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August 9, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 9336
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 Scheduled date to file quarterly securities report: August 9, 2023
 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 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	%
Three months ended								
June 30, 2023	17,604	—	4,513	—	4,748	—	3,014	—
June 30, 2022	—	—	—	—	—	—	—	—

Note: Comprehensive income For the three months ended June 30, 2023: ¥3,314 million [–%]
 For the three months ended June 30, 2022: ¥– million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	30.18	—
June 30, 2022	—	—

- Notes: 1. The Company did not prepare quarterly consolidated financial statements for the three months ended June 30, 2022. Therefore, the figures for the three months ended June 30, 2022 and the year-on-year changes for the three months ended June 30, 2023 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
	Millions of yen	Millions of yen	%
As of			
June 30, 2023	155,423	78,770	50.4
March 31, 2023	163,615	78,969	48.0

Reference: Equity
 As of June 30, 2023: ¥78,320 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	–				
Fiscal year ending March 31, 2024 (Forecast)		0.00	–	34.00	34.00

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

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
Six months ending September 30, 2023	35,085	8.0	7,672	7.3	7,761	5.9	5,007	5.1	50.13
Fiscal year ending March 31, 2024	71,037	5.0	16,140	(2.9)	16,338	(2.2)	10,416	(0.7)	104.27

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) 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: 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 June 30, 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 June 30, 2023	50,048 shares
As of March 31, 2023	– shares

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

Three months ended June 30, 2023	99,872,551 shares
Three months ended June 30, 2022	– shares

Note: The Company did not prepare quarterly consolidated financial statements for the three months ended June 30, 2022. Therefore, the average number of shares outstanding during the period for the three months ended June 30, 2022 is not shown.

- * 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 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.

Attached Material

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

In the three months ended June 30, 2023, the Japanese economy made progress towards the normalization of economic activities as restrictions on activities eased following the transition of COVID-19 to Class 5, and a gradual recovery is expected to continue. On the other hand, there remain concerns about the high prices of energy, parts and materials due to the prolonged crisis in Ukraine and other factors, as well as an economic slowdown caused by monetary tightening, and the outlook for the Japanese economy remains uncertain.

Under these circumstances, in April 2023, Daiei Kankyo Co., Ltd. (the “Company”) and its group companies (collectively with the Company, the “Group”) became the first in Japan to obtain certification for a recycling business plan based on Article 48, Paragraph 1, Item 2 of “The Plastic Resource Circulation Act.” We promoted measures to advance resource recycling and identify the resource recycling needs of waste generators in order to accelerate the transition to a circular economy as promoted by the Ministry of the Environment.

In addition, our Miki Recycle Center began operation of the Miki Biomass Factory, a heat treatment facility with a capacity of 440 tons per day that co-fires biomass resources and various types of waste, in May 2023. This facility will also contribute to the advancement of resource recycling in the future, and we are working to establish a system for its early full-scale operation.

As a result, for the three months ended June 30, 2023, net sales was ¥17,604 million, operating profit was ¥4,513 million, operating profit margin was 25.6%, ordinary profit was ¥4,748 million, and profit attributable to owners of parent was ¥3,014 million. EBITDA (operating profit + depreciation + amortization of goodwill) was ¥5,812 million, while the EBITDA margin (EBITDA / net sales) was 33.0%.

The operating results by segment are as follows.

Waste-related Business

In Waste management and recycling segment, waste received totaled 553 thousand tons (up 20.0% year-on-year). This was due to the continuing upward trend in the volume of orders received in line with economic recovery since last fall, as well as orders for major projects and infrastructure development projects.

In Soil remediation, the amount of contaminated soil received was 96 thousand tons (down 45.4% year-on-year). This was due to a decrease in the number of orders for major projects in the Kanto region for the three months ended June 30, 2023, which were received in the same period of the previous fiscal year.

Costs of energy, parts and materials are remaining at a high level but within the range of our initial assumptions at the beginning of the period. In addition, we are reducing costs through continuous insourcing.

As a result, net sales were ¥17,121 million and segment profit was ¥4,581 million.

Others

In Aluminum pellets, sales volume for aluminum pellets decreased due to the downward trend in the aluminum market and a decline in demand caused by reduced crude steel production in Japan.

For Recycled plastic pallets, sales volume decreased due to a decline in demand from the distribution industry.

As a result, net sales were ¥482 million and segment loss was ¥28 million.

(2) Explanation of financial position

Assets

Total assets as of June 30, 2023 were ¥155,423 million (down ¥8,192 million from the end of the previous

fiscal year).

Current assets were ¥54,823 million (down ¥11,244 million from the end of the previous fiscal year). This was mainly due to a decrease of ¥11,499 million in cash and deposits from the end of the previous fiscal year.

Non-current assets were ¥100,230 million (up ¥3,090 million from the end of the previous fiscal year). This was mainly due to an increase of ¥2,981 million in machinery, equipment and vehicles, and the associated decrease of ¥2,201 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.

Liabilities

Liabilities as of June 30, 2023 were ¥76,653 million (down ¥7,993 million from the end of the previous fiscal year).

Current liabilities were ¥21,994 million (down ¥4,243 million from the end of the previous fiscal year). This was mainly due to a decrease of ¥1,777 million in income taxes payable.

Non-current liabilities were ¥54,659 million (down ¥3,749 million from the end of the previous fiscal year). This was mainly due to a decrease of ¥3,331 million in long-term borrowings.

Net assets

Net assets as of June 30, 2023 were ¥78,770 million (down ¥198 million from the end of the previous fiscal year). This was mainly due to a decrease of ¥381 million in retained earnings as a result of dividends paid, despite profit attributable to owners of parent being recorded.

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

No revisions have been made to the consolidated earnings forecasts for the fiscal year ending March 31, 2024, released on May 12, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	51,410	39,911
Notes and accounts receivable - trade	10,089	9,833
Securities	3,398	3,560
Finished goods	234	186
Work in process	25	42
Raw materials and supplies	273	251
Other	656	1,038
Allowance for doubtful accounts	(19)	(0)
Total current assets	66,068	54,823
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,571	20,293
Machinery, equipment and vehicles, net	12,118	15,099
Landfills, net	7,279	7,003
Land	18,661	18,677
Construction in progress	20,843	18,641
Other, net	2,045	2,056
Total property, plant and equipment	80,519	81,771
Intangible assets		
Goodwill	812	763
Other	544	553
Total intangible assets	1,357	1,317
Investments and other assets		
Investment securities	3,446	5,661
Deferred tax assets	1,177	894
Other	10,668	10,622
Allowance for doubtful accounts	(29)	(35)
Total investments and other assets	15,263	17,141
Total non-current assets	97,139	100,230
Deferred assets		
Share issuance costs	407	369
Total deferred assets	407	369
Total assets	163,615	155,423

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	3,143	2,955
Current portion of bonds payable	1,140	1,140
Current portion of long-term borrowings	12,743	12,194
Income taxes payable	3,010	1,232
Provision for bonuses	900	548
Asset retirement obligations	48	48
Other	5,250	3,873
Total current liabilities	26,237	21,994
Non-current liabilities		
Bonds payable	2,795	2,380
Long-term borrowings	46,482	43,151
Deferred tax liabilities	60	65
Retirement benefit liability	848	854
Asset retirement obligations	7,585	7,585
Other	637	622
Total non-current liabilities	58,408	54,659
Total liabilities	84,646	76,653
Net assets		
Shareholders' equity		
Share capital	5,907	5,907
Capital surplus	12,622	12,650
Retained earnings	59,287	58,905
Treasury shares	–	(103)
Total shareholders' equity	77,817	77,359
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	642	931
Remeasurements of defined benefit plans	27	28
Total accumulated other comprehensive income	669	960
Non-controlling interests	482	450
Total net assets	78,969	78,770
Total liabilities and net assets	163,615	155,423

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

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023
Net sales	17,604
Cost of sales	9,900
Gross profit	7,703
Selling, general and administrative expenses	3,190
Operating profit	4,513
Non-operating income	
Interest income	36
Dividend income	48
Share of profit of entities accounted for using equity method	4
Foreign exchange gains	212
Other	94
Total non-operating income	396
Non-operating expenses	
Interest expenses	72
Amortization of share issuance costs	38
Cost of sale of goods	39
Other	11
Total non-operating expenses	161
Ordinary profit	4,748
Extraordinary income	
Gain on sale of non-current assets	5
Total extraordinary income	5
Extraordinary losses	
Loss on sale of non-current assets	1
Loss on retirement of non-current assets	0
Total extraordinary losses	1
Profit before income taxes	4,752
Income taxes - current	1,577
Income taxes - deferred	151
Total income taxes	1,728
Profit	3,023
Profit attributable to non-controlling interests	9
Profit attributable to owners of parent	3,014

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023
Profit	3,023
Other comprehensive income	
Valuation difference on available-for-sale securities	289
Remeasurements of defined benefit plans, net of tax	1
Total other comprehensive income	290
Comprehensive income	3,314
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	3,305
Comprehensive income attributable to non-controlling interests	9

(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.

Notes - Segment information

For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 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	17,121	482	17,604	–	17,604
Intersegment net sales or transfers	7	2	10	(10)	–
Total	17,129	485	17,614	(10)	17,604
Segment profit (loss)	4,581	(28)	4,552	(39)	4,513

- 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 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.