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Consolidated Financial Results for the Three Months Ended May 31, 2024 [Japanese GAAP]

July 1, 2024

Company name: Daiseki Eco. Solution Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Code number: 1712
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 Scheduled date of filing quarterly securities report: July 12, 2024
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended May 31, 2024 (March 1, 2024 to May 31, 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	%
Three months ended								
May 31, 2024	4,747	(28.5)	555	(37.7)	553	(37.4)	302	(44.6)
May 31, 2023	6,641	97.8	891	375.3	884	370.5	546	688.9

(Note) Comprehensive income: Three months ended May 31, 2024: ¥ 355 million [(31.6)%]
 Three months ended May 31, 2023: ¥ 519 million [121.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2024	18.02	-
May 31, 2023	32.49	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
May 31, 2024	28,463	17,879	58.2
February 29, 2024	27,351	17,674	59.9

(Reference) Equity: As of May 31, 2024: ¥ 16,571 million
 As of February 29, 2024: ¥ 16,402 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	-	5.00	-	7.00	12.00
Fiscal year ending February 28, 2025	-				
Fiscal year ending February 28, 2025 (Forecast)		7.00	-	7.00	14.00

(Note) Revision to the forecast for dividends announced most recently: No

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)	611	(44.0)	36.37
Full year	17,754	(26.4)	2,244	(19.6)	2,251	(20.1)	1,272	(28.6)	75.71

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended May 31, 2024

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

May 31, 2024: 16,827,120 shares

February 29, 2024: 16,827,120 shares

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

May 31, 2024: 45,861 shares

February 29, 2024: 35,781 shares

3) Average number of shares outstanding during the period:

Three months ended May 31, 2024: 16,790,456 shares

Three months ended May 31, 2023: 16,823,705 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 earnings forecasts are based on information available as of the date of disclosure of this material. These statements are not guarantees of future performance, and actual results may differ materially from these forecasts due to a variety of reasons.

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1. Qualitative information on quarterly consolidated financial results

(1) Explanation of operating results

During the three months ended May 31, 2024, the Japanese economy remained somewhat weak, despite improvements in employment and income situations, due to factors requiring attention such as the prolonged crisis in Ukraine, the impact of the yen's depreciation against the U.S. dollar in the foreign exchange market, and soaring commodity prices, which may affect the Japanese economy.

In the construction industry, to which the Company group (the "Group") belongs, government construction investment remained at a high level on the back of necessity for disaster prevention and reinforcing the national land, and private construction investment showed some signs of recovery, especially in the manufacturing sector, but corporate capital investment sentiment remained cautious.

Under these economic conditions, in our mainstay Soil Investigation and Measures Business, we continued to implement aggressive consulting sales to increase orders for high value-added projects. As a result, the performance was steady compared to the plan. Meanwhile, profits decreased year on year due to the completion of the large-scale soil investigation and measures projects won in the previous year. In addition, regarding the Resource Recycling Business, the shipping volume of waste gypsum board continued to be stable and firm, while the wastepaper and general waste processing business also remained steady.

As a result, consolidated business results for the three months ended May 31, 2024 were as follows: net sales of ¥4,747 million (down 28.5% year on year), operating profit of ¥555 million (down 37.7% year on year), ordinary profit of ¥553 million (down 37.4% year on year), and profit attributable to owners of parent of ¥302 million (down 44.6% year on year).

Operating results by segment are as follows.

Soil Investigation and Measures Business

Coinciding with the completion of the large-scale factory underground waste and contaminated soil removal projects, which drove the performance in the previous fiscal year, the large-scale factory waste removal consulting projects, which are high value-added projects in the Kansai area, entered the drop-off period. As a result, net sales decreased 41.8% year on year to ¥3,380 million, and operating profit decreased 52.1% to ¥482 million.

Resource Recycling Business

Profits of the PCB Consulting Business and the Bio Diesel Fuel (BDF) Business recovered as handling volumes increased. In addition, the shipping volume of waste gypsum board at Green Arrows Central Co., Ltd. and Green Arrows Kyushu Co., Ltd. remained firm, and the performance of the wastepaper and general waste processing business operated by Sugimoto Trading Company Co., Ltd. and its subsidiary, which became consolidated subsidiaries in the first quarter of the fiscal year ended February 29, 2024, has been reflected from the second quarter of the fiscal year ended February 29, 2024. As a result, net sales increased 61.2% year on year to ¥1,420 million, and operating profit increased 17.3% year on year to ¥278 million.

(2) Explanation of financial position

Total assets as of May 31, 2024 were ¥28,463 million, an increase of ¥1,111 million compared with the end of the previous fiscal year. This was primarily due to increases in cash and deposits and land that had been acquired for a new business and a decrease in notes and accounts receivable - trade, and contract assets.

Liabilities as of May 31, 2024 were ¥10,583 million, an increase of ¥905 million compared with the end of the previous fiscal year. This was primarily due to an increase in long-term borrowings and decreases in notes and accounts payable - trade and income taxes payable.

Net assets as of May 31, 2024 were ¥17,879 million, an increase of ¥205 million compared with the end of the previous fiscal year. This was primarily due to an increase in retained earnings.

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

The consolidated earnings forecasts for the fiscal year ending February 28, 2025 remain unchanged from those announced on April 4, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	2,448	3,139
Notes and accounts receivable - trade, and contract assets	4,509	2,968
Inventories	488	302
Other	490	222
Allowance for doubtful accounts	(6)	(3)
Total current assets	7,930	6,629
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,164	6,136
Land	8,175	10,640
Construction in progress	227	298
Other, net	1,813	1,786
Total property, plant and equipment	16,380	18,862
Intangible assets		
Goodwill	795	780
Customer-related intangible assets	886	869
Other	121	114
Total intangible assets	1,803	1,764
Investments and other assets		
Other	1,238	1,207
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,237	1,206
Total non-current assets	19,421	21,833
Total assets	27,351	28,463

(Millions of yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,507	1,046
Short-term borrowings	1,500	1,700
Current portion of long-term borrowings	832	1,093
Current portion of bonds payable	8	8
Lease liabilities	93	90
Accounts payable - other	367	358
Income taxes payable	900	164
Provision for bonuses	160	247
Other	367	358
Total current liabilities	5,737	5,068
Non-current liabilities		
Bonds payable	12	12
Long-term borrowings	3,143	4,744
Lease liabilities	255	239
Provision for retirement benefits for directors (and other officers)	15	15
Retirement benefit liability	190	186
Other	323	317
Total non-current liabilities	3,939	5,515
Total liabilities	9,677	10,583
Net assets		
Shareholders' equity		
Share capital	2,287	2,287
Capital surplus	2,088	2,088
Retained earnings	11,873	12,059
Treasury shares	(35)	(45)
Total shareholders' equity	16,215	16,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	192	184
Remeasurements of defined benefit plans	(4)	(3)
Total accumulated other comprehensive income	187	181
Non-controlling interests	1,271	1,307
Total net assets	17,674	17,879
Total liabilities and net assets	27,351	28,463

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income (for the three months)

(Millions of yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Net sales	6,641	4,747
Cost of sales	5,081	3,638
Gross profit	1,559	1,109
Selling, general and administrative expenses	668	553
Operating profit	891	555
Non-operating income		
Rental income from real estate	0	5
Other	2	3
Total non-operating income	2	9
Non-operating expenses		
Interest expenses	4	7
Commission expenses	4	-
Other	0	3
Total non-operating expenses	9	11
Ordinary profit	884	553
Extraordinary income		
Gain on sale of non-current assets	8	-
Subsidy income	-	19
Receipt of compensation	67	-
Other	0	-
Total extraordinary income	76	19
Extraordinary losses		
Loss on retirement of non-current assets	-	3
Loss on tax purpose reduction entry of non-current assets	-	19
Impairment losses	4	-
Total extraordinary losses	4	23
Profit before income taxes	957	549
Income taxes - current	416	178
Income taxes - deferred	(70)	9
Total income taxes	346	187
Profit	610	361
Profit attributable to non-controlling interests	63	58
Profit attributable to owners of parent	546	302

Quarterly consolidated statements of comprehensive income (for the three months)

(Millions of yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Profit	610	361
Other comprehensive income		
Valuation difference on available-for-sale securities	(91)	(7)
Remeasurements of defined benefit plans, net of tax	0	1
Total other comprehensive income	(91)	(6)
Comprehensive income	519	355
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	455	296
Comprehensive income attributable to non-controlling interests	63	58

(3) Notes on the quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Segment information, etc.Segment information

I. For the three months ended May 31, 2023

Information on the amounts of net sales, profit or loss for each reportable segment and revenue breakdown information

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount in the quarterly consolidated statement of income (Note 2)
	Soil Investigation and Measures Business	Resource Recycling Business	Total		
Net sales					
Chukyo	2,909	595	3,505	—	3,505
Kanto	1,922	19	1,942	—	1,942
Kansai	982	2	984	—	984
Kyushu	—	208	208	—	208
Revenue from contracts with customers	5,815	826	6,641	—	6,641
Sales to external customers	5,815	826	6,641	—	6,641
Intersegment sales or transfers	1	54	55	(55)	—
Total	5,816	880	6,697	(55)	6,641
Segment profit	1,009	236	1,246	(354)	891

Notes: 1. The negative ¥354 million adjustment for segment profit consists of ¥11 million for elimination of intersegment transactions and negative ¥366 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. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

II. For the three months ended May 31, 2024

1. Information on the amounts of net sales, profit or loss for each reportable segment and revenue breakdown information

(Millions of yen)

	Reportable segments			Adjustments (Note 1)	Amount in the quarterly consolidated statement of income (Note 2)
	Soil Investigation and Measures Business	Resource Recycling Business	Total		
Net sales					
Chukyo	992	664	1,656	–	1,656
Kanto	1,639	1	1,640	–	1,640
Kansai	746	521	1,268	–	1,268
Kyushu	–	181	181	–	181
Revenue from contracts with customers	3,378	1,368	4,747	–	4,747
Sales to external customers	3,378	1,368	4,747	–	4,747
Intersegment sales or transfers	1	51	53	(53)	–
Total	3,380	1,420	4,800	(53)	4,747
Segment profit	482	278	760	(205)	555

Notes: 1. The negative ¥205 million adjustment for segment profit consists of ¥12 million for elimination of intersegment transactions and negative ¥218 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. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

2. 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 three months ended May 31, 2023 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