

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

November 14, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: MIDAC HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange, Nagoya Stock Exchange
 Securities code: 6564
 URL: <https://www.midac.jp>
 Representative: Keiko Kato, President
 Inquiries: Hiroaki Takada, Director, Department Manager of Planning Department
 Telephone: +81-53-488-7173
 Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

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

1. Consolidated financial results for six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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	%
Six months ended September 30, 2023	4,194	10.9	1,355	7.9	1,322	8.0	753	2.9
September 30, 2022	3,783	24.0	1,256	9.0	1,224	8.2	732	14.0

Note: Comprehensive income For the six months ended September 30, 2023: ¥753 million [2.9%]
 For the six months ended September 30, 2022: ¥732 million [14.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	27.29	27.29
September 30, 2022	26.59	26.58

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	25,322	11,622	45.8
March 31, 2023	21,607	10,983	50.7

Reference: Equity
 As of September 30, 2023: ¥11,598 million
 As of March 31, 2023: ¥10,965 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, 2023	–	0.00	–	5.00	5.00
Fiscal year ending March 31, 2024	–	0.00			
Fiscal year ending March 31, 2024 (Forecast)			–	8.00	8.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

As for revisions to the forecast of cash dividends, please refer to “Notice concerning revisions to the forecast of cash dividends” which has been released today (November 14, 2023).

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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
Fiscal year ending March 31, 2024	8,454	8.8	3,013	9.4	2,875	6.8	1,731	2.7	62.63

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Newly included: 2 companies (ENSHU CRUSHED STONE CO., LTD., FRIEND SANITARY CO., LTD.)

(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: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of September 30, 2023	27,773,500 shares
As of March 31, 2023	27,773,500 shares

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

As of September 30, 2023	115,116 shares
As of March 31, 2023	170,001 shares

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

Six months ended September 30, 2023	27,621,145 shares
Six months ended September 30, 2022	27,560,130 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* 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 six months ended September 30, 2023 (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached materials.

Accompanying Materials – Contents**Index**

1. Qualitative information regarding financial results for the six months ended September 30, 2023	2
(1) Explanation regarding operating results	2
(2) Explanation regarding financial position	3
(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements	3
2. Quarterly consolidated financial statements and significant notes thereto	4
(1) Consolidated balance sheet	4
(2) Consolidated statement of income (cumulative) and consolidated statement of comprehensive income (cumulative)	6
Consolidated statement of income (cumulative)	6
Consolidated statement of comprehensive income (cumulative)	7
(3) Consolidated statement of cash flows	8
(4) Notes to quarterly consolidated financial statements	9
(Notes on premise of going concern)	9
(Notes on quarterly consolidated statement of cash flows)	9
(Notes on significant changes in the amount of shareholders' equity)	9
(Segment information)	10

1. Qualitative information regarding financial results for the six months ended September 30, 2023

(1) Explanation regarding operating results

In the six months ended September 30, 2023, the Japanese economy showed signs of gradual recovery toward normalization of economic activities following the shift in classification of COVID-19 under the Infectious Diseases Act. On the other hand, the outlook remains uncertain due to soaring resource prices caused by the protracted situation in Russia and Ukraine and the impact of significant exchange rate fluctuation toward a weaker yen.

Under these circumstances, the MIDAC HOLDINGS Group (the “Group”) has been promoting proactive M&A investments to accelerate the reinforcement of the growth foundation as well as to strengthen the profitability of existing businesses.

As a result, in July 2023, the Group acquired ENSHU CRUSHED STONE CO., LTD., which is primarily engaged in the manufacture of crushed stone, and in September, the Group acquired FRIEND SANITARY CO., LTD., which is engaged in the collection and transportation of human raw waste and general waste. ENSHU CRUSHED STONE CO., LTD. will continue to reduce facility development costs and strengthen governance by bringing in-house the management of earth dug out of construction sites generated within the Group in conjunction with its crushed stone manufacturing business. In addition, FRIEND SANITARY CO., LTD. will engage in the general waste collection and transportation business, which will contribute to the maintenance of public health as social infrastructure and at the same time contribute to the expansion of the Group’s business and improved profitability. Since ENSHU CRUSHED STONE CO., LTD. and FRIEND SANITARY CO., LTD. were deemed acquired at the end of the six months ended September 30, 2023, only their balance sheets were consolidated for the six months ended September 30, 2023.

With the aim of building a recycling-oriented society and preserving the global environment, the Company established a strategic co-creation partnership relationship with YAMADA HOLDINGS CO., LTD., and in order to proactively invest in growth in resource-recycling infrastructure business in Japan, the Company established a joint venture company, “GREEN CIRCULAR FACTORY CO., LTD.” This joint venture will make more optimal growth investments to develop environmentally friendly technologies and realize a low-carbon, recycling-oriented society, with the aim of building a recycling-oriented economic zone and maximizing profits.

As for the current business situation, in accordance with the first phase of the medium-term management plan through the fiscal year ending March 31, 2027, the Group has been focused on achieving organic growth, working to secure contracted waste volume at the controlled landfill site “Okuyama-No-Mori Clean Center” in particular. Additionally, the Group worked to enhance profitability by continuing to promote the passing on of prices in response to increasing treatment expenses associated with the sharp rise in raw material prices, etc.

As a result of the above, for the six months ended September 30, 2023, net sales amounted to 4,194 million yen (+10.9% year-on-year), operating profit amounted to 1,355 million yen (+7.9%), ordinary profit amounted to 1,322 million yen (+8.0%), and profit attributable to owners of parent amounted to 753 million yen (+2.9%), 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 second quarter.

Business performance by segment was as follows.

(i) Waste treatment business

The contracted waste volume, primarily large-scale transactions with the construction industry, increased significantly due to expanding the acceptance quota at the controlled landfill site “Okuyama-No-Mori Clean Center” by MIDAC CO., LTD., a consolidated subsidiary that operates landfill sites. As a result of the above, net sales amounted to 3,762 million yen (+11.6%) and segment profit amounted to 1,961 million yen (+18.7%).

(ii) Collection and transportation business

In the industrial waste business, while the Group worked to increase the volume of contracts, such as by responding to unexpected projects such as those from torrential rains, etc., the volume of contracts

decreased year on year due to the switch of some transactions to the intermediary management business, decrease of large projects and other factors. In the area of general waste, the volume of contracts increased year on year as a result of our efforts to cultivate new customers in addition to the collection volume of general waste created by restaurants, etc. showing a growth trend due to the shift in classification of COVID-19 under the Infectious Diseases Act. As a result of the above, net sales amounted to 373 million yen (+5.9%) and segment profit amounted to 48 million yen (+42.7%).

(iii) Intermediary management business

Intermediary services for partner companies was stable due to factors such as large-scale construction projects. As a result of the above, net sales amounted to 58 million yen (+0.3%) and segment profit amounted to 39 million yen (+16.4%).

(2) Explanation regarding financial position

(Assets)

Current assets as of September 30, 2023 amounted to 8,712 million yen, an increase of 878 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of 818 million yen.

In addition, non-current assets amounted to 16,610 million yen, an increase of 2,836 million yen from the end of the previous fiscal year. This was mainly due to a 1,120 million yen increase in property, plant and equipment including land, and a 408 million yen increase in intangible assets including goodwill.

As a result, total assets amounted to 25,322 million yen, an increase of 3,715 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of September 30, 2023 amounted to 6,260 million yen, an increase of 2,330 million yen from the end of the previous fiscal year. This was mainly due to an increase in short-term borrowings of 2,800 million yen.

In addition, non-current liabilities amounted to 7,440 million yen, an increase of 746 million yen from the end of the previous fiscal year. This was mainly due to an increase in provision for retirement benefits for directors (and other officers) of 758 million yen.

As a result, total liabilities amounted to 13,700 million yen, an increase of 3,077 million yen from the end of the previous fiscal year.

(Net assets)

Total net assets as of September 30, 2023 amounted to 11,622 million yen, an increase of 638 million yen from the end of the previous fiscal year. This was mainly due to factors such as an increase in retained earnings of 615 million yen as a result of the recording of profit attributable to owners of parent of 753 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, 2023” on May 12, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	6,540,406	7,358,746
Notes and accounts receivable - trade	968,534	1,074,159
Inventories	92,548	76,557
Other	233,865	204,665
Allowance for doubtful accounts	(1,384)	(1,720)
Total current assets	7,833,970	8,712,408
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,070,317	1,100,703
Machinery, equipment and vehicles, net	604,867	669,501
Landfill site, net	5,175,517	5,003,989
Land	2,851,551	3,940,148
Construction in progress	1,898,153	2,005,411
Other, net	73,625	75,115
Total property, plant and equipment	11,674,033	12,794,870
Intangible assets		
Goodwill	934,520	1,354,658
Facility installation right	120,300	100,250
Other	33,405	41,805
Total intangible assets	1,088,225	1,496,714
Investments and other assets		
Deferred tax assets	280,499	422,880
Other	730,834	1,896,037
Total investments and other assets	1,011,334	2,318,917
Total non-current assets	13,773,592	16,610,502
Total assets	21,607,562	25,322,910

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	52,449	35,272
Short-term borrowings	1,290,000	4,090,000
Current portion of bonds payable	16,000	9,000
Current portion of long-term borrowings	994,657	1,000,659
Income taxes payable	489,389	362,972
Accounts payable - other	525,731	278,857
Provision for bonuses	98,582	117,030
Other	462,891	366,860
Total current liabilities	3,929,701	6,260,653
Non-current liabilities		
Bonds payable	200,000	200,000
Long-term borrowings	5,528,913	5,396,882
Deferred tax liabilities	–	85,772
Retirement benefit liability	–	1,497
Provision for retirement benefits for directors (and other officers)	–	758,000
Provision for maintenance of landfill site	795,238	832,722
Asset retirement obligations	112,505	112,521
Other	57,306	52,718
Total non-current liabilities	6,693,963	7,440,115
Total liabilities	10,623,664	13,700,768
Net assets		
Shareholders' equity		
Share capital	90,000	90,000
Capital surplus	4,934,175	4,901,991
Retained earnings	6,093,745	6,709,555
Treasury shares	(152,190)	(103,199)
Total shareholders' equity	10,965,730	11,598,347
Share acquisition rights	18,167	23,794
Total net assets	10,983,897	11,622,142
Total liabilities and net assets	21,607,562	25,322,910

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

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	3,783,248	4,194,902
Cost of sales	1,583,492	1,682,960
Gross profit	2,199,755	2,511,942
Selling, general and administrative expenses	943,256	1,156,577
Operating profit	1,256,499	1,355,364
Non-operating income		
Interest income	73	900
Gain on sale of non-current assets	3,974	1,634
Rental income from real estate	6,058	7,387
Other	5,939	2,910
Total non-operating income	16,045	12,832
Non-operating expenses		
Interest expenses	41,093	38,236
Other	6,997	7,330
Total non-operating expenses	48,091	45,566
Ordinary profit	1,224,453	1,322,630
Profit before income taxes	1,224,453	1,322,630
Income taxes	491,761	568,803
Profit	732,691	753,827
Profit attributable to owners of parent	732,691	753,827

Consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	732,691	753,827
Comprehensive income	732,691	753,827
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	732,691	753,827

(3) Consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,224,453	1,322,630
Depreciation	291,709	313,928
Amortization of goodwill	120,473	120,473
Share-based payment expenses	24,874	29,438
Increase (decrease) in allowance for doubtful accounts	(246)	(326)
Increase (decrease) in provision for bonuses	4,993	1,569
Increase (decrease) in provision for maintenance of landfill site	46,082	37,484
Interest and dividend income	(81)	(908)
Interest expenses	41,093	38,236
Loss (gain) on sale of non-current assets	(3,974)	311
Decrease (increase) in trade receivables	(120,650)	(4,809)
Decrease (increase) in inventories	(1,573)	30,709
Decrease (increase) in other current assets	15,819	57,089
Increase (decrease) in trade payables	(28,304)	(17,177)
Receivable consumption tax	234,876	–
Increase (decrease) in other current liabilities	134,042	(186,729)
Other, net	3,288	574
Subtotal	1,986,874	1,742,497
Interest and dividends received	81	908
Interest paid	(40,585)	(39,933)
Income taxes paid	(611,744)	(800,123)
Net cash provided by (used in) operating activities	1,334,625	903,348
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,433,767)	(887,761)
Proceeds from sale of property, plant and equipment	16,622	43,336
Purchase of intangible assets	(22,346)	(4,962)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,875,671)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(55,000)	–
Purchase of shares of subsidiaries and associates	–	(43,797)
Payments of leasehold and guarantee deposits	(119)	(344)
Other, net	(5,541)	366
Net cash provided by (used in) investing activities	(1,500,151)	(2,768,834)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,093,500)	2,800,000
Proceeds from long-term borrowings	4,100,000	360,000
Repayments of long-term borrowings	(309,942)	(501,634)
Redemption of bonds	(14,000)	(7,000)
Purchase of treasury shares	(137,064)	(454)
Dividends paid	(137,864)	(138,017)
Other, net	(5,145)	(5,208)
Net cash provided by (used in) financing activities	402,483	2,507,686
Net increase (decrease) in cash and cash equivalents	236,958	642,200
Cash and cash equivalents at beginning of period	5,894,217	6,540,406
Cash and cash equivalents at end of period	6,131,175	7,182,606

(4) Notes to quarterly consolidated financial statements**(Notes on premise of going concern)**

Not applicable.

(Notes on quarterly consolidated statement of cash flows)

Reconciliation of cash and cash equivalents at end of period and the related account on the quarterly consolidated balance sheet is as follows:

	(Thousands of yen)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash and deposits	6,131,175	7,358,746
Time deposits with maturity over 3 months	–	(176,139)
Cash and cash equivalents	6,131,175	7,182,606

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

Based on the resolution of the Board of Directors meeting held on June 29, 2023, 49,305 shares of treasury stock were disposed of on July 28, 2023 as restricted shares based compensation to the Company's directors. Based on the resolution of the Board of Directors meeting held on August 30, 2023, 5,850 shares of treasury stock were disposed of on September 22, 2023 as restricted shares based compensation to the directors of subsidiaries of the Company. As a result, capital surplus decreased by 32,184 thousand yen and treasury shares decreased by 48,991 thousand yen during the six months ended September 30, 2023, including the increase due to the purchase of odd-lot shares.

As a result of the above, capital surplus and treasury shares amounted to 4,901,991 thousand yen and 103,199 thousand yen, respectively, at the end of the six months ended September 30, 2023.

(Segment information)**Segment information**

I Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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	3,371,887	352,677	58,683	3,783,248	–	3,783,248
Sales to external customers	3,371,887	352,677	58,683	3,783,248	–	3,783,248
Intersegment sales or transfers	96,412	4,849	4,485	105,747	(105,747)	–
Total	3,468,299	357,527	63,168	3,888,995	(105,747)	3,783,248
Segment profit	1,651,816	34,146	33,630	1,719,592	(463,093)	1,256,499

Notes: 1. The adjustments to segment profit of (463,093) 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 Six months ended September 30, 2023 (from April 1, 2023 to September 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	3,762,483	373,531	58,887	4,194,902	–	4,194,902
Sales to external customers	3,762,483	373,531	58,887	4,194,902	–	4,194,902
Intersegment sales or transfers	175,656	4,599	6,531	186,786	(186,786)	–
Total	3,938,139	378,130	65,419	4,381,689	(186,786)	4,194,902
Segment profit	1,961,033	48,717	39,133	2,048,885	(693,520)	1,355,364

Notes: 1. The adjustments to segment profit of (693,520) 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.