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February 9, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: Daiei Kankyo Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 9336
 URL: <https://www.dinsgr.co.jp/english/>
 Representative: Fumio Kaneko, President and Representative Director
 Inquiries: Yoshikazu Inoue, Vice President
 Telephone: +81-78-857-6600
 Scheduled date to file quarterly securities report: February 9, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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	%
Nine months ended								
December 31, 2023	54,671	9.8	15,125	34.3	15,897	40.3	10,315	43.1
December 31, 2022	49,788	—	11,258	—	11,332	—	7,207	—

Note: Comprehensive income For the nine months ended December 31, 2023: ¥10,514 million [40.5%]
 For the nine months ended December 31, 2022: ¥7,484 million [—%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	103.40	—
December 31, 2022	78.50	—

Notes: 1. The Company did not prepare quarterly consolidated financial statements for the nine months ended December 31, 2021. Therefore, the figures for the year-on-year changes for the nine months ended December 31, 2022 are not shown.
 2. Diluted earnings per share are not presented because there were no potential shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	160,922	84,964	52.5
March 31, 2023	163,615	78,969	48.0

Reference: Equity
 As of December 31, 2023: ¥84,496 million
 As of March 31, 2023: ¥78,487 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 March 31, 2023	–	0.00	–	34.00	34.00
Fiscal year ending March 31, 2024	–	0.00	–		
Fiscal year ending March 31, 2024 (Forecast)				42.00	42.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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 March 31, 2024	72,282	6.8	19,667	18.3	20,495	22.7	13,625	29.8	136.77

Note: Revisions to the earnings forecasts most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption 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: Yes
 - (iv) Restatement: None

Note: For details, please refer to “Changes in accounting estimates” under “(3) Notes to quarterly consolidated financial statements” in “2. Quarterly consolidated financial statements and significant notes thereto” on page 9 of the attached materials.

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	99,892,900 shares
As of March 31, 2023	99,892,900 shares

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

As of December 31, 2023	493,048 shares
As of March 31, 2023	– shares

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

Nine months ended December 31, 2023	99,768,927 shares
Nine months ended December 31, 2022	91,819,718 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
(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual performance may significantly differ from these forecasts due to various factors in the future.

(How to obtain supplementary material on quarterly financial results)

The supplementary material on quarterly financial results is disclosed on TDnet and the Company’s website on the same day as the quarterly financial results reports.

Attached Material

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

In the nine months ended December 31, 2023, the Japanese economy moved more toward the normalization of economic activities, underpinned by broad improvement in business confidence and robust development project activity despite stagnation in the current economic climate stagnating with weak consumer spending due to rising prices, like overseas.

Under these circumstances, we expanded waste received as a result of capturing demand for waste management associated with infrastructure development projects, and entering full-scale operation in October 2023 of the Miki Biomass Factory, which opened in May 2023, and we reduced costs through insourcing. Furthermore, as a result of achieving business expansion focused on a collaboration with partner companies and government agencies aimed at constructing a waste plastic resource recycling system, we updated our best-ever results for the nine months ended December 31, 2023.

For the above reason, our consolidated financial results for the nine months ended December 31, 2023 were as follows.

(Millions of yen)				
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Increase or decrease	Percentage change (%)
Net sales	49,788	54,671	4,882	9.8%
Operating profit	11,258	15,125	3,866	34.3%
Operating profit margin (%)	22.6%	27.7%	+5.1pt	–
Ordinary profit	11,332	15,897	4,565	40.3%
Profit attributable to owners of parent	7,207	10,315	3,108	43.1%
EBITDA	15,511	19,569	4,057	26.2%
EBITDA margin (%)	31.2%	35.8%	+4.6pt	–

Notes: 1. EBITDA = operating profit + depreciation + amortization of goodwill

2. EBITDA margin = EBITDA / net sales

The financial results by segment are as follows.

Waste-related Business

(Millions of yen)				
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Increase or decrease	Percentage change (%)
Net sales	48,112	53,247	5,135	10.7%
Segment profit	11,313	15,280	3,966	35.1%

In Waste management and recycling segment, waste received totaled 1,672 thousand tons (up 20.8% year-on-year). This was due to the fact that we were able to capture demand for waste management associated with infrastructure development projects mainly in the Kansai and Chubu regions.

In Soil remediation, the amount of contaminated soil received was 315 thousand tons (down 38.4% year-on-year). This was due to the completion of major projects and a reassessment of the unit order price for contaminated soil received at final disposal sites. Meanwhile, we worked to secure net sales through increasing orders for the high-unit-price difficult-to-process contaminated soil among other measures.

As for profit, we are reducing costs through continuous insourcing.

Others

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Increase or decrease	Percentage change (%)
Net sales	1,676	1,423	(252)	(15.1)%
Segment profit (loss)	108	(38)	(147)	—

In Aluminum pellets, although sales volume for aluminum pellets followed a trend of recovery, it declined year on year owing to sluggishness during the first half of the period caused by reduced crude steel production, and this also reduced the profit margin.

For Recycled plastic pallets, although sales volume decreased due to a decline in demand from the distribution industry, efforts to increase the sales unit price and procure raw materials from within the Group kept both sales and profits level year on year.

(2) Explanation of financial position

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023	Increase or decrease	Percentage change (%)
Assets	163,615	160,922	(2,693)	(1.6)%
Liabilities	84,646	75,957	(8,689)	(10.3)%
Net assets	78,969	84,964	5,995	7.6%
Equity-to-asset ratio (%)	48.0%	52.5%	+4.5pt	—

Assets

Total assets as of December 31, 2023 were ¥160,922 million (down ¥2,693 million from the end of the previous fiscal year).

Current assets were ¥58,836 million (down ¥7,231 million from the end of the previous fiscal year). This was mainly due to a decrease of ¥11,303 million in cash and deposits from the end of the previous fiscal year.

Non-current assets were ¥101,792 million (up ¥4,652 million from the end of the previous fiscal year). This was mainly due to increases of ¥2,441 million in property, plant and equipment, and ¥2,364 million in investments and other assets. The increase in property, plant and equipment was mainly due to increases of ¥5,883 million in buildings and structures, ¥10,720 million in machinery, equipment and vehicles, and a decrease of ¥13,367 million in construction in progress. The increase in machinery, equipment and vehicles was mainly due to the establishment of a methane fermentation facility at our Iga Recycle Center and the Miki Biomass Factory at our Miki Recycle Center.

Liabilities

Liabilities as of December 31, 2023 were ¥75,957 million (down ¥8,689 million from the end of the previous fiscal year).

Current liabilities were ¥22,714 million (down ¥3,523 million from the end of the previous fiscal year). This was mainly due to a decrease of ¥681 million in income taxes payable.

Non-current liabilities were ¥53,243 million (down ¥5,165 million from the end of the previous fiscal year). This was mainly due to a decrease of ¥4,088 million in long-term borrowings.

Net assets

Net assets as of December 31, 2023 were ¥84,964 million (up ¥5,995 million from the end of the previous fiscal year). This was mainly due to an increase of ¥6,919 million in retained earnings as a result of recording of profit attributable to owners of parent, despite dividends paid.

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

Revisions have been made to the consolidated earnings forecasts for the fiscal year ending March 31,

2024, released on November 9, 2023. For details, please refer to “Notice Concerning Revisions to Full-Year Consolidated Earnings Forecasts and Dividend Forecast for the Fiscal Year Ending March 31, 2024,” which was released today (February 9, 2024).

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	51,410	40,107
Notes and accounts receivable - trade	10,089	10,353
Securities	3,398	1,721
Finished goods	234	176
Work in process	25	26
Raw materials and supplies	273	276
Other	656	6,175
Allowance for doubtful accounts	(19)	(0)
Total current assets	66,068	58,836
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,571	25,455
Machinery, equipment and vehicles, net	12,118	22,838
Landfills, net	7,279	6,257
Land	18,661	18,823
Construction in progress	20,843	7,476
Other, net	2,045	2,110
Total property, plant and equipment	80,519	82,961
Intangible assets		
Goodwill	812	664
Other	544	538
Total intangible assets	1,357	1,203
Investments and other assets		
Investment securities	3,446	5,967
Deferred tax assets	1,177	1,160
Other	10,668	10,534
Allowance for doubtful accounts	(29)	(34)
Total investments and other assets	15,263	17,627
Total non-current assets	97,139	101,792
Deferred assets		
Share issuance costs	407	293
Total deferred assets	407	293
Total assets	163,615	160,922

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	3,143	3,023
Current portion of bonds payable	1,140	1,005
Current portion of long-term borrowings	12,743	12,412
Income taxes payable	3,010	2,329
Provision for bonuses	900	516
Asset retirement obligations	48	48
Other	5,250	3,378
Total current liabilities	26,237	22,714
Non-current liabilities		
Bonds payable	2,795	1,925
Long-term borrowings	46,482	42,393
Deferred tax liabilities	60	48
Retirement benefit liability	848	867
Asset retirement obligations	7,585	7,418
Other	637	589
Total non-current liabilities	58,408	53,243
Total liabilities	84,646	75,957
Net assets		
Shareholders' equity		
Share capital	5,907	5,907
Capital surplus	12,622	12,657
Retained earnings	59,287	66,207
Treasury shares	–	(1,086)
Total shareholders' equity	77,817	83,685
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	642	780
Remeasurements of defined benefit plans	27	30
Total accumulated other comprehensive income	669	810
Non-controlling interests	482	467
Total net assets	78,969	84,964
Total liabilities and net assets	163,615	160,922

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

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	49,788	54,671
Cost of sales	28,999	30,441
Gross profit	20,789	24,229
Selling, general and administrative expenses	9,530	9,104
Operating profit	11,258	15,125
Non-operating income		
Interest income	38	85
Dividend income	72	91
Share of profit of entities accounted for using equity method	57	58
Foreign exchange gains	116	686
Other	325	295
Total non-operating income	609	1,217
Non-operating expenses		
Interest expenses	240	194
Amortization of share issuance costs	10	114
Loss on valuation of currency swaps	149	–
Cost of sale of goods	114	118
Other	21	17
Total non-operating expenses	536	445
Ordinary profit	11,332	15,897
Extraordinary income		
Gain on sale of non-current assets	28	30
Insurance claim income	16	11
Total extraordinary income	45	42
Extraordinary losses		
Loss on sale of non-current assets	1	2
Loss on retirement of non-current assets	17	24
Other	5	–
Total extraordinary losses	24	26
Profit before income taxes	11,352	15,913
Income taxes - current	3,976	5,597
Income taxes - deferred	117	(57)
Total income taxes	4,093	5,539
Profit	7,259	10,373
Profit attributable to non-controlling interests	51	57
Profit attributable to owners of parent	7,207	10,315

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	7,259	10,373
Other comprehensive income		
Valuation difference on available-for-sale securities	231	137
Remeasurements of defined benefit plans, net of tax	(5)	3
Total other comprehensive income	225	141
Comprehensive income	7,484	10,514
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,433	10,457
Comprehensive income attributable to non-controlling interests	51	57

(3) Notes to quarterly consolidated financial statements

Notes on going concern assumption

Not applicable.

Notes when there are significant changes in amounts of shareholders' equity

Not applicable.

Changes in accounting estimates

(Changes in estimates of asset retirement obligations)

In the second quarter of the fiscal year ending March 31, 2024, new data on the most recent maintenance costs was obtained for asset retirement obligations, which is calculated using maintenance costs after the completion of the landfill process at the Group's final disposal site, and accordingly a change was made to the estimates of existing final disposal sites.

A decrease of ¥394 million due to the change in the estimate was subtracted from the balance of asset retirement obligations before the change.

As a result of the change in the estimate, for the nine months ended December 31, 2023, operating profit, ordinary profit and profit before income taxes each increased by ¥187 million.

Notes - Segment information

I For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment	Others (Note 1)	Total	Adjustment (Note 3)	Amount recorded in the quarterly consolidated statement of income (Note 4)
	Waste-related Business				
Net sales					
Net sales to external customers	48,112	1,676	49,788	–	49,788
Intersegment net sales or transfers	23	8	32	(32)	–
Total	48,135	1,685	49,820	(32)	49,788
Segment profit	11,313	108	11,422	(163)	11,258

- Notes: 1. The “Others” category is a business segment that is not included in the reportable segment, and represents the Valuable Resource Recycling Business.
2. Expenses related to the administration department and other head office expenses that are not attributed to reportable segments are allocated to each business segment on a reasonable allocation basis.
3. The adjustment of a negative ¥163 million in segment profit consists of consolidation adjustments between segments.
4. Segment profit has been reconciled with operating profit in the quarterly consolidated statement of income.

II For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segment	Others (Note 1)	Total	Adjustment (Note 3)	Amount recorded in the quarterly consolidated statement of income (Note 4)
	Waste-related Business				
Net sales					
Net sales to external customers	53,247	1,423	54,671	–	54,671
Intersegment net sales or transfers	22	7	29	(29)	–
Total	53,270	1,430	54,700	(29)	54,671
Segment profit (loss)	15,280	(38)	15,242	(117)	15,125

- Notes: 1. The “Others” category is a business segment that is not included in the reportable segment, and represents the Valuable Resource Recycling Business.
2. Expenses related to the administration department and other head office expenses that are not attributed to reportable segments are allocated to each business segment on a reasonable allocation basis.
3. The adjustment of a negative ¥117 million in segment profit (loss) consists of consolidation adjustments between segments.
4. Segment profit (loss) has been reconciled with operating profit in the quarterly consolidated statement of income.

Subsequent events

(Acquisition of treasury shares)

At the Board of Directors meeting held on September 20, 2023, the Company resolved matters related to the acquisition of treasury shares as provided for in the Articles of Incorporation in accordance with Article 459, paragraph 1 of the Companies Act, and carried out the acquisition of treasury shares as follows.

(1) Reason for acquiring treasury shares

The decision to acquire treasury shares was made in order to increase shareholder returns and capital efficiency and enable the execution of a flexible capital policy according to the business environment, as well as to use as restricted share-based compensation in the future as an incentive to continuously enhance corporate value.

(2) Details of the Board of Directors' resolution on acquisition of treasury shares

(i) Class of shares targeted for acquisition

Common shares of the Company

(ii) Total number of shares targeted for acquisition

Up to 1,500,000 shares

(iii) Total amount of shares acquired

Up to ¥3,750 million

(iv) Acquisition period

From September 21, 2023 to September 20, 2024

(v) Acquisition method

Market purchase on the Tokyo Stock Exchange

(3) Status of acquisition of treasury shares as of the end of the month prior to the month of filing quarterly securities report

(i) Treasury shares acquired from September 21, 2023 to December 31, 2023 based on the above resolution at the Board of Directors

Total number of acquired shares: 460,000 shares

Total amount of shares acquired: ¥1,017 million

(ii) Treasury shares acquired from January 1, 2024 to January 31, 2024 based on the above resolution at the Board of Directors

Total number of acquired shares: 340,000 shares

Total amount of shares acquired: ¥863 million

(iii) Total number of treasury shares acquired based on the above resolution at the Board of Directors

Total number of acquired shares: 800,000 shares

Total amount of shares acquired: ¥1,881 million

(Disposal of treasury shares as a restricted share-based incentive for the employee stock ownership plan)

At a meeting of the Board of Directors held on November 9, 2023, the Company resolved, as follows, to dispose of treasury shares as a Restricted Share-based Incentive for the Employee Stock Ownership Plan, and carried out disposal of treasury shares on February 5, 2024.

(1) Purpose and reason of the disposal of treasury shares

To commemorate its listing on the Prime Market of TSE in December 2022, the Company resolved at the meeting of the Board of Directors held on November 9, 2023 to introduce the Plan as announced in the “Notice Concerning the Introduction of a Restricted Share-based Incentive Plan for the Employee Stock Ownership Plan” dated September 20, 2023. The Plan was introduced as a measure for enhancing the benefits of employees of the Company and its subsidiaries who are eligible to join the Stock Ownership Plan and have agreed to the Plan (hereinafter referred to as the “Eligible Employees”), aiming to support the wealth-building of the Eligible Employees by providing opportunities for the Eligible Employees to acquire restricted shares that the Company issues or disposes of through the Stock Ownership Plan and increase their sense of participation in management by having the Eligible Employees own the Company’s shares while also further promoting shared value with shareholders. This disposal of treasury shares was made in accordance with the plan.

(2) Details of the disposal

(i) Class and number of shares for disposal

116,050 common shares of the Company

(ii) Disposal value

¥2,010 per share

(iii) Total disposal value

¥233,260,500

(iv) Date of payment

February 5, 2024

(v) Method of disposal

Third-party allotment

(vi) Allottee

Daiei Kankyo Employee Stock Ownership Plan