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## Consolidated Financial Results for the Three Months Ended May 31, 2022 [Japanese GAAP]

June 30, 2022

Company name: Daiseki Co., Ltd.

Stock exchange listing: Tokyo, Nagoya

Code number: 9793

URL: [https:// www.daiseki.co.jp/english/index.html](https://www.daiseki.co.jp/english/index.html)

Representative: Tetsuya Yamamoto, President and Representative Director

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Scheduled date of filing quarterly securities report: July 11, 2022

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 Three Months Ended May 31, 2022 (March 01, 2022 to May 31, 2022)

#### (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	%
Three months ended								
May 31, 2022	13,750	(2.0)	3,144	0.6	3,282	4.3	2,213	10.4
May 31, 2021	14,038	4.3	3,123	21.8	3,146	17.2	2,003	33.8

(Note) Comprehensive income: Three months ended May 31, 2022: ¥ 2,364 million [ 7.8%]

Three months ended May 31, 2021: ¥ 2,192 million [ 38.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2022	43.98	-
May 31, 2021	39.01	-

Notes: 1. The Company conducted a 1.2-for-1 share split of its common shares on the effective date of September 1, 2021.

Accordingly, basic earnings per share have been calculated on the premise that the share split was conducted at the beginning of the fiscal year ended February 28, 2022.

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the fiscal year under review. The figures for the three months ended May 31, 2022 are restated to reflect these accounting standards.

## (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
May 31, 2022	96,216	81,586	76.9
February 28, 2022	99,264	83,443	76.5

(Reference) Equity: As of May 31, 2022: ¥ 74,014 million

As of February 28, 2022: ¥ 75,952 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, 2022	-	28.00	-	32.00	60.00
Fiscal year ending February 28, 2023	-				
Fiscal year ending February 28, 2023 (Forecast)		30.00	-	30.00	60.00

Notes: 1. Revision to the forecast for dividends announced most recently: No

2. The Company conducted a 1.2-for-1 share split of its common shares on the effective date of September 1, 2021.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2023(March 01, 2022 to February 28, 2023)

(% 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, 2022	28,400	(2.2)	6,370	(6.7)	6,420	(7.0)	4,000	(7.3)	79.89
Full year	59,000	3.7	13,600	5.0	13,700	4.4	8,500	1.4	169.77

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

Regarding revision to the consolidated financial results forecast, please refer to “Notice on Revision to Consolidated Financial Results Forecast” (in Japanese) announced today (June 30, 2022).

## \* Notes:

(1) Changes in significant subsidiaries during the three months ended May 31, 2022

(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

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to quarterly consolidated financial statements, Changes in accounting policies” on page 7 of the Attached Material.

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

May 31, 2022:	51,000,000 shares
February 28, 2022:	51,000,000 shares

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

May 31, 2022:	1,031,734 shares
February 28, 2022:	431,518 shares

3) Average number of shares outstanding during the period:

Three months ended May 31, 2022:	50,324,060 shares
Three months ended May 31, 2021:	51,367,875 shares

Note: The Company conducted a 1.2-for-1 share split of its common shares on September 1, 2021. Average number of shares outstanding during the period has been calculated on the premise that the share split was conducted at the beginning of the fiscal year ended February 28, 2022.

\* 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 forecast figures stated above reflect projections determined based on the information currently available and may contain uncertain factors in large part. Actual business results, etc. may differ from the above forecast figures due to changes in earnings results, among others.

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## 1. Qualitative Information on Quarterly Consolidated Financial Results

### (1) Explanation of operating results

During the three months ended May 31, 2022, the Japanese economy was faced with restrictions imposed on social and economic activities amid the prolonged effects of the spread of novel coronavirus disease (COVID-19). The economic trend remains unpredictable primarily due to a price increase caused by the situation in Ukraine and Russia and rapid depreciation of the yen while the effects of COVID-19 is still lingering.

Amid such an economic situation, a mainstay business of the Company group (the “Group”), the industrial waste treatment business centered on industrial wastewater treatment, has seen the economic sentiment slightly deteriorate in the automobile industry and some other industries due to increases in prices such as raw material and energy prices and a shortage of semi-conductor parts in May, forcing them to adjust production. However, with a rise in crude oil prices, the selling prices of recycled fuels have been on a gradual rise, and the improved profitability contributed to higher profits.

In addition, the recycled fuels, etc. produced by the Company trended upward due to higher energy prices driven by surging crude oil prices. Furthermore, the social reputation of the Company’s recycling-centered processing method and recycled fuel grew further as moves toward carbon neutrality gained momentum globally. As a result, the Company managed to increase both net sales and profits and achieved record-high net sales and profits.

In the soil remediation business of Daiseki Eco. Solution Co., Ltd., while low price competition remained fierce in metropolitan areas, aggressive sales activities were conducted to win high-added value deals mainly through consulting sales activities taking advantage of Daiseki Eco. Solution’s strengths. However, the orders for large-scale infrastructure development-related deals and large-scale construction deals, which significantly contributed to the results of last year, showed sluggish growth due to a drop-off period for ordering. Despite the steady performance of the waste gypsum board business handled by a subsidiary of Daiseki Eco. Solution Co., Ltd., it failed to cover the profit target of the soil remediation business, resulting in deteriorating profitability.

The lead recycling business in Daiseki MCR Co., Ltd. recorded increases in net sales and profits underpinned by considerable improvement in profitability thanks to higher lead prices caused by depreciation of the yen.

In the washing business for large tanks in System Kikou Co., Ltd., the net sales were below the plan as the construction completed behind the schedule.

In addition, the Group worked to prepare for business expansion for the next fiscal year and beyond, continuing to step up efforts to retain and train human resources while also investing to expand capacity.

As a result, for the three months ended May 31, 2022, net sales, operating profit, ordinary profit, and profit attributable to owners of parent were ¥13,750 million (down 2.0% year on year), ¥3,144 million (up 0.6% year on year), ¥3,282 million (up 4.3% year on year), and ¥2,213 million (up 10.4% year on year), respectively, with the Group logging record highs in operating profit, ordinary profit, and profit attributable to owners of parent.

As the Group consists of a single business segment, the environment-related business, the information by segment is omitted.

### (2) Explanation of financial position

Total assets as of May 31, 2022 decreased by ¥3,048 million compared with the end of the previous fiscal year, amounting to ¥96,216 million. The decrease was largely due to an increase in investment securities of ¥1,645 million, offset by a decrease in cash and deposits of ¥4,688 million. Liabilities decreased by ¥1,191 million compared with the end of the previous fiscal year, amounting to ¥14,630 million. The decrease was largely due to an increase in short-term borrowings of ¥1,670 million, offset by respective decreases of income taxes payable of ¥1,600 million and current portion of long-term borrowings of ¥1,119 million. Net assets decreased by ¥1,857 million compared with the end of the previous fiscal year, amounting to ¥81,586 million. The decrease was largely due to an increase in retained earnings of ¥595 million by recording profit gains, etc., offset by a ¥2,546 million decrease due to an increase in treasury shares resulting from purchase of treasury shares.

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

The consolidated earnings forecasts were revised from the forecasts announced on April 5, 2022. For details, please refer to “Notice on Revision to Consolidated Financial Results Forecast” (in Japanese) announced today (June 30, 2022).

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	34,149	29,461
Notes and accounts receivable - trade	8,488	-
Notes and accounts receivable - trade, and contract assets	-	8,103
Electronically recorded monetary claims - operating	1,072	1,235
Securities	300	300
Inventories	1,906	2,120
Other	545	440
Allowance for doubtful accounts	(6)	(5)
Total current assets	46,457	41,656
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,482	10,410
Machinery, equipment and vehicles, net	4,016	4,110
Land	24,292	24,292
Construction in progress	1,608	1,884
Other, net	469	503
Total property, plant and equipment	40,868	41,201
Intangible assets		
Goodwill	267	248
Other	295	326
Total intangible assets	562	574
Investments and other assets		
Investment securities	7,765	9,410
Long-term time deposits	1,500	1,500
Deferred tax assets	1,299	1,169
Other	813	706
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	11,375	12,784
Total non-current assets	52,807	54,560
Total assets	99,264	96,216

(Million yen)

	As of February 28, 2022	As of May 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,004	3,044
Electronically recorded obligations - operating	792	649
Short-term borrowings	830	2,500
Current portion of long-term borrowings	706	627
Income taxes payable	2,544	944
Provision for bonuses	450	142
Other	3,973	4,722
Total current liabilities	12,302	12,630
Non-current liabilities		
Long-term borrowings	1,618	499
Provision for retirement benefits for directors (and other officers)	8	9
Retirement benefit liability	1,171	1,179
Other	720	311
Total non-current liabilities	3,518	1,999
Total liabilities	15,821	14,630
Net assets		
Shareholders' equity		
Share capital	6,382	6,382
Capital surplus	7,070	7,070
Retained earnings	64,192	64,788
Treasury shares	(1,857)	(4,404)
Total shareholders' equity	75,787	73,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	173	184
Remeasurements of defined benefit plans	(7)	(5)
Total accumulated other comprehensive income	165	178
Non-controlling interests	7,490	7,571
Total net assets	83,443	81,586
Total liabilities and net assets	99,264	96,216

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**Quarterly Consolidated Statements of Income (For the three months)**

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Net sales	14,038	13,750
Cost of sales	9,321	8,956
Gross profit	4,716	4,794
Selling, general and administrative expenses	1,592	1,650
Operating profit	3,123	3,144
Non-operating income		
Interest income	14	13
Dividend income	0	4
Insurance claim income	2	117
Other	7	6
Total non-operating income	24	141
Non-operating expenses		
Interest expenses	1	1
Commission for purchase of treasury shares	-	1
Other	0	0
Total non-operating expenses	1	3
Ordinary profit	3,146	3,282
Extraordinary income		
Gain on sale of non-current assets	10	4
Total extraordinary income	10	4
Extraordinary losses		
Loss on retirement of non-current assets	25	6
Total extraordinary losses	25	6
Profit before income taxes	3,131	3,280
Income taxes - current	1,004	879
Income taxes - deferred	(55)	101
Total income taxes	949	980
Profit	2,182	2,300
Profit attributable to non-controlling interests	178	86
Profit attributable to owners of parent	2,003	2,213



**Quarterly Consolidated Statements of Comprehensive Income (For the three months)**

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Profit	2,182	2,300
Other comprehensive income		
Valuation difference on available-for-sale securities	9	61
Remeasurements of defined benefit plans, net of tax	0	2
Total other comprehensive income	9	63
Comprehensive income	2,192	2,364
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,009	2,226
Comprehensive income attributable to non-controlling interests	182	137

**(3) Notes to quarterly consolidated financial statements****Notes on premise of going concern**

Not applicable.

**Notes on significant changes in the amount of shareholders' equity**

(Purchase of treasury shares)

The Company resolved a matter regarding repurchase of its own shares at the Board of Directors' meeting held on April 18, 2022 in accordance with the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act, and acquired 600,000 shares of its common stock. As a result, treasury shares increased by ¥2,545 million in the three months ended May 31, 2022.

**Changes in accounting policies**

(Application of Accounting Standard for Revenue Recognition and other standards)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the first quarter of the fiscal year under review. The Company recognizes revenue when control of a promised good or service 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 and services.

Please note that the alternative treatment provided in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied, and in the case of domestic sales of merchandise and finished goods where there is a normal period of time from shipment to the transfer of control of the merchandise and finished goods to a customer, revenue is recognized at the time of shipment.

The main changes made by the application of the Revenue Recognition Standard are as follows.

As for revenue related to agent transactions, the Company previously recognized revenue on a gross basis. However, as a result of judgment of the roles in providing a good or service to a customer (principal or agent), the Company recognizes revenue on a net basis.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the first quarter of the fiscal year under review, with the new accounting policies applied from the beginning balance.

The resulting impact on the net sales and cost of sales for the three months ended May 31, 2022 is immaterial. There is also no impact on the gross profit, operating profit, ordinary profit, and profit before income taxes. The application had no impact on the balance of retained earnings at the beginning of the fiscal year under review as well.

Furthermore, "notes and accounts receivable - trade," which was presented under "current assets" in the consolidated balance sheet for the previous fiscal year, has been included under "notes and accounts receivable - trade, and contract assets" from the first quarter of the fiscal year under review.

However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

(Application of Accounting Standard for Fair Value Measurement and other standards)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the first quarter of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided 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 has no impact on the quarterly consolidated financial statements.