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Consolidated Financial Results for the Year Ended February 29, 2024 [Japanese GAAP]

April 4, 2024

Company name: Daiseki Eco. Solution Co., Ltd.

Stock exchange listing: Tokyo, Nagoya

Code number: 1712

URL: <https://www.daiseki-eco.co.jp/>

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Scheduled date of Annual General Meeting of Shareholders: May 22, 2024

Scheduled date of commencing dividend payments: May 23, 2024

Scheduled date of filing annual securities report: May 23, 2024

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 to February 29, 2024)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 29, 2024	24,150	47.1	2,792	103.2	2,818	99.4	1,781	145.8
February 28, 2023	16,411	(3.9)	1,373	(34.6)	1,412	(33.1)	724	(42.1)

(Note) Comprehensive income: Fiscal year ended February 29, 2024: ¥ 1,949 million [121.4%]
Fiscal year ended February 28, 2023: ¥ 880 million [(44.6)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended February 29, 2024	Yen 106.05	Yen -	% 11.3	% 11.4	% 11.5
February 28, 2023	43.09	-	4.9	6.5	8.3

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of February 29, 2024	Millions of yen 27,351	Millions of yen 17,674	% 59.9	Yen 976.85
February 28, 2023	21,954	15,945	67.8	884.84

(Reference) Equity: As of February 29, 2024: ¥ 16,402 million
As of February 28, 2023: ¥ 14,886 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended February 29, 2024	Millions of yen 3,225	Millions of yen (3,184)	Millions of yen 1,521	Millions of yen 2,448
February 28, 2023	1,118	(659)	(217)	886

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
February 28, 2023	-	5.00	-	5.00	10.00	168	23.2	1.1
February 29, 2024	-	5.00	-	7.00	12.00	201	11.3	1.2
Fiscal year ending February 28, 2025 (Forecast)	-	7.00	-	7.00	14.00		18.4	

(Note) Breakdown of the year-end dividend for the fiscal year ended February 29, 2024:

Ordinary dividend	6.00 yen
Commemorative dividend	1.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 to February 28, 2025)

(% indicates changes from the previous corresponding period.)

	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 August 31, 2024	8,675	(36.3)	1,053	(39.5)	1,064	(39.3)	661	(44.0)	36.37
Full year	17,754	(26.4)	2,244	(19.6)	2,251	(20.1)	1,272	(28.6)	75.71

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

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

February 29, 2024: 16,827,120 shares

February 28, 2023: 16,827,120 shares

2) Number of treasury shares at the end of the period:

February 29, 2024: 35,781 shares

February 28, 2023: 3,181 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended February 29, 2024: 16,799,406 shares

Fiscal Year ended February 28, 2023: 16,817,095 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 to February 29, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 29, 2024	20,243	43.3	2,001	194.4	2,058	176.2	1,583	219.3
February 28, 2023	14,118	(5.6)	679	(53.5)	745	(49.7)	495	(51.9)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended February 29, 2024	Yen 94.27	Yen -
February 28, 2023	29.48	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of February 29, 2024	Millions of yen 24,891	Millions of yen 14,994	% 60.2	Yen 892.98
February 28, 2023	20,085	13,672	68.0	812.68

(Reference) Equity: As of February 29, 2024: ¥ 14,994 million
As of February 28, 2023: ¥ 13,672 million

* Financial results reports are exempt from audits conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable. These statements are not guarantees of future performance. In addition, actual results, etc. may differ materially from these forecasts due to a variety of reasons. For assumptions underlying the forecasts and cautionary notes for using the forecasts, please see "1. Overview of operating results, etc. (4) Future outlook" on page 4 of the Attached Material.

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1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year under review

In the second quarter of the fiscal year ended February 29, 2024, the Company reviewed and changed the classification of reportable segments from the previous “Gypsum Board Recycle Business” and “Other” businesses to the “Resource Recycling Business” as a result of Sugimoto Trading Company Co., Ltd. becoming a consolidated subsidiary. For details, please refer to “3. Consolidated financial statements and significant notes thereto, (5) Notes on the consolidated financial statements, Segment information, etc.”

Regarding comparative information by segment, the figures for the fiscal year ended February 28, 2023 have been reclassified to reflect the segment classifications after the change.

During the fiscal year ended February 29, 2024, the Japanese economy experienced a gradual recovery as the Nikkei Stock Average hit an all-time high, while socioeconomic activities were further normalized as a result of the reclassification of COVID-19 as a Class V infectious disease. Meanwhile, the economic outlook in Japan and overseas remained uncertain due to the growing effects of inflation and monetary tightening and concerns over China’s economic outlook, as well as other factors such as the impact of commodity price hikes on consumption in Japan due to the depreciation of the yen.

In the construction industry, to which the Company group (the “Group”) belongs, construction investment maintained an increasing trend as a whole thanks to recovery of private capital investment with an external environment heading toward recovery, as well as steady public construction investment. However, close monitoring is still required due to the impact of the ongoing labor shortages and rising construction material prices.

Under these conditions, the Group continued to focus on increasing orders for high value-added projects and consulting sales activities in the Soil Investigation and Measures Business, and therefore, large-scale soil investigation and measures projects in each area significantly contributed to the Group’s performance. In addition, regarding the Resource Recycling Business, the Gypsum Board Recycle Business remained steady, and the operating results of Sugimoto Trading Company Co., Ltd. that became a consolidated subsidiary and its subsidiary have contributed since the second quarter of the fiscal year ended February 29, 2024. As a result, net sales totaled ¥24,150 million (up 47.1% year on year), operating profit amounted to ¥2,792 million (up 103.2% year on year), and ordinary profit amounted to ¥2,818 million (up 99.4% year on year). Profit attributable to owners of parent was ¥1,781 million (up 145.8% year on year).

Operating results by segment are as follows.

Soil Investigation and Measures Business

The profitability improved due to consulting sales activities and cooperation among the group companies. For example, high value-added projects including the factory redevelopment project in the Chukyo area, large-scale factory underground waste and contaminated soil removal projects in the Kanto area, and large-scale factory waste removal consulting projects in the Kansai area which drove sales and profits of the entire Group, contributed to higher profit margins of the business. As a result, net sales increased 45.5% year on year to ¥19,418 million, and operating profit increased 97.1% to ¥2,732 million.

Resource Recycling Business

While profits of the PCB Consulting Business and the Bio Diesel Fuel (BDF) Business decreased due to the impact of reduced handling volumes and increased costs. However, as the shipping volume of waste gypsum board at Green Arrows Central Co., Ltd. and Green Arrows Kyushu Co., Ltd. remained steady, and performances of Sugimoto Trading Company Co., Ltd. and its subsidiary have been reflected from the second quarter of the fiscal year ended February 29, 2024, net sales increased 48.1% year on year to ¥4,961 million, and operating profit increased 33.1% year on year to ¥976 million.

(2) Overview of financial position for the fiscal year under reviewAssets

The balance of current assets at the end of the fiscal year under review was ¥7,930 million (¥5,094 million at the end of the previous fiscal year), an increase of ¥2,835 million. This was primarily due to increases in cash and deposits, and notes and accounts receivable - trade, and contract assets.

The balance of non-current assets was ¥19,421 million (¥16,860 million at the end of the previous fiscal year), an increase of ¥2,561 million. This was primarily due to increases in goodwill and customer-related intangible assets.

As a result, total assets were ¥27,351 million, an increase of ¥5,397 million compared with the end of the previous fiscal year.

Liabilities

The balance of current liabilities at the end of the fiscal year under review was ¥5,737 million (¥4,520 million at the end of the previous fiscal year), an increase of ¥1,217 million. This was primarily due to increases in short-term borrowings and income taxes payable.

The balance of non-current liabilities at the end of the fiscal year under review was ¥3,939 million (¥1,488 million at the end of the previous fiscal year), an increase of ¥2,450 million. This was primarily due to increases in long-term borrowings and deferred tax liabilities.

As a result, total liabilities were ¥9,677 million, an increase of ¥3,668 million compared with the end of the previous fiscal year.

Net assets

Net assets at the end of the fiscal year under review were ¥17,674 million, an increase of ¥1,728 million compared with the end of the previous fiscal year. This was primarily due to profit attributable to owners of parent.

As a result, the capital adequacy ratio was 59.9% (67.8% at the end of previous fiscal year).

(3) Overview of cash flows for the fiscal year under review

Regarding cash flows, cash and cash equivalents at the end of the fiscal year under review amounted to ¥2,448 million (an increase of ¥1,562 million compared with the end of the previous fiscal year).

Respective cash flow status at the end of the fiscal year review and the factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥3,225 million (an inflow of ¥1,118 million in the previous fiscal year) primarily due to profit before income taxes, depreciation, an increase in trade receivables, and income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥3,184 million (an outflow of ¥659 million in the previous fiscal year) primarily due to purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,521 million (an outflow of ¥217 million in the previous fiscal year) primarily due to proceeds from long-term borrowings and repayments of long-term borrowings.

(4) Future outlook

The business environment in Japan and overseas in the future is expected to continue to pick up, although the outlook remains uncertain due to factors such as concerns about geopolitical risks and the impact of U.S.-China trade friction.

The real estate market and construction market, which greatly affects the soil investigation and measures market, remain stable in public investment, mainly in maintaining existing infrastructure, and capital expenditures in the private sector are improving. However, the impact of intensified competition is expected, resulting from increasing construction costs due to rising material and resource prices.

The Group has announced its “Medium-term Management Plan” that aims to respond to these changes in the external environment, build a management foundation that can create new value and cope with volatility, and realize sustainable growth of the Group’s corporate value. The Group will execute management strategies in each segment while strengthening its earnings base and building the environment for sustainable growth. At the same time, we will undertake measures to realize management that is conscious of capital costs and stock prices.

Projections for business results for the next fiscal year are as follows: net sales of ¥17,754 million (down 26.4% year on year), ordinary profit of ¥2,251 million (down 20.1% year on year), and profit attributable to owners of parent of ¥1,272 million (down 28.6% year on year).

The earnings forecasts are based on information currently available to the Company, and certain assumptions deemed reasonable. These statements are not guarantees of future performance. In addition, actual results, etc., may differ materially from these forecasts due to a variety of reasons.

2. Basic policy regarding selection of accounting standards

The Group business activity is conducted mainly in Japan, and the Company adopts the Japanese Generally Accepted Accounting Principle (GAAP).

The Company plans to examine the adoption of International Financial Reporting Standards (IFRS) based on operation trends in Japan and other factors.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	886	2,448
Notes and accounts receivable - trade, and contract assets	3,534	4,509
Inventories	325	488
Other	352	490
Allowance for doubtful accounts	(4)	(6)
Total current assets	5,094	7,930
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,365	10,653
Accumulated depreciation	(3,578)	(4,489)
Buildings and structures, net	5,786	6,164
Machinery, equipment and vehicles	5,325	5,957
Accumulated depreciation	(3,676)	(4,520)
Machinery, equipment and vehicles, net	1,649	1,436
Land	7,908	8,175
Leased assets	393	442
Accumulated depreciation	(169)	(127)
Leased assets, net	223	314
Construction in progress	144	227
Other	361	414
Accumulated depreciation	(291)	(353)
Other, net	70	61
Total property, plant and equipment	15,783	16,380
Intangible assets		
Goodwill	-	795
Customer-related intangible assets	-	886
Other	29	121
Total intangible assets	29	1,803
Investments and other assets		
Investment securities	672	611
Deferred tax assets	310	506
Other	66	120
Allowance for doubtful accounts	(1)	(0)
Total investments and other assets	1,047	1,237
Total non-current assets	16,860	19,421
Total assets	21,954	27,351

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,439	1,507
Short-term borrowings	1,200	1,500
Current portion of long-term borrowings	981	832
Current portion of bonds payable	-	8
Lease liabilities	91	93
Accounts payable - other	351	367
Income taxes payable	141	900
Provision for bonuses	144	160
Other	170	367
Total current liabilities	4,520	5,737
Non-current liabilities		
Bonds payable	-	12
Long-term borrowings	1,187	3,143
Lease liabilities	150	255
Retirement benefit liability	146	190
Provision for retirement benefits for directors (and other officers)	-	15
Deferred tax liabilities	-	294
Other	3	28
Total non-current liabilities	1,488	3,939
Total liabilities	6,008	9,677
Net assets		
Shareholders' equity		
Share capital	2,287	2,287
Capital surplus	2,089	2,088
Retained earnings	10,260	11,873
Treasury shares	(2)	(35)
Total shareholders' equity	14,634	16,215
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	252	192
Remeasurements of defined benefit plans	(0)	(4)
Total accumulated other comprehensive income	251	187
Non-controlling interests	1,059	1,271
Total net assets	15,945	17,674
Total liabilities and net assets	21,954	27,351

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Net sales	16,411	24,150
Cost of sales	13,200	18,961
Gross profit	3,211	5,188
Selling, general and administrative expenses		
Sales commission	290	276
Commission expenses	131	309
Provision of allowance for doubtful accounts	1	1
Remuneration for directors (and other officers)	184	132
Salaries, allowances and bonuses	562	748
Provision for bonuses	79	78
Retirement benefit expenses	42	42
Other	545	805
Total selling, general and administrative expenses	1,837	2,395
Operating profit	1,373	2,792
Non-operating income		
Dividend income	16	17
Rental income from real estate	0	16
Gain on investments in investment partnerships	23	-
Insurance claim income	0	12
Other	7	15
Total non-operating income	47	61
Non-operating expenses		
Interest expenses	7	20
Loss on investments in silent partnerships	-	6
Loss on investments in investment partnerships	-	4
Commission expenses	-	4
Other	1	0
Total non-operating expenses	8	36
Ordinary profit	1,412	2,818
Extraordinary income		
Gain on sale of non-current assets	12	18
Compensation income for damage	-	67
Compensation income	-	373
Insurance claim income	2	-
Other	-	1
Total extraordinary income	15	460

(Millions of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Extraordinary losses		
Loss on sale of non-current assets	20	-
Loss on retirement of non-current assets	14	253
Impairment losses	-	4
Other	2	-
Total extraordinary losses	37	257
Profit before income taxes	1,390	3,021
Income taxes - current	500	1,137
Income taxes - deferred	(34)	(129)
Total income taxes	466	1,007
Profit	924	2,013
Profit attributable to non-controlling interests	199	231
Profit attributable to owners of parent	724	1,781

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Profit	924	2,013
Other comprehensive income		
Valuation difference on available-for-sale securities	(44)	(59)
Remeasurements of defined benefit plans, net of tax	0	(4)
Total other comprehensive income	(44)	(64)
Comprehensive income	880	1,949
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	680	1,717
Comprehensive income attributable to non-controlling interests	199	231

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended February 28, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,287	2,087	9,703	(25)	14,053
Changes during period					
Dividends of surplus			(168)		(168)
Profit attributable to owners of parent			724		724
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		2		22	24
Net changes in items other than shareholders' equity					
Total changes during period	-	2	556	22	581
Balance at end of period	2,287	2,089	10,260	(2)	14,634

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	296	(0)	295	877	15,226
Changes during period					
Dividends of surplus					(168)
Profit attributable to owners of parent					724
Purchase of treasury shares					(0)
Disposal of treasury shares					24
Net changes in items other than shareholders' equity	(44)	0	(44)	181	137
Total changes during period	(44)	0	(44)	181	718
Balance at end of period	252	(0)	251	1,059	15,945

For the fiscal year ended February 29, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,287	2,089	10,260	(2)	14,634
Changes during period					
Dividends of surplus			(168)		(168)
Profit attributable to owners of parent			1,781		1,781
Purchase of treasury shares				(49)	(49)
Disposal of treasury shares		(0)		17	16
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	1,613	(32)	1,580
Balance at end of period	2,287	2,088	11,873	(35)	16,215

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	252	(0)	251	1,059	15,945
Changes during period					
Dividends of surplus					(168)
Profit attributable to owners of parent					1,781
Purchase of treasury shares					(49)
Disposal of treasury shares					16
Net changes in items other than shareholders' equity	(59)	(4)	(64)	212	148
Total changes during period	(59)	(4)	(64)	212	1,728
Balance at end of period	192	(4)	187	1,271	17,674

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit before income taxes	1,390	3,021
Depreciation	1,011	1,085
Amortization of goodwill	-	45
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in provision for bonuses	48	(0)
Increase (decrease) in retirement benefit liability	16	13
Increase (decrease) in provision for director retirement reserve	-	(15)
Interest and dividend income	(16)	(17)
Interest expenses	7	20
Loss (gain) on sale of non-current assets	7	(18)
Impairment losses	-	4
Loss on retirement of non-current assets	14	253
CompensationForDamageIncomeOpeCF	-	(67)
Decrease (increase) in trade receivables	(712)	(638)
Decrease (increase) in inventories	(44)	(162)
Increase (decrease) in trade payables	352	59
Other, net	(83)	16
Subtotal	1,992	3,599
Interest and dividends received	16	17
Interest paid	(7)	(22)
Income taxes paid	(883)	(436)
CompensationForDamageReceivedOpeCF	-	67
Net cash provided by (used in) operating activities	1,118	3,225
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	132
Purchase of property, plant and equipment	(695)	(1,008)
Purchase of intangible assets	(15)	(108)
Proceeds from sale of property, plant and equipment	32	26
Purchase of investment securities	(50)	(25)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(2,201)
Proceeds from distributions from investment partnerships	68	-
Other, net	0	0
Net cash provided by (used in) investing activities	(659)	(3,184)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	370	300
Proceeds from long-term borrowings	1,075	2,900
Repayments of long-term borrowings	(1,411)	(1,334)
Purchase of treasury shares	(0)	(49)
Dividends paid	(168)	(168)
Dividends paid to non-controlling interests	(17)	(19)
Other, net	(65)	(107)
Net cash provided by (used in) financing activities	(217)	1,521
Net increase (decrease) in cash and cash equivalents	240	1,562
Cash and cash equivalents at beginning of period	645	886
Cash and cash equivalents at end of period	886	2,448

(5) Notes on the consolidated financial statements

Notes on premise of going concern

Not applicable.

Changes in accounting policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year ended February 29, 2024, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This change in accounting policy has no effect on the consolidated financial statements.

Segment information, etc.

Segment information

1. Overview of reportable segment

The reportable segments are constituent units of the Group for which separate financial information is available, and the Board of Directors periodically examines the segments to decide the allocation of management resources and evaluate business performance.

The Group designates Soil Investigation and Measures Business and Resource Recycling Business as two reportable segments.

In the Soil Investigation and Measures Business, the Company provides a comprehensive solution covering everything from investigation of soil contamination to purification treatment and carries out its business activities including sales activities in a united way. In the Resource Recycling Business, the Company engages in the recycling business of waste gypsum boards, the BDF business, the PCB business, and the wastepaper and general waste processing business, among others.

2. Methods for calculating net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting methods applied to the business segments reported are in accordance with the accounting policies used in preparation of consolidated financial statements.

Profits of reportable segments are based on operating profit.

Intersegment sales or transfers are based on prevailing market prices.

3. Information on the amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment and revenue breakdown information

For the fiscal year ended February 28, 2023

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount in the consolidated financial statement (Note 2)
	Soil Investigation and Measures Business	Resource Recycling Business	Total		
Net sales					
Chukyo	5,758	2,307	8,066	—	8,066
Kanto	4,397	16	4,413	—	4,413
Kansai	3,135	3	3,139	—	3,139
Kyushu	—	792	792	—	792
Revenue from contracts with customers	13,291	3,120	16,411	—	16,411
Sales to external customers	13,291	3,120	16,411	—	16,411
Intersegment sales or transfers	50	227	278	(278)	—
Total	13,341	3,348	16,690	(278)	16,411
Segment profit	1,385	733	2,119	(745)	1,373
Segment assets	16,080	4,072	20,152	1,801	21,954
Other items					
Depreciation	789	196	985	25	1,011
Increase in property, plant and equipment and intangible assets	379	372	752	6	759

Notes: 1. The breakdown of adjustments is as follows.

- (1) The negative ¥745 million adjustment for segment profit consists of ¥27 million for elimination of intersegment transactions and negative ¥773 million for corporate expenses not allocated to any reportable segment. Corporate expenses mostly consist of general and administrative expenses not attributable to any reportable segment.
 - (2) The ¥1,801 million adjustment for segment assets is corporate assets not allocated to any reportable segment and mostly consists of head office buildings, etc. not attributable to any reportable segment.
 - (3) The ¥25 million adjustment for depreciation is depreciation related to corporate assets not allocated to any reportable segment.
 - (4) The ¥6 million adjustment for the increase in property, plant and equipment and intangible assets is an increase in corporate assets not allocated to any reportable segment.
2. Segment profit is adjusted with operating profit in the consolidated financial statement.

For the fiscal year ended February 29, 2024

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount in the consolidated financial statement (Note 2)
	Soil Investigation and Measures Business	Resource Recycling Business	Total		
Net sales					
Chukyo	8,831	2,373	11,204	—	11,204
Kanto	7,476	84	7,561	—	7,561
Kansai	3,105	1,510	4,616	—	4,616
Kyushu	—	768	768	—	768
Revenue from contracts with customers	19,413	4,736	24,150	—	24,150
Sales to external customers	19,413	4,736	24,150	—	24,150
Intersegment sales or transfers	4	224	229	(229)	—
Total	19,418	4,961	24,379	(229)	24,150
Segment profit	2,732	976	3,709	(916)	2,792
Segment assets	16,833	8,367	25,200	2,151	27,351
Other items					
Depreciation	807	248	1,056	28	1,085
Amortization of goodwill	—	45	45	—	45
Increase in property, plant and equipment and intangible assets	909	2,124	3,033	103	3,137

Notes: 1. The breakdown of adjustments is as follows.

- (1) The negative ¥916 million adjustment for segment profit consists of ¥74 million for elimination of intersegment transactions and negative ¥991 million for corporate expenses not allocated to any reportable segment. Corporate expenses mostly consist of general and administrative expenses not attributable to any reportable segment.
- (2) The ¥2,151 million adjustment for segment assets is corporate assets not allocated to any reportable segment and mostly consists of head office buildings, etc. not attributable to any reportable segment.
- (3) The ¥28 million adjustment for depreciation is depreciation related to corporate assets not allocated to any reportable segment.
- (4) The ¥103 million adjustment for the increase in property, plant and equipment and intangible assets is an increase in corporate assets not allocated to any reportable segment.

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

4. Matters on changes in reportable segments, etc.
(Changes in the classification of reportable segments)

In the second quarter of the fiscal year ended February 29, 2024, the Company reviewed and changed the classification of business segments from the previous “Gypsum Board Recycle Business” to the “Resource Recycling Business” as a result of Sugimoto Trading Company Co., Ltd. becoming a consolidated subsidiary. The previous “Other” business has been included in the “Resource Recycling Business.” The segment information for the previous fiscal year has been disclosed based on the segment classifications after the change.

The types of services falling under each segment are as follows.

Classifications of reportable segments	Types of services
Soil Investigation and Measures Business	Soil contamination investigation and improvement, soil measures
Resource Recycling Business	Waste gypsum board, BDF, PCB, wastepaper and general waste processing

Per share information

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Net assets per share	884.84 yen	976.85 yen
Basic earnings per share	43.09 yen	106.05 yen

Notes: 1. Diluted earnings per share are not presented since there are no dilutive shares.

2. The basis of calculation of net assets per share is as follows.

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Total net assets	15,945	17,674
Amount deducted from total net assets	1,059	1,271
(Of which, non-controlling interests)	(1,059)	(1,271)
Net assets pertaining to common shares at the fiscal year-end	14,886	16,402
Number of common shares at the fiscal year-end used for the calculation of net assets per share (shares)	16,823,939	16,791,339

3. The basis of calculation of basic earnings per share is as follows.

(Millions of yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Profit attributable to owners of parent	724	1,781
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent for common shares	724	1,781
Average number of shares during the period (shares)	16,817,095	16,799,406

Significant subsequent events

Not applicable.

4. Other

Changes in officers

Regarding changes in officers, please see “Notice on Changes in Representative Directors, Directors, and Executive Officers” announced today.