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August 9, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange, Nagoya Stock Exchange
 Securities code: 6564
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: No

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	2,669	25.1	1,162	40.4	1,141	40.6	724	45.1
June 30, 2023	2,134	7.6	827	8.7	812	9.3	499	16.3

Note: Comprehensive income For the three months ended June 30, 2024: ¥724 million [45.0%]
 For the three months ended June 30, 2023: ¥499 million [16.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	26.20	26.20
June 30, 2023	18.09	18.09

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	26,666	13,299	49.7
March 31, 2024	26,901	12,789	47.4

Reference: Equity
 As of June 30, 2024: ¥13,265 million
 As of March 31, 2024: ¥12,759 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	0.00	–	8.00	8.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		0.00	–	10.00	10.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	5,013	19.5	1,562	15.3	1,578	19.4	976	29.6	35.31
Fiscal year ending March 31, 2025	10,391	8.8	3,849	8.8	3,881	14.9	2,484	30.3	89.84

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For details, please refer to “(3) Notes to quarterly consolidated financial statements (Notes on changes in accounting policies)” on page 8 of the attached materials.

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	27,773,500 shares
As of March 31, 2024	27,773,500 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2024	115,322 shares
As of March 31, 2024	115,302 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	27,658,179 shares
Three months ended June 30, 2023	27,603,452 shares

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

- * Proper use of earnings forecasts, and other special matters

The forward-looking statements including business results forecasts in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a promise by the Company that they will be achieved. Actual results may differ significantly due to various factors. For the suppositions that form the assumptions for earnings forecasts and points to note concerning the use thereof, please refer to “1. Qualitative information regarding financial results for the three months ended June 30, 2024 (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached materials.

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1. Qualitative information regarding financial results for the three months ended June 30, 2024

(1) Explanation regarding operating results

In the three months ended June 30, 2024, the Japanese economy showed a gradual recovery mainly due to the normalization of economic activities and an increase in inbound demand. However, the outlook remains uncertain given factors including persistently high energy prices caused by Russia's prolonged invasion of Ukraine, geopolitical risks in the Middle East, and concerns about a global economic slowdown caused by tightening of global monetary policies.

Under these circumstances, the MIDAC HOLDINGS Group (the "Group") has focused on increasing its contracted waste volume, primarily at the controlled landfill site "Okuyama-No-Mori Clean Center," and strengthening the profitability of existing businesses. In particular, the contracted waste volume increased significantly due to the acceptance of new large-scale projects from waste disposers and the construction industry, and the expansion of transaction volume with existing clients.

At ENSHU CRUSHED STONE CO., LTD., whose performance has been reflected in our business results since the third quarter of the previous fiscal year, the receipt of earth dug out of construction sites generated from the second through fourth phases of construction at the Okuyama-No-Mori Clean Center proceeded smoothly, contributing to the strengthening of governance in the development of facilities as well as to the improvement of profitability. In addition, FRIEND SANITARY CO., LTD., whose results have also been reflected in the consolidated business results since the same period, likewise performed well against the backdrop of a stable business environment for general waste collection and transportation businesses, contributing to the expansion of operations.

As a result of the above, for the three months ended June 30, 2024, net sales amounted to 2,669 million yen (+25.1% year-on-year), operating profit amounted to 1,162 million yen (+40.4%), ordinary profit amounted to 1,141 million yen (+40.6%), and profit attributable to owners of parent amounted to 724 million yen (+45.1%), meaning that both sales and profits increased, and the Group achieved its highest ever net sales and profit at each stage of profit for the first quarter.

Business performance by segment was as follows.

(i) Waste treatment business

At MIDAC CO., LTD., the contracted waste volume at landfill sites increased significantly due to strong landfill demand. In addition, in incineration facilities, by practicing strategic sales considering market conditions, the volume of contracts from waste disposers and municipalities increased. As a result of the above, net sales amounted to 2,094 million yen (+9.1%) and segment profit amounted to 1,250 million yen (+15.5%).

(ii) Collection and transportation business

In the industrial waste business, although cost pass-through to large-scale customers was successful, the volume of contracts decreased from the previous fiscal year. In the area of general waste, the performance of FRIEND SANITARY CO., LTD. is making full-year contribution from the current fiscal year, and the volume of contracts increased from the previous fiscal year as a result of our efforts to cultivate new customers, mainly restaurants, at MIDAC LINER CO., LTD. As a result of the above, net sales amounted to 475 million yen (+161.0%) and segment profit amounted to 134 million yen (+537.0%).

(iii) Intermediary management business

In addition to an increase in the number of orders received for both small-scale and large-scale projects, intermediary services for partner companies remained strong as we focused on acquiring intermediary service projects with an eye to improving delivery efficiency and profitability. As a result of the above, net sales amounted to 33 million yen (+2.8%) and segment profit amounted to 24 million yen (+22.8%).

(2) Explanation regarding financial position*(Assets)*

Current assets as of June 30, 2024 amounted to 9,458 million yen, a decrease of 977 million yen from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of 893 million yen. In addition, non-current assets amounted to 17,208 million yen, an increase of 742 million yen from the end of the previous fiscal year. This was mainly due to an increase in construction in progress of 576 million yen.

As a result, total assets amounted to 26,666 million yen, a decrease of 234 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of June 30, 2024 amounted to 6,237 million yen, a decrease of 573 million yen from the end of the previous fiscal year. This was mainly due to a decrease in income taxes payable of 525 million yen.

In addition, non-current liabilities amounted to 7,130 million yen, a decrease of 169 million yen from the end of the previous fiscal year. This was mainly due to a decrease in long-term borrowings of 197 million yen.

As a result, total liabilities amounted to 13,367 million yen, a decrease of 743 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets as of June 30, 2024 amounted to 13,299 million yen, an increase of 509 million yen from the end of the previous fiscal year. This was mainly due to factors such as an increase in retained earnings of 503 million yen as a result of the recording of profit attributable to owners of parent of 724 million yen, etc.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024” on May 15, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	8,787,716	7,894,189
Notes and accounts receivable - trade	1,303,777	1,191,177
Inventories	73,837	76,690
Other	273,183	299,396
Allowance for doubtful accounts	(2,481)	(2,609)
Total current assets	10,436,032	9,458,844
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,005,784	998,700
Machinery, equipment and vehicles, net	726,225	746,554
Landfill site, net	4,870,675	4,811,885
Land	4,577,814	4,827,213
Construction in progress	2,150,167	2,726,686
Other, net	66,759	61,147
Total property, plant and equipment	13,397,426	14,172,188
Intangible assets		
Goodwill	1,220,669	1,153,674
Facility installation right	80,200	70,175
Other	65,856	103,314
Total intangible assets	1,366,725	1,327,164
Investments and other assets		
Investment securities	257,193	256,195
Deferred tax assets	669,058	670,177
Other	774,663	782,307
Total investments and other assets	1,700,916	1,708,681
Total non-current assets	16,465,068	17,208,034
Total assets	26,901,101	26,666,878

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	55,334	47,483
Short-term borrowings	4,090,000	4,090,000
Current portion of long-term borrowings	983,224	915,368
Income taxes payable	752,529	227,381
Accounts payable - other	334,245	439,439
Provision for bonuses	126,483	59,051
Other	469,864	458,991
Total current liabilities	6,811,681	6,237,715
Non-current liabilities		
Bonds payable	200,000	200,000
Long-term borrowings	5,184,421	4,987,336
Deferred tax liabilities	82,502	85,714
Retirement benefit liability	34,222	35,588
Provision for retirement benefits for directors (and other officers)	758,000	758,000
Provision for maintenance of landfill site	881,533	906,898
Asset retirement obligations	112,538	112,546
Other	46,410	43,926
Total non-current liabilities	7,299,628	7,130,011
Total liabilities	14,111,309	13,367,726
Net assets		
Shareholders' equity		
Share capital	90,000	90,000
Capital surplus	4,909,038	4,912,562
Retained earnings	7,862,738	8,365,994
Treasury shares	(103,542)	(103,572)
Total shareholders' equity	12,758,234	13,264,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,307	638
Total accumulated other comprehensive income	1,307	638
Share acquisition rights	30,249	33,529
Total net assets	12,789,791	13,299,152
Total liabilities and net assets	26,901,101	26,666,878

(2) Consolidated statement of income (cumulative) and consolidated statement of comprehensive income (cumulative)**Consolidated statement of income (cumulative)**

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	2,134,944	2,669,779
Cost of sales	780,676	933,466
Gross profit	1,354,268	1,736,312
Selling, general and administrative expenses	526,336	574,192
Operating profit	827,931	1,162,120
Non-operating income		
Interest income	153	417
Rental income from real estate	3,839	2,100
Gain on sale of non-current assets	1,090	2,835
Other	739	2,511
Total non-operating income	5,822	7,864
Non-operating expenses		
Interest expenses	18,699	26,804
Other	2,790	1,374
Total non-operating expenses	21,490	28,179
Ordinary profit	812,263	1,141,805
Profit before income taxes	812,263	1,141,805
Income taxes	312,848	417,110
Profit	499,415	724,694
Profit attributable to owners of parent	499,415	724,694

Consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	499,415	724,694
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(669)
Total other comprehensive income	–	(669)
Comprehensive income	499,415	724,025
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	499,415	724,025

(3) Notes to quarterly consolidated financial statements**(Notes on changes in accounting policies)**

(Application of Accounting Standard for Current Income Taxes and other relevant ASBJ regulations)

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Implementation Guidance of 2022”). This change in accounting policies has no impact on the quarterly consolidated financial statements.

In addition, regarding the revisions related to revised treatment in the consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries and other securities between consolidated companies, the Company has applied the Revised Implementation Guidance of 2022 from the beginning of the first quarter of the fiscal year ending March 31, 2025. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year or the consolidated financial statements for the previous fiscal year.

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows has not been prepared for the three months ended June 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows:

	(Thousands of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	153,106	176,212
Amortization of goodwill	60,236	66,994

(Notes on segment information)**Segment information**

I Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Information on the amounts of net sales, profit or loss and information on disaggregation of revenue by reportable segment

(Thousands of yen)

	Reportable segments				Adjustments Note: 1	Amount recorded on quarterly consolidated statement of income Note: 2
	Waste treatment	Collection and transportation	Intermediary management	Total		
Net sales						
Revenue from contracts with customers	1,919,916	182,220	32,807	2,134,944	–	2,134,944
Sales to external customers	1,919,916	182,220	32,807	2,134,944	–	2,134,944
Intersegment sales or transfers	87,669	5,051	229	92,951	(92,951)	–
Total	2,007,586	187,272	33,036	2,227,895	(92,951)	2,134,944
Segment profit	1,082,278	21,139	20,094	1,123,513	(295,581)	827,931

Notes: 1. The adjustments to segment profit of (295,581) thousand yen are mainly corporate expenses that are not allocated to each reportable segment.

2. Segment profit is adjusted with operating profit in the consolidated statement of income.

II Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Information on the amounts of net sales, profit or loss and information on disaggregation of revenue by reportable segment

(Thousands of yen)

	Reportable segments				Other Note: 3	Adjustments Note: 1	Amount recorded on quarterly consolidated statement of income Note: 2
	Waste treatment	Collection and transportation	Intermediary management	Total			
Net sales							
Revenue from contracts with customers	2,094,048	475,571	33,711	2,603,331	66,447	–	2,669,779
Sales to external customers	2,094,048	475,571	33,711	2,603,331	66,447	–	2,669,779
Intersegment sales or transfers	81,298	2,338	8,131	91,767	351	(92,118)	–
Total	2,175,346	477,910	41,842	2,695,099	66,798	(92,118)	2,669,779
Segment profit	1,250,184	134,662	24,669	1,409,516	38,821	(286,217)	1,162,120

Notes: 1. The adjustments to segment profit of (286,217) thousand yen are mainly corporate expenses that are not allocated to each reportable segment.

2. Segment profit is adjusted with operating profit in the consolidated statement of income.

3. The “Other” category is a business segment that is not included in the reportable segment.