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MEMBERSHIP

October 1, 2021

## Consolidated Financial Results for the Six Months Ended August 31, 2021 (Under Japanese GAAP)

Company name: Daiseki Eco. Solution Co., Ltd.  
 Listing: Tokyo Stock Exchange / Nagoya Stock Exchange  
 Securities code: 1712  
 URL: <https://www.daiseki-eco.co.jp/>  
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 Scheduled date to file quarterly securities report: October 8, 2021  
 Scheduled date to commence dividend payments: October 26, 2021  
 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 the six months ended August 31, 2021 (from March 1, 2021 to August 31, 2021)

#### (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 August 31, 2021	9,099	22.8	1,293	181.7	1,299	173.2	797	208.3
August 31, 2020	7,406	5.3	458	(28.4)	475	(29.7)	258	(35.3)

Note: Comprehensive income For the six months ended August 31, 2021: ¥973 million [190.5 %]  
 For the six months ended August 31, 2020: ¥335 million [30.4 %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2021	47.48	-
August 31, 2020	15.39	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
August 31, 2021	21,491	14,660	64.5
February 28, 2021	21,275	13,761	61.3

Reference: Equity  
 As of August 31, 2021: ¥13,879 million  
 As of February 28, 2021: ¥13,062 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 February 28, 2021	–	3.00	–	3.00	6.00
Fiscal year ending February 28, 2022	–	3.00			
Fiscal year ending February 28, 2022 (Forecast)			–	5.00	8.00

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

## 3. Consolidated earnings forecasts for the fiscal year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

(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 February 28, 2022	17,500	17.3	2,100	74.0	2,105	69.5	1,278	85.4	76.05

Note: Revisions to the 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): None
- (2) Application 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 August 31, 2021	16,827,120 shares
As of February 28, 2021	16,827,120 shares

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

As of August 31, 2021	27,861 shares
As of February 28, 2021	16,118 shares

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

Six months ended August 31, 2021	16,804,574 shares
Six months ended August 31, 2020	16,803,223 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

Forward-looking statements in this document are based on our views as of the end of the quarter under review.

### (1) Explanation of operating results

During the six months ended August 31, 2021, the Japanese economy continued to face difficult conditions due to the impact of the novel coronavirus disease (COVID-19) as there was increasing weakness in some parts of the economy despite the economic recovery trend. Regarding the outlook, although a recovery is expected to continue due to the effect of various policies to prevent the spread of infections and due to improvements in overseas economies, it is necessary to pay careful attention to the rising risk of a downturn due to the spread of infections and closely monitor the impact of fluctuations in financial and capital markets and other factors.

In the construction industry, to which the Company group (the “Group”) belongs, despite the pickup trend in private-sector capital expenditure mainly in manufacturing, the impact of COVID-19 and other factors are uncertain and the business environment is expected to remain unpredictable.

Against this backdrop, in the Group’s core business of Soil Investigation and Measures, we focused on winning orders for high-margin projects and consulting sales. Although low-price competition intensified in metropolitan areas, the volume of orders received and unit prices of orders were strong, and the completion of multiple construction projects ordered in the previous fiscal year and large-scale infrastructure improvement projects, etc. contributed to business performance. In addition, as a result of the higher proportion of high-margin projects, consolidated business results for the six months ended August 31, 2021 were as follows: net sales of ¥9,099 million (up 22.8% year on year), operating profit of ¥1,293 million (up 181.7% year on year), ordinary profit of ¥1,299 million (up 173.2% year on year), and profit attributable to owners of parent of ¥797 million (up 208.3% year on year).

Operating results by segment are as follows.

#### Soil Investigation and Measures Business

As demand for soil treatment continued to recover, we focused on winning orders for high-margin projects and consulting sales. The construction project ordered in the previous fiscal year for the Higashi-Meihan Expressway is proceeding toward completion and the large-scale infrastructure improvement project in the Chukyo area for the Gifu Recycling Center drove the business performance. As a result, net sales increased 25.9% year on year to ¥7,547 million, and operating profit increased 135.2% year on year to ¥1,265 million.

#### Gypsum Board Recycle Business

The volumes of waste gypsum board processed by Green Arrows Central Co., Ltd. and Green Arrows Kyushu Co., Ltd. both increased significantly year on year. Furthermore, amid off-season demand from major customers for soil solidifiers, we strengthened sales activities in distributor sales and direct sales routes. As a result, net sales increased 20.1% year on year to ¥1,081 million, and operating profit increased 64.9% year on year to ¥309 million.

#### Other

The PCB Consulting Business and the Bio Diesel Fuel (BDF) Business were solid, but sales for the General Waste Treatment Business decreased compared to the same period of the previous fiscal year. As a result, net sales increased 0.4% year on year to ¥619 million, and operating profit increased 16.0% year on year to ¥79 million.

**(2) Explanation of financial position**

Total assets as of August 31, 2021 were ¥21,491 million, an increase of ¥215 million compared with the end of the previous fiscal year. This was primarily due to an increase in notes and accounts receivable - trade and decreases in cash and deposits and inventories.

Liabilities as of August 31, 2021 were ¥6,830 million, a decrease of ¥683 million compared with the end of the previous fiscal year. This was primarily due to a decrease in long-term borrowings.

Net assets as of August 31, 2021 were ¥14,660 million, an increase of ¥899 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, 2022 were announced in “Notice Regarding Revisions to Earnings Forecasts and Cash Dividend Forecasts” on September 17, 2021 (in Japanese only).

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	1,031	368
Notes and accounts receivable - trade	2,475	3,432
Inventories	680	362
Other	68	104
Allowance for doubtful accounts	(3)	(5)
Total current assets	4,252	4,262
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,192	6,253
Land	8,044	8,044
Construction in progress	123	56
Other, net	1,808	1,931
Total property, plant and equipment	16,168	16,285
Intangible assets	19	23
Investments and other assets		
Other	836	921
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	835	920
Total non-current assets	17,023	17,228
Total assets	21,275	21,491
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,158	1,080
Short-term borrowings	980	730
Current portion of long-term borrowings	1,542	1,533
Lease obligations	54	56
Accounts payable - other	211	475
Income taxes payable	273	470
Provision for bonuses	90	96
Other	435	383
Total current liabilities	4,746	4,826
Non-current liabilities		
Long-term borrowings	2,505	1,738
Lease obligations	143	148
Retirement benefit liability	114	113
Other	3	3
Total non-current liabilities	2,767	2,004
Total liabilities	7,513	6,830
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,287	2,287
Capital surplus	2,086	2,087
Retained earnings	8,552	9,299
Treasury shares	(11)	(24)
Total shareholders' equity	12,914	13,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	154	225
Remeasurements of defined benefit plans	(6)	3
Total accumulated other comprehensive income	148	228
Non-controlling interests	699	781
Total net assets	13,761	14,660
Total liabilities and net assets	21,275	21,491

**(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income****Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Net sales	7,406	9,099
Cost of sales	6,236	7,018
Gross profit	1,169	2,080
Selling, general and administrative expenses	710	787
Operating profit	458	1,293
Non-operating income		
Interest income	0	0
Dividend income	4	6
Insurance claim income	0	–
Gain on investments in capital	8	–
Subsidy income	7	2
Other	2	2
Total non-operating income	22	11
Non-operating expenses		
Interest expenses	5	4
Other	0	0
Total non-operating expenses	5	5
Ordinary profit	475	1,299
Extraordinary income		
Gain on sales of non-current assets	0	7
Total extraordinary income	0	7
Extraordinary losses		
Loss on sales of non-current assets	0	–
Loss on retirement of non-current assets	0	1
Total extraordinary losses	0	1
Profit before income taxes	475	1,306
Income taxes - current	212	444
Income taxes - deferred	(54)	(30)
Total income taxes	157	413
Profit	317	893
Profit attributable to non-controlling interests	59	95
Profit attributable to owners of parent	258	797



**Quarterly consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Profit	317	893
Other comprehensive income		
Valuation difference on available-for-sale securities	17	71
Remeasurements of defined benefit plans, net of tax	(0)	9
Total other comprehensive income	17	80
Comprehensive income	335	973
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	276	878
Comprehensive income attributable to non-controlling interests	59	95

**(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. Six months ended August 31, 2020

Information on the amounts of net sales, profit or loss for each reportable segment

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Soil Investigation and Measures Business	Gypsum Board Recycle Business	Subtotal				
Net sales							
Sales to external customers	5,993	894	6,887	518	7,406	–	7,406
Intersegment sales or transfers	–	5	5	98	104	(104)	–
Total	5,993	899	6,893	617	7,510	(104)	7,406
Segment profit	537	187	725	68	794	(335)	458

- Notes: 1. The “Other” category is a business segment not included in the reportable segments. It includes Environmental Analysis Business, BDF Business and PCB Consulting Business, etc.
2. The negative ¥335 million adjustment for segment profit consists of ¥10 million for elimination of intersegment transactions and negative ¥345 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.
3. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

## II. Six months ended August 31, 2021

## Information on the amounts of net sales, profit or loss for each reportable segment

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
	Soil Investigation and Measures Business	Gypsum Board Recycle Business	Subtotal				
Net sales							
Sales to external customers	7,544	1,076	8,620	478	9,099	–	9,099
Intersegment sales or transfers	3	4	7	141	148	(148)	–
Total	7,547	1,081	8,628	619	9,248	(148)	9,099
Segment profit	1,265	309	1,575	79	1,655	(362)	1,293

- Notes: 1. The “Other” category is a business segment not included in the reportable segments. It includes Environmental Analysis Business, BDF Business and PCB Consulting Business, etc.
2. The negative ¥362 million adjustment for segment profit consists of ¥10 million for elimination of intersegment transactions and negative ¥372 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.
3. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.