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Consolidated Financial Results for the Year Ended February 28, 2023 [Japanese GAAP]

April 05, 2023

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

Stock exchange listing: Tokyo, Nagoya

Code number: 1712

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

Representative: Hiroya Yamamoto, President and Representative Director

Contact: Toshiyuki Niwa, Executive Officer and General Manager of Headquarters of Planning and Management

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Scheduled date of Annual General Meeting of Shareholders: May 24, 2023

Scheduled date of commencing dividend payments: May 25, 2023

Scheduled date of filing annual securities report: May 25, 2023

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 28, 2023 (March 01, 2022 to February 28, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended February 28, 2023	16,411	(3.9)	1,373	(34.6)	1,412	(33.1)	724	(42.1)
February 28, 2022	17,082	14.5	2,102	74.1	2,112	70.1	1,252	81.7

(Note) Comprehensive income: Fiscal year ended February 28, 2023: ¥ 880 million [(44.6) %]
Fiscal year ended February 28, 2022: ¥ 1,590 million [81.2 %]

	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 28, 2023	Yen 43.09	Yen -	% 4.9	% 6.5	% 8.3
February 28, 2022	74.52	-	9.1	9.9	12.3

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended February 28, 2023. The figures for the fiscal year ended February 28, 2023 reflect the said accounting standard, etc.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of February 28, 2023	Million yen 21,954	Million yen 15,945	% 67.8	Yen 884.84
February 28, 2022	21,279	15,226	67.4	854.20

(Reference) Equity: As of February 28, 2023: ¥ 14,886 million
As of February 28, 2022: ¥ 14,349 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 28, 2023	Million yen 1,118	Million yen (659)	Million yen (217)	Million yen 886
February 28, 2022	2,350	(840)	(1,895)	645

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	Million yen	%	%
February 28, 2022	-	3.00	-	5.00	8.00	134	10.7	0.9
February 28, 2023	-	5.00	-	5.00	10.00	168	23.2	1.1
Fiscal year ending February 29, 2024 (Forecast)	-	5.00	-	5.00	10.00		18.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 01, 2023 to February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended August 31, 2023	9,835	33.6	845	84.9	852	82.4	500	142.1	29.73
Full year	17,000	3.5	1,591	15.8	1,600	13.2	891	22.9	52.98

* 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 28, 2023: 16,827,120 shares

February 28, 2022: 16,827,120 shares

2) Total number of treasury shares at the end of the period:

February 28, 2023: 3,181 shares

February 28, 2022: 28,221 shares

3) Average number of shares during the period:

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

Fiscal Year ended February 28, 2022: 16,801,794 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 01, 2022 to February 28, 2023)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2023	14,118	(5.6)	679	(53.5)	745	(49.7)	495	(51.9)
February 28, 2022	14,957	14.5	1,462	92.3	1,483	83.5	1,031	91.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
February 28, 2023	29.48	-
February 28, 2022	61.42	-

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended February 28, 2023. The figures for the fiscal year ended February 28, 2023 reflect the said accounting standard, etc.

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
February 28, 2023	20,085	13,672	68.0	812.68
February 28, 2022	19,587	13,364	68.2	795.57

(Reference) Equity: As of February 28, 2023: ¥ 13,672 million
As of February 28, 2022: ¥ 13,364 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

During the fiscal year ended February 28, 2023, the Japanese economy was expected to recover based on the concept of living with COVID-19 because of various policies, despite an increasing risk that a downturn in overseas economies would push the Japanese economy downward as global monetary tightening continued. In addition, although economic activities continued to recover worldwide, the outlook remained uncertain because of soaring crude oil prices and global price hikes caused by the prolonged situation in Ukraine.

In the construction industry, to which the Company group (the “Group”) belongs, public investment remained steady and private investment showed gradual improvement in corporate capital investment. However, the Company’s business environment may be affected by the price increase for construction materials and uncertainty over the global recession risk. The Company needs to continue to closely monitor the situation.

Against this backdrop, the Group continued to focus on winning orders for high-value-added projects and consulting sales. The Gypsum Board Recycle Business performed strongly throughout the year, with sales and operating profit increasing year on year. In the Soil Investigation and Measures Business, our mainstay business, sales of large-scale infrastructure improvement projects were below initial expectations, and soaring freight costs put pressure on profits. As a result, net sales totaled ¥16,411 million (down 3.9% year on year), operating profit amounted to ¥1,373 million (down 34.6% year on year), and ordinary profit amounted to ¥1,412 million (down 33.1% year on year). Profit attributable to owners of parent was ¥724 million (down 42.1% year on year).

Operating results by segment are as follows.

Soil Investigation and Measures Business

The urban redevelopment projects in the Kansai area and mixed waste treatment projects in the Chukyo area performed favorably. However, in the large-scale infrastructure improvement projects in Gifu Recycling Center and Yokohama Namamugi Recycling Center, sales and profits stagnated because the soil volume carried in was lower than initially planned. As a result, net sales decreased 5.3% year on year to ¥13,341 million, and operating profit decreased 33.7% to ¥1,385 million.

Gypsum Board Recycle Business

The volume of waste gypsum board carried in at Green Arrows Central Co., Ltd. and Green Arrows Kyushu Co., Ltd. remained steady and increased compared to the previous year. The sales volume of soil solidifiers increased because price competitiveness improved relatively amid price hikes by competitors due to higher raw material prices. As a result, net sales increased 6.2% year on year to ¥2,324 million, and operating profit increased 5.6% year on year to ¥653 million.

Other

The Bio Diesel Fuel (BDF) Business saw a recovery in the volume of waste cooking oil collected from the restaurant industry, which had been sluggish due to the COVID-19 pandemic. Although the PCB Consulting Business recorded solid sales and profits due to increased gross weight handled, commission income related to collection and transportation decreased. As a result, net sales decreased 2.0% year on year to ¥1,059 million, and operating profit decreased 9.6% year on year to ¥79 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 ¥5,094 million (¥4,083 million at the end of the previous fiscal year), an increase of ¥1,010 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 ¥16,860 million (¥17,196 million at the end of the previous fiscal year), a decrease of ¥335 million. This was primarily due to a decrease in property, plant and equipment due to depreciation.

As a result, total assets were ¥21,954 million, an increase of ¥674 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 ¥4,520 million (¥4,685 million at the end of the previous fiscal year), a decrease of ¥165 million. This was primarily due to increases in notes and accounts payable - trade and short-term borrowings and decreases in current portion of long-term borrowings and income taxes payable.

The balance of non-current liabilities at the end of the fiscal year under review was ¥1,488 million (¥1,367 million at the end of the previous fiscal year), an increase of ¥121 million. This was primarily due to an increase in long-term borrowings and lease obligations.

As a result, total liabilities were ¥6,008 million, a decrease of ¥43 million compared with the end of the previous fiscal year.

Net assets

Net assets at the end of the fiscal year under review were ¥15,945 million, an increase of ¥718 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 67.8% (67.4% 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 (“cash”) at the end of the fiscal year under review amounted to ¥886 million (an increase of ¥240 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 ¥1,118 million (an inflow of ¥2,350 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 ¥659 million (an outflow of ¥840 million in the previous fiscal year) primarily due to purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥217 million (an outflow of ¥1,895 million in the previous fiscal year) primarily due to proceeds from long-term borrowings and repayments of long-term borrowings.

(4) Future outlook

There is a movement toward the normalization of economic and social activities as movement restrictions caused by COVID-19 have eased. However, the outlook for the economy remains uncertain due to surging prices of raw materials and energy resulting from the situation in Ukraine. The Company has developed plans based on the current situation.

The real estate market and construction market, which greatly affects the soil investigation and measures market, remains 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.

Under these circumstances, the Company will continue to strengthen consulting sales and focus on winning orders for high value-added projects in addition to promoting the winning of orders to create a balanced portfolio using the profitability of the projects as a yardstick. Through these activities, the Company will aim to maximize net sales and the earnings level.

Projections for business results for the next fiscal year are as follows: net sales of ¥17,000 million (up 3.5% year on year), ordinary profit of ¥1,600 million (up 13.2% year on year), and profit attributable to owners of parent of ¥891 million (up 22.9% 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 and significant notes thereto

(1) Consolidated balance sheets

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	645	886
Notes and accounts receivable - trade	2,821	-
Notes and accounts receivable - trade, and contract assets	-	3,534
Inventories	281	325
Other	338	352
Allowance for doubtful accounts	(3)	(4)
Total current assets	4,083	5,094
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,319	9,365
Accumulated depreciation	(3,117)	(3,578)
Buildings and structures, net	6,201	5,786
Machinery, equipment and vehicles	4,898	5,325
Accumulated depreciation	(3,364)	(3,676)
Machinery, equipment and vehicles, net	1,534	1,649
Land	7,928	7,908
Leased assets	335	393
Accumulated depreciation	(159)	(169)
Leased assets, net	176	223
Construction in progress	205	144
Other	354	361
Accumulated depreciation	(261)	(291)
Other, net	92	70
Total property, plant and equipment	16,138	15,783
Intangible assets	20	29
Investments and other assets		
Investment securities	731	672
Deferred tax assets	256	310
Other	49	66
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,036	1,047
Total non-current assets	17,196	16,860
Total assets	21,279	21,954

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,087	1,439
Short-term borrowings	830	1,200
Current portion of long-term borrowings	1,386	981
Lease liabilities	72	91
Accounts payable - other	360	351
Income taxes payable	538	141
Provision for bonuses	95	144
Other	314	170
Total current liabilities	4,685	4,520
Non-current liabilities		
Long-term borrowings	1,118	1,187
Lease obligations	117	150
Retirement benefit liability	131	146
Other	0	3
Total non-current liabilities	1,367	1,488
Total liabilities	6,052	6,008
Net assets		
Shareholders' equity		
Share capital	2,287	2,287
Capital surplus	2,087	2,089
Retained earnings	9,703	10,260
Treasury shares	(25)	(2)
Total shareholders' equity	14,053	14,634
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	296	252
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	295	251
Non-controlling interests	877	1,059
Total net assets	15,226	15,945
Total liabilities and net assets	21,279	21,954

(2) Consolidated statements of income and comprehensive income**Consolidated statements of income**

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net sales	17,082	16,411
Cost of sales	13,379	13,200
Gross profit	3,703	3,211
Selling, general and administrative expenses		
Sales commission	126	290
Commission expenses	114	131
Provision of allowance for doubtful accounts	0	1
Remuneration for directors (and other officers)	165	184
Salaries, allowances and bonuses	574	562
Provision for bonuses	49	79
Retirement benefit expenses	43	42
Other	525	545
Total selling, general and administrative expenses	1,601	1,837
Operating profit	2,102	1,373
Non-operating income		
Interest income	0	0
Dividend income	10	16
Gain on investments in investment partnerships	-	23
Compensation received	2	-
Subsidy income	2	1
Sales of scrap iron income	2	4
Other	2	1
Total non-operating income	19	47
Non-operating expenses		
Interest expenses	8	7
Other	1	1
Total non-operating expenses	9	8
Ordinary profit	2,112	1,412
Extraordinary income		
Gain on sale of non-current assets	13	12
Insurance claim income	-	2
Total extraordinary income	13	15
Extraordinary losses		
Loss on sale of non-current assets	-	20
Loss on retirement of non-current assets	1	14
Impairment losses	18	-
Other	-	2
Total extraordinary losses	20	37
Profit before income taxes	2,104	1,390
Income taxes - current	722	500
Income taxes - deferred	(60)	(34)
Total income taxes	661	466
Profit	1,442	924
Profit attributable to non-controlling interests	190	199
Profit attributable to owners of parent	1,252	724

Consolidated statements of comprehensive income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Profit	1,442	924
Other comprehensive income		
Valuation difference on available-for-sale securities	142	(44)
Remeasurements of defined benefit plans, net of tax	5	0
Total other comprehensive income	147	(44)
Comprehensive income	1,590	880
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,400	680
Comprehensive income attributable to non-controlling interests	190	199

(3) Consolidated statements of changes in net assets

For the fiscal year ended February 28, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,287	2,086	8,552	(11)	12,914
Changes during period					
Dividends of surplus			(100)		(100)
Profit attributable to owners of parent			1,252		1,252
Purchase of treasury shares				(29)	(29)
Disposal of treasury shares		1		16	17
Net changes in items other than shareholders' equity					
Total changes during period	-	1	1,151	(13)	1,139
Balance at end of period	2,287	2,087	9,703	(25)	14,053

	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	154	(6)	148	699	13,761
Changes during period					
Dividends of surplus					(100)
Profit attributable to owners of parent					1,252
Purchase of treasury shares					(29)
Disposal of treasury shares					17
Net changes in items other than shareholders' equity	142	5	147	178	325
Total changes during period	142	5	147	178	1,465
Balance at end of period	296	(0)	295	877	15,226

For the fiscal year ended February 28, 2023

(Million 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

(4) Consolidated statements of cash flows

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	2,104	1,390
Depreciation	941	1,011
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for bonuses	4	48
Increase (decrease) in retirement benefit liability	24	16
Interest and dividend income	(10)	(16)
Interest expenses	8	7
Loss (gain) on sale of non-current assets	(13)	7
Impairment losses	18	-
Loss on retirement of non-current assets	1	14
Decrease (increase) in trade receivables	(346)	(712)
Decrease (increase) in inventories	399	(44)
Increase (decrease) in trade payables	(70)	352
Other, net	(248)	(83)
Subtotal	2,814	1,992
Interest and dividends received	10	16
Interest paid	(7)	(7)
Income taxes paid	(466)	(883)
Net cash provided by (used in) operating activities	2,350	1,118
Cash flows from investing activities		
Purchase of property, plant and equipment	(955)	(695)
Purchase of intangible assets	-	(15)
Proceeds from sale of property, plant and equipment	140	32
Purchase of investment securities	(25)	(50)
Proceeds from distributions from investment partnerships	7	68
Other, net	(6)	0
Net cash provided by (used in) investing activities	(840)	(659)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(150)	370
Proceeds from long-term borrowings	-	1,075
Repayments of long-term borrowings	(1,542)	(1,411)
Purchase of treasury shares	(29)	(0)
Dividends paid	(100)	(168)
Dividends paid to non-controlling interests	(12)	(17)
Other, net	(60)	(65)
Net cash provided by (used in) financing activities	(1,895)	(217)
Net increase (decrease) in cash and cash equivalents	(385)	240
Cash and cash equivalents at beginning of period	1,031	645
Cash and cash equivalents at end of period	645	886

(5) Notes on the consolidated financial statements**Notes on premise of going concern**

Not applicable.

Changes in accounting policiesApplication of the Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year ended February 28, 2023. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Accordingly, for transactions providing goods or services in which the Group acts as an agent, the Company has changed the method of recognizing revenue on a net basis by deducing the amounts paid to suppliers from the amounts received from customers, whereas it previously recognized revenue on a gross basis for consideration received from customers.

The Company applies the Revenue Recognition Accounting Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative impact of retrospectively applying the new accounting policies to the periods prior to the beginning of the fiscal year ended February 28, 2023 is adjusted to retained earnings at the beginning of the fiscal year ended February 28, 2023, with the new accounting policies from the beginning balance.

Consequently, the impact of this change on profit or loss for the fiscal year ended February 28, 2023 is minimal. In addition, the beginning balance of retained earnings is not affected.

Due to the application of the Revenue Recognition Accounting Standard, etc., “notes and accounts receivable - trade,” which was presented under “current assets” in the consolidated balance sheets for the previous fiscal year, has been included under “notes and accounts receivable - trade, and contract assets” from the fiscal year ended February 28, 2023.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method. Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, information that breaks down revenue from contracts with customers for the fiscal year ended February 28, 2022 is not disclosed.

Application of the Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Standard”), etc. from the beginning of the fiscal year ended February 28, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

Changes in presentation methodsConsolidated statements of cash flows

“Proceeds from distributions from investment partnerships,” which was included under “Other, net” in “Cash flows from investing activities” for the fiscal year ended February 28, 2022, is presented as a separate item for the fiscal year ended February 28, 2023 since it has become significant in terms of amount.

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 Gypsum Board Recycle 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 Gypsum Board Recycle Business, the Company supplies to gypsum board manufacturers gypsum powder manufactured mainly by the sorting, crushing, and sieving of waste gypsum boards, in addition to the manufacturing and sale of soil solidifiers mostly made of gypsum powder.

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

For the fiscal year ended February 28, 2022

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount in the consolidated financial statement (Note 3)
	Soil Investigation and Measures Business	Gypsum Board Recycle Business	Subtotal				
Net sales							
Sales to external customers	14,089	2,172	16,262	819	17,082	–	17,082
Intersegment sales or transfers	4	14	19	262	281	(281)	–
Total	14,094	2,187	16,281	1,081	17,363	(281)	17,082
Segment profit	2,090	618	2,709	88	2,797	(695)	2,102
Segment assets	15,967	3,251	19,219	433	19,653	1,626	21,279
Other items							
Depreciation	753	136	890	22	913	28	941
Increase in property, plant and equipment and intangible assets	728	288	1,016	15	1,032	13	1,046

- Notes: 1. The “Other” category is a business segment not included in the reportable segments. It includes Environmental Analysis Business, BDF Business, PCB Consulting Business, etc.
2. The breakdown of adjustments is as follows.
- (1) The negative ¥695 million adjustment for segment profit consists of ¥20 million for elimination of intersegment transactions and negative ¥716 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 ¥1,626 million adjustment for segment assets is corporate assets not allocated to any reportable segment or Other and mostly consists of head office buildings, etc. not attributable to any reportable segment or Other.
- (3) The ¥28 million adjustment for depreciation is depreciation related to corporate assets not allocated to any reportable segment or Other.
- (4) The ¥13 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 or Other.
3. Segment profit is adjusted with operating profit in the consolidated financial statement.

For the fiscal year ended February 28, 2023

(Millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amount in the consolidated financial statement (Note 3)
	Soil Investigation and Measures Business	Gypsum Board Recycle Business	Subtotal				
Net sales							
Chukyo	5,758	1,518	7,276	789	8,066	–	8,066
Kanto	4,397	–	4,397	16	4,413	–	4,413
Kansai	3,135	–	3,135	3	3,139	–	3,139
Kyushu	–	792	792	–	792	–	792
Revenue from contracts with customers	13,291	2,310	15,602	809	16,411	–	16,411
Sales to external customers	13,291	2,310	15,602	809	16,411	–	16,411
Intersegment sales or transfers	50	13	64	249	313	(313)	–
Total	13,341	2,324	15,666	1,059	16,725	(313)	16,411
Segment profit	1,385	653	2,039	79	2,119	(745)	1,373
Segment assets	16,080	3,569	19,649	503	20,152	1,801	21,954
Other items							
Depreciation	789	171	960	24	985	25	1,011
Increase in property, plant and equipment and intangible assets	379	342	722	29	752	6	759

- Notes: 1. The “Other” category is a business segment not included in the reportable segments. It includes Environmental Analysis Business, BDF Business, PCB Consulting Business, etc.
2. 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 or Other and mostly consists of head office buildings, etc. not attributable to any reportable segment or Other.
- (3) The ¥25 million adjustment for depreciation is depreciation related to corporate assets not allocated to any reportable segment or Other.

(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 or Other.

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

4. Matters on changes in reportable segments, etc.

As described in changes in accounting policies, the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the fiscal year ended February 28, 2023, and has changed the accounting method for revenue recognition. Accordingly, the Company has also changed the method for calculating profit or loss of the business segments. The impact of this change on profit or loss for each reportable segment for the fiscal year ended February 28, 2023 is minimal.

Per share information

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net assets per share	854.20 yen	884.84 yen
Basic earnings per share	74.52 yen	43.09 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, 2022	As of February 28, 2023
Total net assets	15,226	15,945
Amount deducted from total net assets	877	1,059
(Of which, non-controlling interests)	(877)	(1,059)
Net assets pertaining to common shares at the fiscal year-end	14,349	14,886
Number of common shares at the fiscal year-end used for the calculation of net assets per share (shares)	16,798,899	16,823,939

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

(Millions of yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Profit attributable to owners of parent	1,252	724
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent for common shares	1,252	724
Average number of shares during the period (shares)	16,801,794	16,817,095

Significant subsequent events**Business combination through acquisition**

At a meeting of the Board of Directors held on March 31, 2023, the Company resolved to make Sugimoto Trading Corporation (hereinafter “Sugimoto Trading”) a consolidated subsidiary through the acquisition of shares and entered into a share transfer agreement with shareholders of Sugimoto Trading on the same date. The Company acquired the shares of Sugimoto Trading on April 5, 2023.

(1) Overview of business combination**(i) Name of acquired company and description of its business**

Name of acquired company Sugimoto Trading Corporation

Description of business General waste transportation and treatment business, industrial waste collection, transportation and intermediate processing business

(ii) Primary reasons for the business combinations

The Group provides soil contamination remediation as its primary business. It has the strength of a system that offers one-stop solutions from the entrance to the exit, including consulting, investigation, analysis, construction, and treatment. In addition, the Company is actively engaged in new environmental businesses such as Gypsum Board Recycling, PCB Consulting, and BDF businesses.

Further, Sugimoto Trading is engaged in the transportation and processing of general waste and industrial waste, such as waste plastic recycling, primarily in the northern part of Shiga Prefecture. Also, Sugimoto Trading's subsidiary, Sugimoto Paper Industry LLC (hereinafter Sugimoto Paper Industry), provides collection and recycling services for cardboard, newspapers, magazines, paper tubes, and shredded paper scraps.

The acquisition of all issued shares of Sugimoto Trading and the addition of Sugimoto Trading and Sugimoto Paper Industry will enable the Group to offer new solutions, such as transportation and processing of general and industrial waste, and collection and recycling of wastepaper, which were previously unavailable to the Group. This acquisition will broaden the range of solutions to customers. Moreover, although the Group and the Sugimoto Group are engaged in the same waste treatment and recycling business, each group has different areas of expertise, and bringing together the know-how of the two groups will make it possible to launch new businesses such as renewable energy.

The Company believes that implementing these initiatives and creating synergies will enable the Group to achieve sustainable growth over the medium to long term and enhance the corporate value. Therefore, the Company entered into a share transfer agreement.

(iii) Date of business combination

April 5, 2023

(iv) Legal form of business combination

Share acquisition for cash as consideration

(v) Name of the company after the combination

No change

(vi) Ratio of voting rights acquired

100%

(vii) Primary grounds for determining the acquiring company

The Company acquired shares for cash as consideration

(2) Acquisition cost of the acquired company and related details of consideration by type

The acquisition cost is undisclosed due to a confidentiality agreement with the counterparty. However, the Company commissioned various due diligence and equity value assessments to a third-party organization to ensure fairness and appropriateness. The decision was made through mutual discussion based on the results. Meanwhile, the Company has submitted an extraordinary report according to the provision of Article 19-8, paragraph (2) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(3) Details and amount of significant acquisition-related costs

Not determined at this time

(4) Amount of goodwill generated, reasons for the generation, amortization method, and amortization period

Not determined at this time

(5) Amounts of assets acquired and liabilities assumed as of the acquisition date and breakdown thereof

Not determined at this time