Making growth investments that can provide early returns with an emphasis on capital return
Strengthening non-financial capital focusing on human resources and technology

Group consolidated financial results for FY2024/3 and outlook for the next fiscal year

For the fiscal year ended March 31, 2024, the Daiei Kankyo Group's consolidated financial results reached a record high in both sales and profits for two consecutive years, with net sales amounting to ¥73.0 billion (up 7.9% year on year) and operating profit at ¥19.7 billion (up 18.6% year on year).

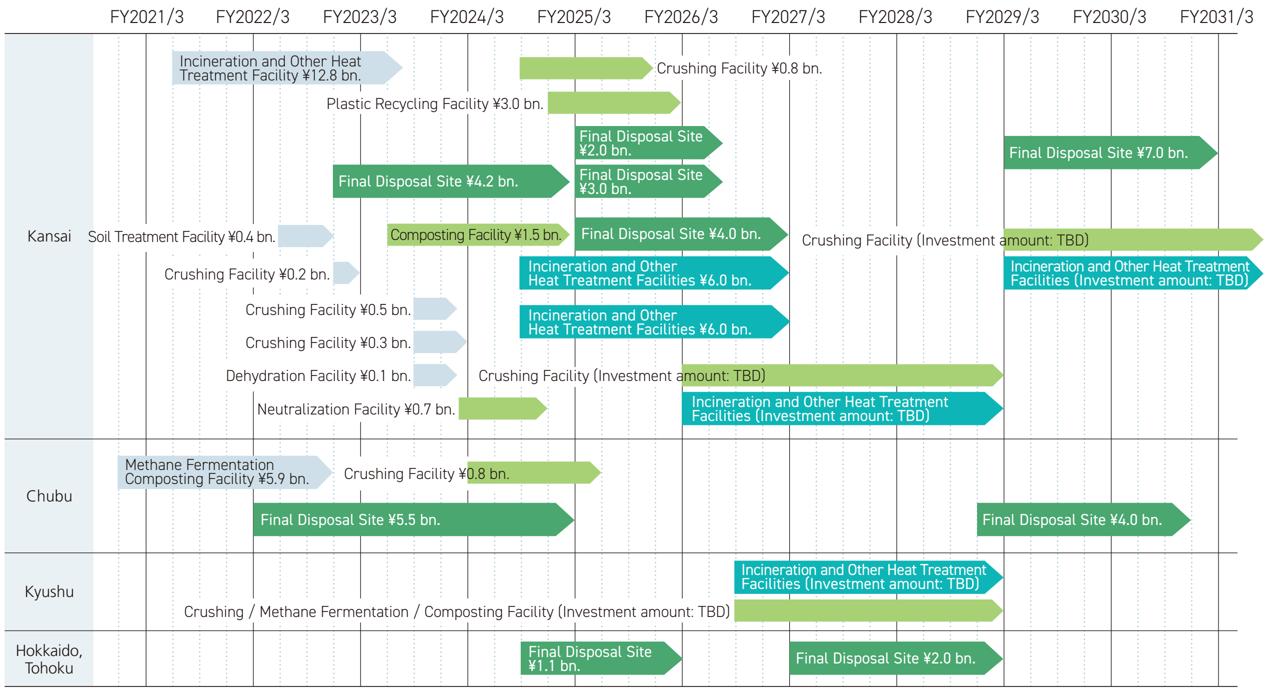
Looking ahead to the fiscal year ending March 31, 2025, which is the final year of the current Medium-Term Management Plan, we anticipate continued growth in sales and profits. This forecast is driven by several factors: ongoing large-scale development projects such as Expo 2025 Osaka, Kansai, Japan; participation in the Plastic Recycling Business Plans in multiple municipalities including Sakai City in Osaka Prefecture and Kyoto City in Kyoto Prefecture; and increased intake volume in the Kanto area through M&A. As a result, we expect net sales to reach ¥78.5 billion (up 7.5% year on year) and operating profit to rise to ¥20.5 billion (up 4.0% year on year). Consequently, we anticipate achieving all financial targets set in the Medium-Term Management Plan, including the compound annual sales growth rate, EBITDA margin, and operating margin.

Management with a focus on capital return

From a financial perspective, emphasis is geared toward not only profit and profit margins but also capital return. In our investment strategy, we focus on maintaining the overall return on invested capital (ROIC) by prioritizing investments in highly profitable facilities, such as incineration and other heat treatment facilities and final disposal sites. As a result, the Group's ROIC improved from 13.1% in the fiscal year ended March 31, 2023 to 14.0% in the fiscal year ended March 31, 2024. Although we anticipate a slight drop in profit margins for the next fiscal year due to several cost-increasing factors (with operating margin expected to fall from 27.0% to 26.2% and EBITDA margin from 36.0% to 34.6%), we will continue to implement our investment strategy while striving for further improvement in capital return.

As a guideline for capital investment, we are looking at approximately ¥13 billion ± ¥1 billion per year. However, this does not include investments related to M&A.

Capital investment plan to expand existing businesses



Strengthening non-financial capital

We are also heavily investing in non-financial capital, most notably in human resources, or human capital, which is the most crucial capital for any company. As we expand public-private partnership (PPP) agreements nationwide, in addition to an increase in the construction and equipment costs for such facilities as local energy centers, we will need to increase the number of operational staff for those facilities. Management roles for those facilities will be filled by individuals with a business mindset cultivated through programs such as our Next-generation Business Leader Training.

Investment in technological development, a key factor in differentiating us from other companies, is also vital. Currently, our R&D expense is less than 1% of our consolidated net sales, but we are steadily advancing joint research with various partners on important areas in business strategy such as plastic recycling and CO_2 capture and reuse, while participating in national demonstration projects. We are always prepared to make significant investments in new equipment needed for the commercialization of these projects.

In terms of these investments in non-financial capital, we will strengthen collaboration while sharing an understanding of the issues on hand through information exchange between the management teams of each Group company and the departments responsible for human resources and technology development. It is this kind of approach that will lead to the sustainable growth of the Daiei Kankyo Group.

Emphasizing shareholder returns

Returning profits to our shareholders is positioned as an important issue for our business. Our goal is for a consolidated dividend payout ratio of 30% or more, striving to achieve sustainable and stable shareholder dividends while balancing growth investments. For the fiscal year ended March 31, 2024, we increased the year-end dividend by ¥8 from the previous fiscal year to ¥42 per share. For the fiscal year ending March 31, 2025, to enhance opportunities for returning profits, we plan to pay an interim and year-end dividend of ¥21, totaling ¥42. In addition, we are promoting the acquisition of treasury stock, having acquired a cumulative total of 850,000 shares (approximately ¥1.9 billion in total) during the fiscal year ended March 31, 2024.

It has been one and a half years since our listing on the Tokyo Stock Exchange Prime Market in December 2022, and we believe we have been able to meet the expectations of the investment market to some extent. The fact that the Daiei Kankyo Group's price-to-book (P/B) ratio stood at 3.03x as of the end of March 2024 reflects the high hopes from many investors. However, there are still many shareholders and investors who may not be fully up-to-date with our industry and business structure. Moving forward, we hope to further expand opportunities for dialogue with our stakeholders, communicating the future vision of the Daiei Kankyo Group and progress of specific activities, while at the same time benefiting from feedback and suggestions from our investors with their wealth of experience to drive growth.

Shareholder returns