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## Consolidated Financial Results for the Nine Months Ended November 30, 2023 [Japanese GAAP]

January 5, 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 filing quarterly securities report: January 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 Nine Months Ended November 30, 2023 (March 1, 2023 to November 30, 2023)

#### (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	%
Nine months ended November 30, 2023	19,575	64.8	2,531	171.8	2,551	171.4	1,567	238.8
Nine months ended November 30, 2022	11,872	(10.6)	930	(48.9)	940	(48.6)	462	(57.9)

(Note) Comprehensive income: Nine months ended November 30, 2023: ¥ 1,659 million [ 181.2%]  
 Nine months ended November 30, 2022: ¥ 589 million [ (58.1)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2023	93.26	-
November 30, 2022	27.50	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
November 30, 2023	27,565	17,384	58.6
February 28, 2023	21,954	15,945	67.8

(Reference) Equity: As of November 30, 2023: ¥ 16,171 million  
 As of February 28, 2023: ¥ 14,886 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 28, 2023	-	5.00	-	5.00	10.00
Fiscal year ending February 29, 2024	-	5.00	-		
Fiscal year ending February 29, 2024 (Forecast)				7.00	12.00

(Notes) 1. Revision to the forecast for dividends announced most recently: Yes

2. Breakdown of the year-end dividend for the fiscal year ending February 29, 2024 (forecast):

Commemorative dividend: ¥ 6.00

Special dividend: ¥ 1.00

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024(March 1, 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	23,613	43.8	2,916	112.2	2,945	108.4	1,774	144.7	105.58

(Note) Revision to the financial results forecast announced most recently: Yes

\* Notes:

(1) Changes in significant subsidiaries during the nine months ended November 30, 2023

(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: Yes

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):

November 30, 2023: 16,827,120 shares

February 28, 2023: 16,827,120 shares

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

November 30, 2023: 35,781 shares

February 28, 2023: 3,181 shares

3) Average number of shares outstanding during the period:

Nine months ended November 30, 2023: 16,802,075 shares

Nine months ended November 30, 2022: 16,814,827 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

In the second quarter of the fiscal year ending 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 “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes on the quarterly consolidated financial statements, Segment information, etc.”

Regarding comparative information by segment, the figures for the nine months ended November 30, 2022 have been reclassified to reflect the segment classifications after the change.

During the nine months ended November 30, 2023, while the normalization of socioeconomic activities further progressed, the Japanese economic outlook remained uncertain due to the prolonged situation between Russia and Ukraine, increasing geopolitical risks in the Middle East region, rising commodity prices caused by the continued depreciation of the yen, and other factors.

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, the business environment remained unpredictable primarily owing to surging raw material prices and shortages of construction engineers and labor.

Under these conditions, while affected by increases in outsourcing costs and freight costs, etc., 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. 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 ending February 29, 2024. As a result, consolidated business results for the nine months ended November 30, 2023 were as follows: net sales of ¥19,575 million (up 64.8% year on year), operating profit of ¥2,531 million (up 171.8% year on year), ordinary profit of ¥2,551 million (up 171.4% year on year), and profit attributable to owners of parent of ¥1,567 million (up 238.8% 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, thereby contributing to higher profit margins of the business. As a result, net sales increased 68.9% year on year to ¥16,138 million, and operating profit increased 167.7% year on year to ¥2,501 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 ending February 29, 2024, net sales increased 44.2% year on year to ¥3,614 million, and operating profit increased 33.2% year on year to ¥767 million.

**(2) Explanation of financial position**

Total assets as of November 30, 2023 were ¥27,565 million, an increase of ¥5,610 million compared with the end of the previous fiscal year. This was primarily due to increases in notes and accounts receivable - trade, and contract assets, goodwill, and customer relationship.

Liabilities as of November 30, 2023 were ¥10,180 million, an increase of ¥4,171 million compared with the end of the previous fiscal year. This was primarily due to increases in notes and accounts payable – trade and long-term borrowings.

Net assets as of November 30, 2023 were ¥17,384 million, an increase of ¥1,438 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 29, 2024 have been revised from those announced on October 2, 2023. For details, please see “Notice on Revisions to Financial Results Forecast and Forecast for Dividends” announced on January 5, 2024.

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

## (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of February 28, 2023	As of November 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	886	1,494
Notes and accounts receivable - trade, and contract assets	3,534	5,890
Inventories	325	385
Other	352	154
Allowance for doubtful accounts	(4)	(7)
Total current assets	5,094	7,917
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,786	6,391
Land	7,908	8,175
Construction in progress	144	241
Other, net	1,943	1,875
Total property, plant and equipment	15,783	16,684
Intangible assets		
Goodwill	-	810
Customer relationship	-	903
Other	29	129
Total intangible assets	29	1,842
Investments and other assets		
Other	1,049	1,121
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,047	1,119
Total non-current assets	16,860	19,647
Total assets	21,954	27,565
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,439	2,283
Short-term borrowings	1,200	900
Current portion of long-term borrowings	981	1,083
Current portion of bonds payable	-	8
Lease liabilities	91	60
Accounts payable - other	351	374
Income taxes payable	141	712
Provision for bonuses	144	98
Other	170	676
Total current liabilities	4,520	6,197
Non-current liabilities		
Bonds payable	-	16
Long-term borrowings	1,187	3,321
Lease liabilities	150	117
Provision for retirement benefits for directors (and other officers)	-	30
Retirement benefit liability	146	178
Other	3	319
Total non-current liabilities	1,488	3,983
Total liabilities	6,008	10,180

(Millions of yen)

	As of February 28, 2023	As of November 30, 2023
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,287	2,287
Capital surplus	2,089	2,088
Retained earnings	10,260	11,659
Treasury shares	(2)	(35)
Total shareholders' equity	14,634	16,000
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	252	171
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	251	170
Non-controlling interests	1,059	1,212
Total net assets	15,945	17,384
Total liabilities and net assets	21,954	27,565

## (2) Quarterly consolidated statements of income and comprehensive income

## Quarterly consolidated statements of income (for the nine months)

(Millions of yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Net sales	11,872	19,575
Cost of sales	9,538	15,237
Gross profit	2,333	4,338
Selling, general and administrative expenses	1,402	1,807
Operating profit	930	2,531
Non-operating income		
Interest income	0	0
Dividend income	10	11
Rental income from real estate	0	10
Insurance claim income	0	11
Other	5	9
Total non-operating income	15	43
Non-operating expenses		
Interest expenses	5	15
Other	1	8
Total non-operating expenses	6	23
Ordinary profit	940	2,551
Extraordinary income		
Gain on sale of non-current assets	9	14
Compensation received	-	67
Other	-	0
Total extraordinary income	9	82
Extraordinary losses		
Loss on retirement of non-current assets	8	3
Impairment losses	-	4
Total extraordinary losses	8	7
Profit before income taxes	941	2,626
Income taxes - current	352	942
Income taxes - deferred	(29)	(55)
Total income taxes	322	886
Profit	618	1,739
Profit attributable to non-controlling interests	156	172
Profit attributable to owners of parent	462	1,567



## Quarterly consolidated statements of comprehensive income (for the nine months)

(Millions of yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Profit	618	1,739
Other comprehensive income		
Valuation difference on available-for-sale securities	(29)	(81)
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	(28)	(80)
Comprehensive income	589	1,659
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	433	1,486
Comprehensive income attributable to non-controlling interests	156	172

**(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.

**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 first quarter of the fiscal year ending 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 had no effect on the quarterly consolidated financial statements.

**Segment information, etc.**Segment information

## I. For the nine months ended November 30, 2022

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	4,121	1,680	5,802	—	5,802
Kanto	2,878	39	2,917	—	2,917
Kansai	2,537	3	2,540	—	2,540
Kyushu	—	611	611	—	611
Revenue from contracts with customers	9,536	2,335	11,872	—	11,872
Sales to external customers	9,536	2,335	11,872	—	11,872
Intersegment sales or transfers	14	171	185	(185)	—
Total	9,551	2,506	12,057	(185)	11,872
Segment profit	934	575	1,510	(579)	930

Notes: 1. The negative ¥579 million adjustment for segment profit consists of ¥20 million for elimination of intersegment transactions and negative ¥599 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 nine months ended November 30, 2023

## 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	7,900	1,765	9,666	—	9,666
Kanto	5,779	83	5,862	—	5,862
Kansai	2,455	1,005	3,461	—	3,461
Kyushu	—	585	585	—	585
Revenue from contracts with customers	16,135	3,440	19,575	—	19,575
Sales to external customers	16,135	3,440	19,575	—	19,575
Intersegment sales or transfers	3	174	177	(177)	—
Total	16,138	3,614	19,753	(177)	19,575
Segment profit	2,501	767	3,268	(737)	2,531

Notes: 1. The negative ¥737 million adjustment for segment profit consists of ¥22 million for elimination of intersegment transactions and negative ¥759 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 ending 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 nine months ended November 30, 2022 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