employees (including temporary workers).

Important disclosures and disclaimers appear at the back of this document.

Company profile

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 a wholly owned subsidiary in July 2023 and made FRIEND SANITARY 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 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
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
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

Important disclosures and disclaimers appear at the back of this document.

MIDAC HOLDINGS CO., LTD.
6564 Tokyo Stock Exchange Prime Market

29-Jan.-2025
<https://www.midac.jp/en/ir/>

Company profile

Date	Event
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 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	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 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

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

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.

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). Among industrial wastes, explosive, toxic, and infectious wastes are referred to as specially controlled industrial wastes.

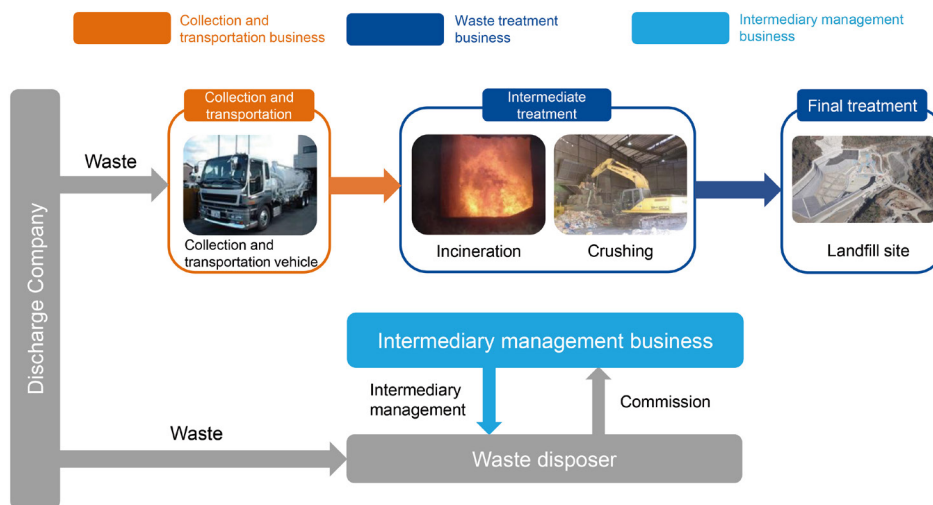
Business overview

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, the intermediary management business, and the other 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 given off by dischargers (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. The other business encompasses the crushed stone manufacturing and surplus soil management operations of ENSHU CRUSHED STONE, which became a subsidiary in July 2023.

About MIDAC Group: Waste treatment process



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 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 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 Company is a member of the domestic industrial waste processing industry (waste treatment and recycling services). The industry's market scale is estimated at ¥4.7044tn (Source: Ministry of the Environment, "Report on the Market Size and Employment of the Environmental Industry (March 2024)", up about 18% from ¥3.9921tn in 2018. Japan's total industrial waste output was 370 million tons in fiscal 2022 (Source: Ministry of the Environment, "Industrial Waste Discharge and Treatment Status (Preliminary Figures for FY2022)"). It has not changed significantly since falling below 400 million tons in fiscal 2009, and waste output around this level is expected to continue going forward.

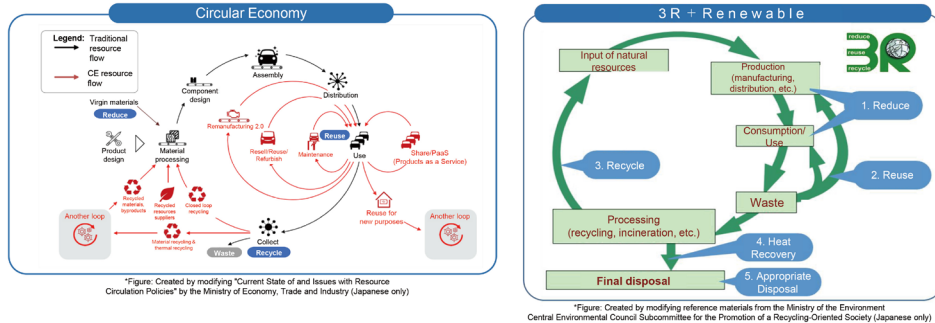
Final disposal volume (Source: Ministry of the Environment, "Industrial Waste Discharge and Treatment Status (Preliminary Figures for FY2022)") has trended at around 9 million tons since 2018. This is a decline compared to fiscal 2009's 14 million tons, but progress made by recycling (the 3Rs: Reduce, 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 (August 2024)," a target has been set of approximately 11 million tons for the final disposal volume of industrial waste in fiscal 2030, 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 0.02mn 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.

Moreover, the concepts of a "circular economy" where a recycling-oriented economy is established through business activities and "3R + Renewable" 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. The business climate looks favorable for the Company.

Business overview

Industry climate: Circular economy and “3R + Renewable”



Source: The Company's results briefing materials

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

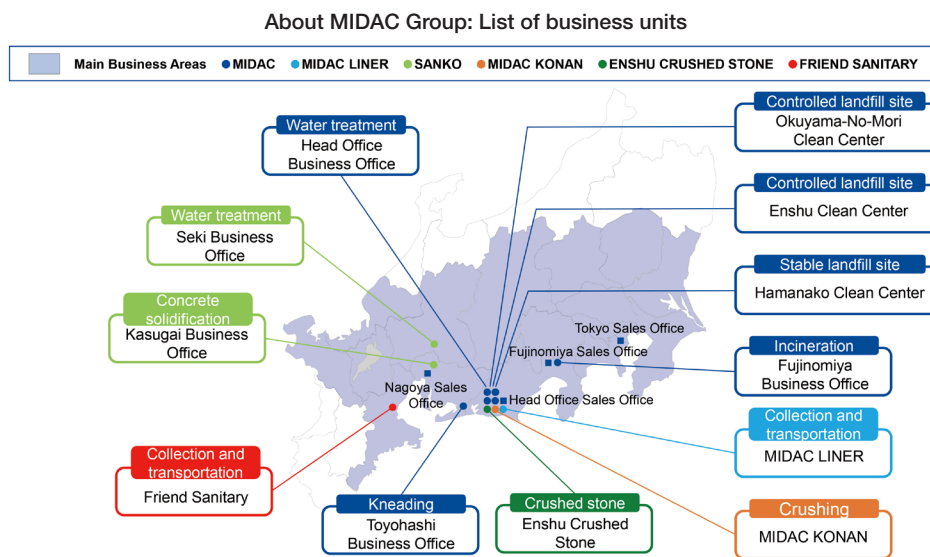
2. Features and strengths

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. 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 like lower costs at intermediate treatment facilities.

Turning to the Group's business sites and facilities, MIDAC's Head Office Business Office handles the intermediate treatment, collection, and transportation of sludge and waste liquids, the Toyohashi Business Office offers waste product pulverizing and sorting as well as sludge sorting and kneading, 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, the Seki Business Office offers intermediate treatment for sludge and waste fluids, MIDAC KONAN crushes and sorts solid waste, ENSHU CRUSHED STONE crushes stone, and MIDAC LINER and FRIEND SANITARY handle collection and transportation. The Company's operating base is in Hamamatsu City, Shizuoka Prefecture, which is roughly in the middle of the so-called Pacific Belt where waste discharge is substantial, and its service area extends from east to west from the Kanto area to the Kansai area, which is another characteristic and strength.

Business overview

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. Regarding the MIDAC Kurematsu Business Office, the solid waste crushing business will be integrated into MIDAC KONAN to improve efficiency and the Kurematsu site will be considered for other uses after operations have been fully transferred. Regarding Enshu Clean Center, the Company received permission to make changes to the industrial waste facility from Hamamatsu City in June 2024. It will increase the facility's landfill capacity to meet robust landfill demand expected in the future. In addition, MIDAC is building a new water treatment facility in Hamamatsu City, Shizuoka Prefecture (tentative name: Miyakoda Business Office) to expand treatment capacity and address its aging existing water treatment facilities. It plans to start operations at the new facility in April 2026 or thereafter.



Source: The Company's results briefing materials

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

3. Trends by segment

Segment net sales, operating profit, and operating profit margins for the past five fiscal years (FY3/20 to FY3/24) and 1H FY3/25 are as follows. 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 to the 50% level in FY3/24. Along with increased revenue from business expansion, a higher share of sales from especially profitable operations such as incineration (intermediate treatment) and final disposal also contributed. The operating profit margin on a consolidated basis rose 8.4pp from 28.7% in FY3/20 to 37.1% in FY3/24, driven by waste treatment business expansion. In the collection and transportation business, net sales, operating profit, and operating profit margins have risen sharply since FY3/24, buoyed by highly profitable FRIEND SANITARY becoming a subsidiary in September 2023 (consolidated on the income statement from 3Q FY3/24). This extremely profitable earnings structure is also one of the Company's features.

Business overview

Trends by segment

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	1H FY3/25
(¥mn)						
Consolidated net sales	5,213	5,701	6,381	7,771	9,547	5,147
Waste treatment	4,546	4,975	5,724	7,202	8,445	4,142
Collection and transportation	714	756	701	719	1,314	974
Intermediary management	323	381	422	137	148	77
Total	5,584	6,113	6,848	8,059	9,908	5,193
Other	-	-	-	-	25	138
Adjustments	-370	-412	-467	-287	-386	-184
Consolidated operating profit	1,495	1,883	2,264	2,755	3,538	1,911
Waste treatment	1,916	2,162	2,715	3,586	4,508	2,076
Collection and transportation	92	163	115	96	220	284
Intermediary management	130	178	173	79	94	42
Total	2,138	2,504	3,004	3,762	4,823	2,403
Other	-	-	-	-	-29	72
Adjustments	-643	-620	-739	-1,006	-1,255	-563
Consolidated operating profit margin	28.7%	33.0%	35.5%	35.5%	37.1%	37.1%
Waste treatment	42.1%	43.5%	47.4%	49.8%	53.4%	50.1%
Collection and transportation	12.9%	21.7%	16.5%	13.4%	16.8%	29.2%
Intermediary management	40.3%	46.6%	40.9%	57.8%	63.8%	55.2%

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 landfill sites, when the prescribed volume 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 landfill site 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 will deteriorate due to competition intensifying.

Results trends

1H FY3/25 net sales and profits rose to record highs, beating plan

1. Summary of consolidated financial results for FY3/25

Consolidated financial results for FY3/25 were net sales of ¥5,147mn, up 22.7% YoY, operating profit of ¥1,911mn, up 41.0% YoY, ordinary profit of ¥1,859mn, up 40.6%, and profit attributable to owners of parent of ¥1,179mn, up 56.5%. Net sales and profits rose to record highs for the 1H period, topping the Company's previous outlook (initial forecasts on May 15, 2024 for net sales of ¥5,013mn, operating profit of ¥1,562mn, ordinary profit of ¥1,578mn, and profit attributable to owners of parent of ¥976mn). In addition to big new project wins and increased business with existing partners in the waste treatment business, earnings from FRIEND SANITARY, which was consolidated on the income statement from 3Q FY3/24, contributed in the collection and transportation business.

Gross profit increased 21.4%, but the gross margin declined 0.6pp to 59.3% due to impact from large-scale regular repairs for incineration facilities. SG&A expenses declined 1.6%, reflecting benefits from improved business efficiency and cost curbs, and the SG&A expense ratio fell 5.5pp to 22.1%. As a result, the operating profit margin increased 4.8pp to 37.1%, marking even higher profitability.

Summary of consolidated financial results for 1H FY3/25

	1H FY3/24		1H FY3/25		YoY		Previous forecast amount	Change from previous forecast	
	Results	% of net sales	Results	% of net sales	Amount	Change (%)		Amount	Change (%)
Net sales	4,194	100.0%	5,147	100.0%	952	22.7%	5,013	134	2.7%
Gross profit	2,511	59.9%	3,049	59.3%	537	21.4%	-	-	-
SG&A expenses	1,156	27.6%	1,138	22.1%	-18	-1.6%	-	-	-
Operating profit	1,355	32.3%	1,911	37.1%	556	41.0%	1,562	349	22.4%
Ordinary profit	1,322	31.5%	1,859	36.1%	536	40.6%	1,578	281	17.8%
Profit attributable to owners of parent	753	18.0%	1,179	22.9%	426	56.5%	976	203	20.9%

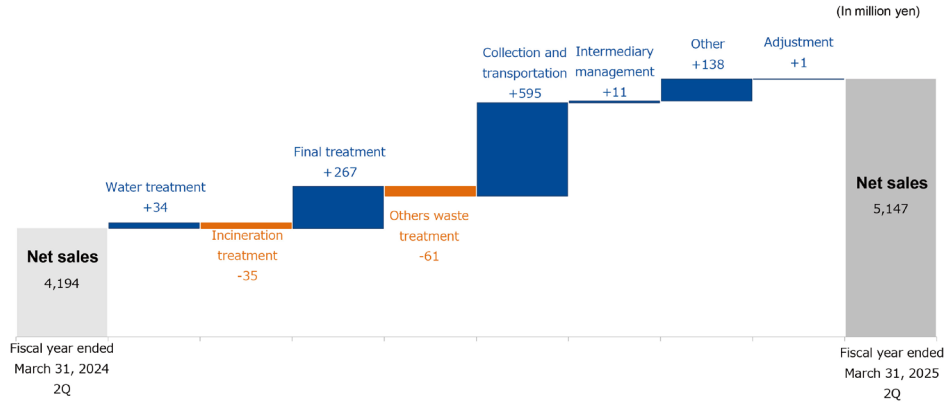
Note: Previous forecast is initial figures announced May 15, 2024

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

The ¥952mn YoY increase in net sales breaks down as an increase of ¥34mn in water treatment, a decrease of ¥35mn in incineration treatment reflecting impact from regular repairs, an increase of ¥267mn in final disposal on growth in the volume of waste accepted, mainly at Okuyama-No-Mori Clean Center, a decrease of ¥61mn in other waste treatment, an increase of ¥595mn in collection and transportation reflecting benefits from FRIEND SANITARY's consolidation, an increase of ¥11mn in intermediary management, an increase of ¥138mn in other reflecting ENSHU CRUSHED STONE's consolidation, and an increase of ¥1mn in adjustments. The ¥556mn increase in operating profit breaks down as an increase of ¥36mn in water treatment, a decrease of ¥124mn in incineration treatment, an increase of ¥206mn in final disposal, a decrease of ¥4mn in other waste treatment, an increase of ¥235mn in collection and transportation, an increase of ¥3mn in intermediary management, an increase of ¥72mn in other, and an increase of ¥129mn in adjustments.

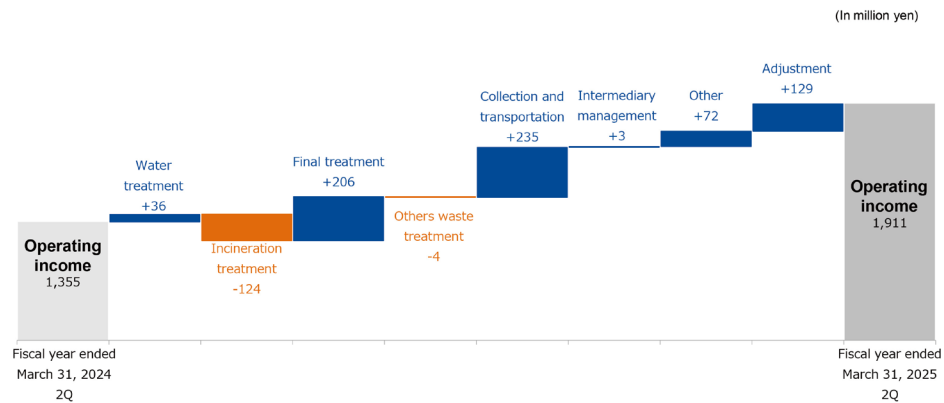
Results trends

Results: Analysis of changes in net sales



Source: The Company's results briefing materials

Results: Analysis of changes in operating profit



Source: The Company's results briefing materials

Waste treatment business steadily expanding, collection and transportation business growing sharply with help from M&A

2. Trends by segment

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 rose 5.2% to ¥4,142mn and operating profit increased 5.9% to ¥2,076mn. So both net sales and profit grew steadily. Despite impact from large-scale regular repairs for incineration facilities, final disposal was strong as the amount of waste accepted rose, mainly at Okuyama-No-Mori Clean Center. In addition, there was a contribution from large one-off projects in water treatment. For collection and transportation, net sales grew 157.6% to ¥974mn and operating profit rose 483.1% to ¥284mn. The operating profit margin also rose sharply, reflecting significant net sales and profit growth. FRIEND SANITARY's consolidation contributed in the general waste field. Also, in the industrial waste field, one-off projects including for handling disaster waste accompanying torrential rain decreased, but price pass-through to large customers was successful. For the intermediary management business, net sales increased 17.9% to ¥77mn and operating profit rose 8.9% to ¥42mn. Orders rose steadily for both small and large projects. As for the other segment (crushed stone manufacturing and surplus soil management operations of ENSHU CRUSHED STONE, which was consolidated on the income statement from 3Q FY3/24), performance was generally solid.

Results trends

Overview of 1H FY3/25 results by segment

	1H FY3/24		1H FY3/25		YoY	
	Results	% of net sales	Results	% of net sales	Amount	Change (%)
(¥mn)						
Net sales by segment						
Waste treatment	3,938	89.9%	4,142	79.8%	204	5.2%
Collection and transportation	378	8.6%	974	18.8%	595	157.6%
Intermediary management	65	1.5%	77	1.5%	11	17.9%
Total	4,381	100.0%	5,193	100.0%	812	18.5%
Other	-	-	138	-	-	-
Adjustments	-186	-	-184	-	-	-
Operating profit by segment						
Waste treatment	1,961	49.8%	2,076	50.1%	115	5.9%
Collection and transportation	48	12.9%	284	29.2%	235	483.1%
Intermediary management	39	59.8%	42	55.2%	3	8.9%
Total	2,048	46.8%	2,403	46.3%	354	17.3%
Other	-	-	72	52.4%	-	-
Adjustments	-693	-	-563	-	-	-

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

2: Segment operating profit margin is operating profit 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 1H FY3/25 increased ¥463mn compared to the end of FY3/24 to ¥27,364mn. In current assets, notes and accounts receivable-trade decreased ¥242mn. Meanwhile, in non-current assets, land increased ¥454mn and construction in progress increased ¥612mn under property, plant and equipment due to investment related to a new water treatment facility. Total liabilities decreased ¥507mn to ¥13,604mn. Whereas long-term borrowings increased ¥2,134mn in non-current liabilities, short-term borrowings decreased ¥2,800mn in current liabilities. Short-term borrowings pertaining to M&A were converted to long-term borrowings. Interest-bearing debt (total of long-term borrowings and bonds) decreased ¥530mn to ¥9,926mn. Net assets increased ¥970mn to ¥13,760mn. Retained earnings rose ¥958mn. As a result, the equity ratio increased 2.8pp to 50.2%.

Although the balance of interest-bearing debt seems slightly excessive, building a platform for growth through M&A and capital investment is seen as essential in the Company's case. Furthermore, we at FISCO believe the Company remains financially sound, considering its abundance of cash and deposits from steady operating cash flow.

Results trends

Balance sheet and statements of cash flows (summarized version)

						(¥mn)
	End of FY3/21	End of FY3/22	End of FY3/23	End of FY3/24	End of 1H FY3/25	Change
Total assets	14,222	20,040	21,607	26,901	27,364	463
Current assets	5,327	7,129	7,833	10,436	10,120	-315
Non-current assets	8,894	12,910	13,773	16,465	17,244	779
Total liabilities	8,699	10,503	10,623	14,111	13,604	-507
Current liabilities	6,147	7,450	3,929	6,811	4,142	-2,669
Non-current liabilities	2,551	3,053	6,693	7,299	9,461	2,161
Total net assets	5,522	9,536	10,983	12,789	13,760	970
Shareholders' equity	5,520	6,529	10,965	12,758	13,723	965
Equity ratio	38.8%	47.6%	50.7%	47.4%	50.2%	2.8%

	FY3/21	FY3/22	FY3/23	FY3/24	1H FY3/25
Cash flows from operating activities	1,773	1,807	2,849	2,653	1,984
Cash flows from investing activities	-2,063	-3,908	-2,243	-2,845	-1,306
Cash flows from financing activities	827	3,700	39	2,263	-758
Cash and cash equivalents at end of period	4,293	5,894	6,540	8,611	8,530

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

Outlook

Initial FY3/25 forecast for net sales and profit growth unchanged, also scope for upside

● Summary of the FY3/25 consolidated results forecasts

The Company's initial FY3/25 consolidated results forecasts are unchanged. It forecasts net sales will rise 8.8% YoY to ¥10,391mn, operating profit grow 8.8% to ¥3,849mn, ordinary profit increase 14.9% to ¥3,881mn, and profit attributable to owners of parent grow 30.3% to ¥2,484mn. It envisions net sales and profits rising to record highs. In addition to growth in waste volume handled by Okuyama-No-Mori Clean Center, this reflects a contribution from a full-year of earnings from ENSHU CRUSHED STONE and FRIEND SANITARY (both consolidated on the income statement from 2H FY3/24). The Company expects the gross margin to inch down 2.5pp YoY to 58.9%, owing to changes in the sales mix and higher costs. However, it expects the SG&A expense ratio to decline 2.4pp to 21.9%, owing to lower SG&A expenses from the absence of one-time M&A-related expenses booked in the previous fiscal year. Therefore, it forecasts an operating profit margin of 37.0%, high on par with the previous fiscal year (37.1%). It 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, owing to a decline in income taxes. It expects capital investment to increase ¥1,709mn 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 landfill sites.

Outlook

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).

The Company maintained its full-year forecasts since uncertainty surrounds economic trends, 1H results topped plan but 1H profits were buoyed by the reconsideration of repair methods and postponement of some repairs to 1H within regular repairs for incineration facilities, and its forecasts for FY3/25 were initially weighed towards 2H. However, 1H progress rates against full-year forecasts were solid for net sales at 49.5%, operating profit at 49.7%, ordinary profit at 47.9%, and profit attributable to owners of parent at 47.5%. Furthermore, we believe there is scope for upside to the Company's forecasts, considering that net sales and profits tend to be lower in 1H due to seasonal factors in relation to the number of operating days, the volume of waste accepted for highly profitable final disposal is heading up—mainly at the Okuyama-No-Mori Clean Center, there will be a full-year earnings contribution from the highly profitable subsidiary FRIEND SANITARY, and enhancement of Group synergies looks promising.

Overview of FY3/25 consolidated forecast

(¥mn)

	FY3/24		FY3/25		YoY		1H progress rate
	Results	% of net sales	Forecast	% of net sales	Amount	Change (%)	
Net sales	9,547	100.0%	10,391	100.0%	843	8.8%	49.5%
Gross profit	5,862	61.4%	6,125	58.9%	262	4.5%	49.8%
SG&A expenses	2,323	24.3%	2,275	21.9%	-47	-2.1%	50.0%
Operating profit	3,538	37.1%	3,849	37.0%	310	8.8%	49.7%
Ordinary profit	3,377	35.4%	3,881	37.4%	503	14.9%	47.9%
Profit attributable to owners of parent	1,907	20.0%	2,484	23.9%	577	30.3%	47.5%

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

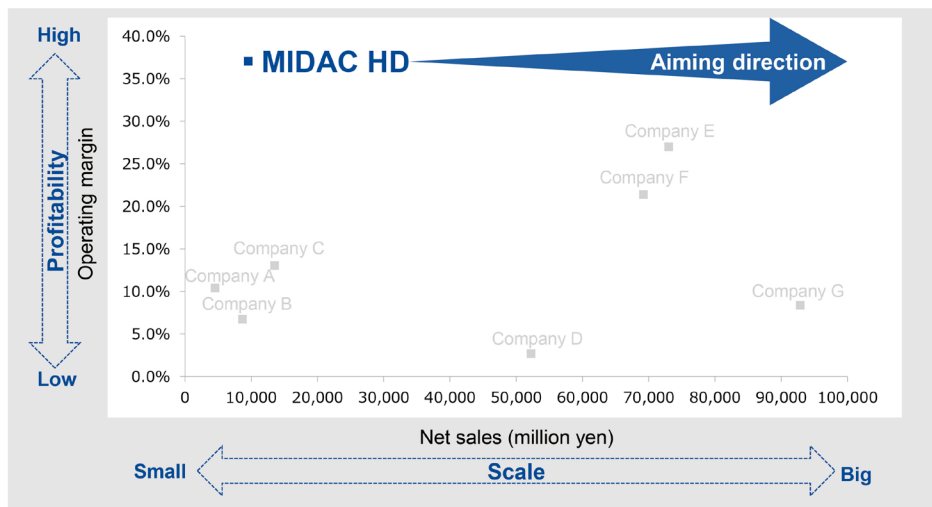
Growth strategy

Aims to expand business while maintaining high profit margins

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 (including M&A) 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 ¥10.0bn (organic growth alone) in FY3/27.

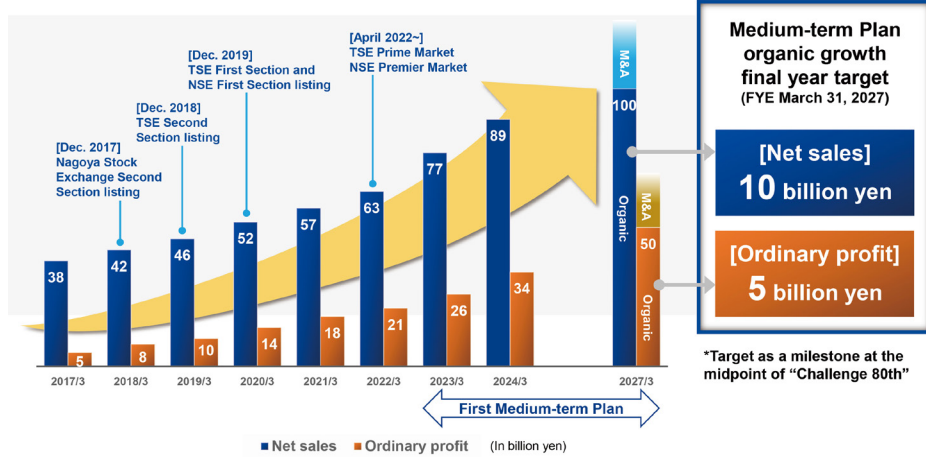
Outlook: Comparison with competitors and aiming direction



Source: The Company's results briefing materials

Growth strategy

Outlook: 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.

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. 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.

Growth strategy

Outlook: Medium- to long-term growth strategies

Focus on the expansion to the Kanto region

- Focus on the expansion in Kanto region, and select some site candidates for new industrial waste treatment facilities.
- For the expansion of new waste treatment facilities, we shall not restrict our plans to our own development, but take flexible and speedy measures including M&A.

Source: The Company's results briefing materials

Our own development

February 2022: Operation
Controlled landfill site (Okuyama-No-Mori Clean Center)

Our own development

March 2022: Land acquisition
Incineration facility

Our own development

Operation start scheduled in April 2026
Water treatment facility (tentative name: Miyakoda Business Office)

Aggressive and speedy M&A

December 2015
MIDAC CO., LTD.

Aggressive and speedy M&A

October 2021
MIDAC KONAN CO., LTD.

Aggressive and speedy M&A

September 2023
FRIEND SANITARY CO., LTD.

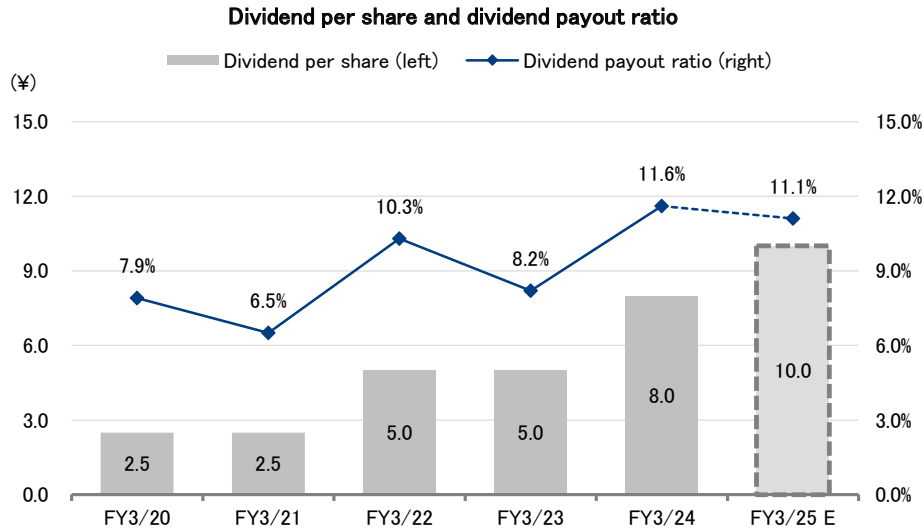
In May 2024, the Company disclosed measures to realize management that takes into account cost of capital and the share price. The Company reports its latest analysis shows the Group's cost of capital is around 9%. Return on equity (ROE) has consistently exceeded this level for the last five years, and 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 dividend forecast for FY3/25 is ¥10.0 (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.

Growth strategy



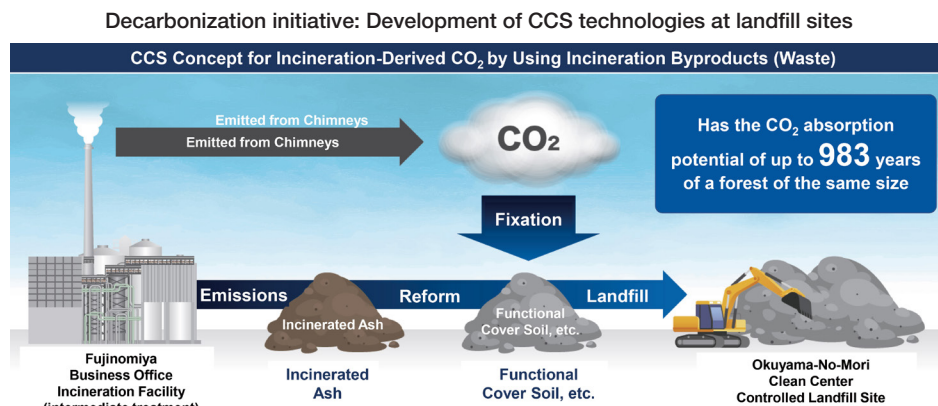
Notes 1: A 2-for-1 stock split was conducted on July 1, 2021, so figures for FY3/21 have been retroactively revised.
 2: FY3/22 includes a regular dividend of ¥2.50 and a special 70th anniversary dividend of ¥2.5.
 Source: Prepared by FISCO from the Company's financial results

Strengthening initiatives to establish a recycling-oriented society

3. Sustainability management

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 researched 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.

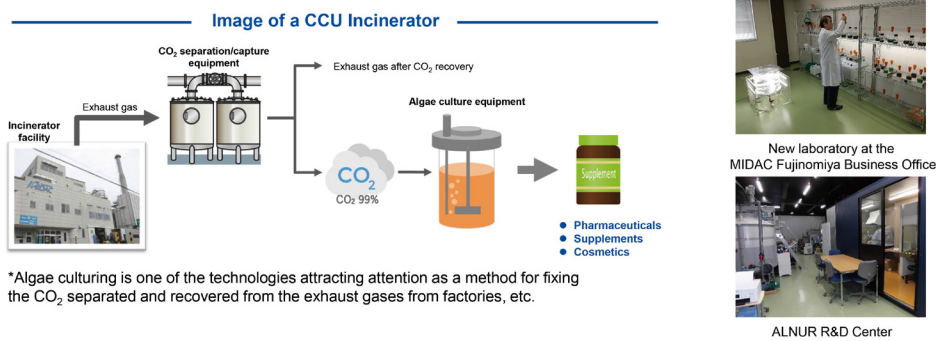


Source: The Company's results briefing materials

Growth strategy

In April 2023, MIDAC concluded a joint research contract with ALNUR Co., Ltd., a subsidiary of PATH Corporation <3840>, regarding carbon capture and utilization (CCU) technology involving the cultivation of microalgae for a decarbonized society. 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.

Decarbonization initiative: Microalgae culturing CCU technologies



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 introduced a solar panel aluminum frame/junction box separation system and started recycling solar panels.

In July 2024, MIDAC concluded a joint research contract with Saga University regarding useful carotenoids produced by microalgae. This research aims to purify antioxidants (carotenoid pigments) extracted from mass-cultured microalgae to a level suitable for use even as pharmaceuticals. Looking to achieve carbon neutrality, MIDAC is working on research to separate and recover carbon dioxide from exhaust gas produced by incineration facilities and so forth and use it effectively for cultivating microalgae. Together with Yoshinori Kawazoe, an associate professor in the Faculty of Agriculture at Saga University, it will develop a method for high-level purification of fucoxanthin (a type of marine carotenoid) obtained from microalgae. They will use the fucoxanthin with increased purity to examine its effectiveness in preventing lifestyle-related diseases in humans, anti-inflammatory effects, anti-tumor effects, and so on.

Growth strategy

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 like the circular economy, they will maximize their strengths in striving to establish a sustainable recycling-oriented society through the development of resource recycling technologies, appropriate treatment of waste, and more.

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, 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.

Highly profitable business model is commendable

4. Analyst viewpoint

The Company's performance is marked by business expansion alongside rising profitability, with the operating profit margin recently at the upper 30% level. This can be attributed to its expansion of high-margin final disposal operations leveraging its integrated waste treatment system, and we commend the Company's business model for achieving these high profit margins. In terms of future growth strategies, it takes considerable time to establish new landfill sites, but the Company has created a business plan with a medium- to long-term perspective. Also, the industrial waste treatment sector has a somewhat bland reputation, but it also has significant medium- to long-term growth potential as a sector that 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, detoxification, and so forth. Therefore, we are spotlighting progress of the first medium-term plan, which is positioned as a stage for building the foundation for growth acceleration.



Disclaimer

FISCO Ltd. ("FISCO") offers stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Exchange, and Nikkei Inc.

This report is provided solely for the purpose of offering information and is not a solicitation of investment nor any other act or action.

FISCO has prepared and published this report based on information it deems reliable. However, FISCO does not warrant the accuracy, completeness, certainty, nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs, and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto, based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions, and all other contents are based on analysis by FISCO. The contents of this report are current as of the date of preparation and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text, data, and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers, and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report with an understanding and acceptance of the above points.

■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp