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

April 5, 2023

Company name: Daiseki Co., Ltd.

Stock exchange listing: Tokyo, Nagoya

Code number: 9793

URL: <https://www.daiseki.co.jp/english/index.html>

Representative: Tetsuya Yamamoto, President and Representative Director

Contact: Hideki Katase, Managing Executive Officer, General Manager of Headquarters of Planning and Management

Phone: +81-52-611-6322

Scheduled date of Annual General Meeting of Shareholders: May 25, 2023

Scheduled date of commencing dividend payments: May 26, 2023

Scheduled date of filing annual securities report: May 26, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes (for analysts and institutional investors)

(Amounts of less than one millions of yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 28, 2023	58,572	2.9	12,711	(1.7)	13,060	(0.4)	8,666	3.4
February 28, 2022	56,867	10.3	12,940	26.3	13,118	25.5	8,376	28.4

(Note) Comprehensive income: Fiscal year ended February 28, 2023: ¥ 9,012 million [(3.0) %]
Fiscal year ended February 28, 2022: ¥ 9,295 million [33.1 %]

	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 174.21	Yen -	% 11.3	% 13.0	% 21.7
February 28, 2022	164.02	-	11.1	13.4	22.7

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended February 28, 2023: ¥ - million
Fiscal year ended February 28, 2022: ¥ - million

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 fiscal year under review. The figures for the fiscal year ended February 28, 2023 are restated to reflect these accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of February 28, 2023	Millions of yen 100,145	Millions of yen 84,426	% 76.3	Yen 1,549.15
February 28, 2022	99,264	83,443	76.5	1,501.98

(Reference) Equity: As of February 28, 2023: ¥ 76,494 million
As of February 28, 2022: ¥ 75,952 million

(Note) The Company conducted a 1.2-for-1 share split of its common shares on the effective date of September 1, 2021. Accordingly, net assets 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.

(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	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2023	9,919	(8,300)	(8,031)	27,502
February 28, 2022	11,699	(3,827)	(7,620)	33,914

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	Millions of yen	%	%
February 28, 2022	-	28.00	-	32.00	60.00	2,816	36.5	4.0
February 28, 2023	-	30.00	-	30.00	60.00	2,968	34.4	3.9
Fiscal year ending								
February 29, 2024 (Forecast)	-	30.00	-	30.00	60.00		35.2	

(Note) 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 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	%	
Six months ending August 31, 2023	32,200	13.5	6,650	6.4	6,750	4.0	4,300	(0.7)	87.08
Full year	62,000	5.8	13,100	3.0	13,200	1.0	8,400	(3.0)	170.11

* 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

Note: For details, please refer to “3. Consolidated Financial Statements and Principal Notes (5) Notes to consolidated financial statements, Changes in accounting policies” on page 15 of the Attached Material.

(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: 51,000,000 shares

February 28, 2022: 51,000,000 shares

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

February 28, 2023: 1,621,617 shares

February 28, 2022: 431,518 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended February 28, 2023: 49,746,121 shares

Fiscal Year ended February 28, 2022: 51,069,508 shares

Note: The Company conducted a 1.2-for-1 share split of its common shares on September 1, 2021. Total number of issued shares at the end of the period, total number of treasury shares at the end of the period, and average number of shares outstanding during the period have been calculated on the premise that the share split was conducted at the beginning of the fiscal year ended February 28, 2022.

(Reference) Summary of Non-consolidated Financial Results

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

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

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended February 28, 2023	34,013	3.4	9,639	2.4	10,043	4.1	7,032	4.7
February 28, 2022	32,881	6.5	9,412	14.4	9,638	14.9	6,715	20.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended February 28, 2023	141.37	-
February 28, 2022	131.48	-

(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 fiscal year under review. The figures for the fiscal year ended February 28, 2023 are restated to reflect these accounting standards.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2023	75,619	66,180	87.5	1,340.26
February 28, 2022	76,698	67,251	87.6	1,329.91

(Reference) Equity: As of February 28, 2023: ¥ 66,180 million

As of February 28, 2022: ¥ 67,251 million

(Note) The Company conducted a 1.2-for-1 share split of its common shares on the effective date of September 1, 2021. Accordingly, net assets 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. Non-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		Ordinary profit		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2023	18,700	7.5	5,450	(0.8)	3,700	(3.4)	74.93
Full year	37,100	9.0	10,500	4.5	7,200	2.3	145.81

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The earnings forecasts above are based on information available as of the date of disclosure of this material. Actual business results may differ from forecast figures due to various factors occurring in the future. Regarding matters related to the earnings forecasts above, please refer to page 3 of the Attached Material.

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1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year

During the fiscal year under review, the Japanese economy saw a recovery trend in social and economic activities largely because of the relaxation of novel coronavirus disease (COVID-19) movement restrictions. However, the future economic trend remains uncertain due to the soaring prices of energy resources including crude oil, and of raw materials caused by the prolonged situation in Ukraine and Russia; and the fluctuation of exchange such as the depreciation of the yen; and other factors.

Amid such an economic situation, a mainstay business of the Company group (the “Group”), the industrial waste treatment business of the Company centered on industrial wastewater treatment, was affected by increases in prices such as raw materials and energy prices and a shortage of semi-conductor parts, forcing the customers 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 due to reductions in subcontracting costs and other factors contributed to the higher ordinary profit ratio year on year. In addition, 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., public investment remained firm and construction investment of private companies has been on a gradual recovery trend. However, the situation continued to require close monitoring due to the soaring prices of construction materials and concerns about the risk of a global economic downturn. Against this background, Daiseki Eco. Solution continuously focused on winning orders of high-added value deals and consulting sales activities.

While the waste gypsum board business showed strong performance throughout the year with year-on-year increases of net sales and operating profit, the soil contamination survey and remediation business, a mainstay business of the Group, witnessed decreases in net sales and profits as net sales of the large-scale infrastructure development-related deals were significantly lower than originally planned and the impact of soaring freight costs and other factors put pressure on profits.

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 selling prices caused by depreciation of the yen.

The washing business for large tanks in System Kikou Co., Ltd., achieved record-high net sales and profits, since the situation with delay in completion of the construction in the first half of the year ended February 28, 2023, was improved in the second half.

In addition, the Group has aimed for a company that is well-liked by local communities by conducting management that emphasizes our purpose of becoming “an environment-creating company contributing to society through the environment and making the best use of limited resources” as an environment-creating company, continuing to step up efforts to retain and train human resources while also investing to expand capacity.

As a result, for the fiscal year under review, net sales, operating profit, ordinary profit, and profit attributable to owners of parent were ¥58,572 million (up 2.9% year on year), ¥12,711 million (down 1.7% year on year), ¥13,060 million (down 0.4% year on year), and ¥8,666 million (up 3.4% year on year), respectively.

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

(2) Overview of financial position for the fiscal year

Assets, liabilities and net assets

Total assets of the Group increased by ¥880 million compared with the end of the previous fiscal year, amounting to ¥100,145 million. The increase was largely due to increases in property, plant and equipment of ¥4,270 million, investment securities of ¥1,354 million, long-term time deposits of ¥1,000 million, and notes and accounts receivable - trade, and contract assets (notes and accounts receivable - trade at the end of the previous fiscal year) of ¥766 million, offset by decreases in cash and deposits of ¥6,299 million and securities of ¥300 million. Liabilities decreased by ¥102 million compared with the previous fiscal year, amounting to ¥15,719 million. The decrease was largely due to decreases in long-term borrowings of ¥891 million, current portion of long-term borrowings of ¥340 million, and income taxes payable of ¥616 million, offset by increases

in short-term borrowings of ¥1,370 million and electronically recorded obligations - operating of ¥437 million. Net assets increased by ¥982 million compared with the end of the previous fiscal year, amounting to ¥84,426 million. The increase was largely due to increases in retained earnings of ¥5,560 million and non-controlling interests of ¥441 million by recording profit gains, etc., respectively, offset by a ¥4,854 million decrease due to purchase, etc. of treasury shares.

(3) Overview of cash flows for the fiscal year

During the fiscal year under review, cash and cash equivalents (“cash”) amounted to ¥27,502 million as of the end of the fiscal year under review, a decrease of ¥6,412 million compared with the end of the previous fiscal year. The decrease consists of ¥9,919 million provided by operating activities, ¥8,300 million used in investing activities, and ¥8,031 million used in financing activities.

The respective cash flow positions and the factors thereof in the fiscal year under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities for the fiscal year under review totaled ¥9,919 million (down 15.2% year on year), as a result of realizing ¥13,011 million of profit before income taxes, ¥2,390 million of depreciation, etc., partially offset by ¥4,434 million of income taxes paid.

Cash flows from investing activities

Net cash used in investing activities for the fiscal year under review totaled ¥8,300 million (up 116.8% year on year), as a result of realizing ¥6,130 million of purchase of property, plant and equipment, ¥1,890 million of purchase of investment securities, and ¥1,239 million of payments into time deposits, partially offset by ¥506 million of proceeds from sale and redemption of short-term and long-term investment securities, among others.

Cash flows from financing activities

Net cash used in financing activities for the fiscal year under review totaled ¥8,031 million (up 5.3% year on year), as a result of realizing ¥4,902 million of purchase of treasury shares and ¥3,104 million of dividends paid, among others.

Trends in indicators of cash flows for the Group are as follows:

Fiscal year ended	February 28, 2019	February 29, 2020	February 28, 2021	February 28, 2022	February 28, 2023
Equity-to-asset ratio (%)	76.0	76.0	77.2	76.5	76.3
Equity-to-asset ratio based on market value (%)	137.4	120.0	149.0	237.9	201.9
Interest-bearing debt to cash flow ratio (Years)	0.2	0.4	0.4	0.2	0.3
Interest coverage ratio (Times)	3,000.3	1,512.8	1,704.2	2,417.6	1,674.3

Equity-to-asset ratio: $\text{Equity} / \text{Total assets}$

Equity-to-asset ratio based on market value: $\text{Market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Cash flow}$

Interest coverage ratio: $\text{Cash flow} / \text{Interest payments}$

Note 1: All indicators are calculated using financial figures on a consolidated basis.

Note 2: Market capitalization is calculated on the basis of the number of issued shares excluding treasury shares.

Note 3: Cash flows from operating activities are used for cash flow.

Note 4: Interest-bearing debt covers all debt reported in the consolidated balance sheet for which interest is paid.

(4) Future outlook

Although the effect of the COVID-19 pandemic has diminished, the future outlook for the global and Japanese economies remains uncertain due to concerns about the soaring prices of energy resources including crude oil and of raw materials caused by the prolonged situation in Ukraine and Russia, the fluctuation of exchange such as the rapid depreciation of the yen, and other factors. Under these circumstances, the Group believes that the promotion of its business contributes to the environment, and as an environment-creating company, it is committed to aiming for a company that is well-liked by local communities and expanding business by conducting management that emphasizes our purpose of becoming an “environment-creating company”

contributing to society through the environment and making the best use of limited resources” as an environment-creating company.

By factoring in the above circumstances, the Company forecasts, for the fiscal year ending February 29, 2024, net sales of ¥62,000 million (up 5.8% year on year), operating profit of ¥13,100 million (up 3.0% year on year), ordinary profit of ¥13,200 million (up 1.0% year on year), and profit attributable to owners of parent of ¥8,400 million (down 3.0% year on year), posting new all-time highs in net sales, operating profit, and ordinary profit.

2. Basic Concept regarding Selection of Accounting Standards

Consolidated financial statements are prepared in accordance with the Japanese generally accepted accounting principles (GAAP) as the Group operates its businesses mainly in Japan and engages neither in the development of international businesses nor overseas financing.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	34,149	27,850
Notes and accounts receivable - trade	8,488	-
Notes and accounts receivable - trade, and contract assets	-	9,254
Electronically recorded monetary claims - operating	1,072	1,214
Securities	300	-
Inventories	1,906	1,948
Other	545	521
Allowance for doubtful accounts	(6)	(7)
Total current assets	46,457	40,781
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,085	23,037
Accumulated depreciation	(10,602)	(11,388)
Buildings and structures, net	10,482	11,649
Machinery, equipment and vehicles	25,555	27,641
Accumulated depreciation	(21,538)	(22,424)
Machinery, equipment and vehicles, net	4,016	5,217
Land	24,292	24,780
Construction in progress	1,608	2,952
Other	1,678	1,829
Accumulated depreciation	(1,209)	(1,290)
Other, net	469	539
Total property, plant and equipment	40,868	45,139
Intangible assets		
Goodwill	267	190
Other	295	315
Total intangible assets	562	506
Investments and other assets		
Investment securities	7,765	9,119
Long-term time deposits	1,500	2,500
Deferred tax assets	1,299	1,404
Other	813	696
Allowance for doubtful accounts	(1)	(2)
Total investments and other assets	11,375	13,717
Total non-current assets	52,807	59,363
Total assets	99,264	100,145

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,004	3,129
Electronically recorded obligations - operating	792	1,229
Short-term borrowings	830	2,200
Current portion of long-term borrowings	706	366
Income taxes payable	2,544	1,928
Provision for bonuses	450	517
Other	3,973	4,060
Total current liabilities	12,302	13,431
Non-current liabilities		
Long-term borrowings	1,618	727
Provision for retirement benefits for directors (and other officers)	8	6
Retirement benefit liability	1,171	1,243
Other	720	310
Total non-current liabilities	3,518	2,287
Total liabilities	15,821	15,719
Net assets		
Shareholders' equity		
Share capital	6,382	6,382
Capital surplus	7,070	7,072
Retained earnings	64,192	69,753
Treasury shares	(1,857)	(6,712)
Total shareholders' equity	75,787	76,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	173	3
Remeasurements of defined benefit plans	(7)	(5)
Total accumulated other comprehensive income	165	(1)
Non-controlling interests	7,490	7,931
Total net assets	83,443	84,426
Total liabilities and net assets	99,264	100,145

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

(Millions of yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net sales	56,867	58,572
Cost of sales	37,629	38,975
Gross profit	19,238	19,597
Selling, general and administrative expenses		
Freight costs	684	768
Remuneration for directors (and other officers)	522	481
Salaries, allowances and bonuses	2,235	2,305
Provision for bonuses	162	194
Retirement benefit expenses	163	181
Provision for retirement benefits for directors (and other officers)	2	2
Welfare expenses	480	500
Rent expenses	187	195
Depreciation	101	107
Provision of allowance for doubtful accounts	(1)	1
Experimentation and research expenses	110	179
Other	1,647	1,968
Total selling, general and administrative expenses	6,297	6,886
Operating profit	12,940	12,711
Non-operating income		
Interest income	58	61
Dividend income	18	52
Insurance claim income	46	139
Rental income from land and buildings	3	2
Gain on investments in investment partnerships	-	26
Compensation income	22	1
Insurance return	4	44
Other	32	34
Total non-operating income	186	361
Non-operating expenses		
Interest expenses	5	5
Loss on cancellation of insurance policies	0	0
Commission for purchase of treasury shares	1	2
Loss on investments in investment partnerships	0	2
Other	0	2
Total non-operating expenses	8	12
Ordinary profit	13,118	13,060
Extraordinary income		
Gain on sale of non-current assets	29	31
Gain on sale of investment securities	-	17
Insurance claim income	-	2
Total extraordinary income	29	52

(Millions of yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Extraordinary losses		
Loss on sale of non-current assets	0	21
Loss on retirement of non-current assets	90	77
Loss on tax purpose reduction entry of non-current assets	-	2
Impairment losses	18	-
Total extraordinary losses	110	101
Profit before income taxes	13,037	13,011
Income taxes - current	4,027	3,833
Income taxes - deferred	(135)	(22)
Total income taxes	3,892	3,810
Profit	9,145	9,200
Profit attributable to non-controlling interests	768	533
Profit attributable to owners of parent	8,376	8,666

Consolidated statements of comprehensive income

(Millions of yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Profit	9,145	9,200
Other comprehensive income		
Valuation difference on available-for-sale securities	155	(190)
Remeasurements of defined benefit plans, net of tax	(5)	2
Total other comprehensive income	150	(187)
Comprehensive income	9,295	9,012
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,458	8,499
Comprehensive income attributable to non-controlling interests	836	513

(3) Consolidated statements of changes in equity

For the fiscal year ended February 28, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,382	7,147	60,708	(329)	73,909
Changes during period					
Dividends of surplus			(2,397)		(2,397)
Profit attributable to owners of parent			8,376		8,376
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Purchase of treasury shares				(4,120)	(4,120)
Disposal of treasury shares		11		8	19
Cancellation of treasury shares		(87)	(2,495)	2,583	-
Net changes in items other than shareholders' equity					
Total changes during period	-	(77)	3,484	(1,528)	1,878
Balance at end of period	6,382	7,070	64,192	(1,857)	75,787

	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	83	(0)	83	6,724	80,717
Changes during period					
Dividends of surplus					(2,397)
Profit attributable to owners of parent					8,376
Change in ownership interest of parent due to transactions with non-controlling interests					(0)
Purchase of treasury shares					(4,120)
Disposal of treasury shares					19
Cancellation of treasury shares					-
Net changes in items other than shareholders' equity	89	(7)	82	766	848
Total changes during period	89	(7)	82	766	2,726
Balance at end of period	173	(7)	165	7,490	83,443

For the fiscal year ended February 28, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,382	7,070	64,192	(1,857)	75,787
Changes during period					
Dividends of surplus			(3,105)		(3,105)
Profit attributable to owners of parent			8,666		8,666
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Purchase of treasury shares				(4,900)	(4,900)
Disposal of treasury shares		1		45	47
Net changes in items other than shareholders' equity					
Total changes during period	-	2	5,560	(4,854)	708
Balance at end of period	6,382	7,072	69,753	(6,712)	76,496

	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	173	(7)	165	7,490	83,443
Changes during period					
Dividends of surplus					(3,105)
Profit attributable to owners of parent					8,666
Change in ownership interest of parent due to transactions with non-controlling interests					1
Purchase of treasury shares					(4,900)
Disposal of treasury shares					47
Net changes in items other than shareholders' equity	(169)	2	(167)	441	274
Total changes during period	(169)	2	(167)	441	982
Balance at end of period	3	(5)	(1)	7,931	84,426

(4) Consolidated statements of cash flows

(Millions of 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	13,037	13,011
Depreciation	2,384	2,390
Impairment losses	18	-
Amortization of goodwill	76	76
Increase (decrease) in allowance for doubtful accounts	(5)	1
Increase (decrease) in provision for bonuses	45	66
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	(2)
Increase (decrease) in retirement benefit liability	98	76
Interest and dividend income	(77)	(113)
Interest expenses	5	5
Subsidy income	(10)	(13)
Loss (gain) on sale of non-current assets	(29)	(10)
Loss on retirement of non-current assets	90	77
Loss on tax purpose reduction entry of non-current assets	-	2
Loss (gain) on sale of investment securities	0	(17)
Loss (gain) on investments in investment partnerships	0	(23)
Loss (gain) on cancellation of insurance policies	0	0
Decrease (increase) in trade receivables	(637)	(908)
Decrease (increase) in inventories	(43)	(41)
Increase (decrease) in trade payables	255	562
Increase (decrease) in accrued consumption taxes	(40)	(577)
Other, net	(202)	(341)
Subtotal	14,966	14,220
Interest and dividends received	102	139
Interest paid	(4)	(5)
Income taxes paid	(3,364)	(4,434)
Net cash provided by (used in) operating activities	11,699	9,919
Cash flows from investing activities		
Payments into time deposits	(1,683)	(1,239)
Proceeds from withdrawal of time deposits	137	126
Purchase of investment securities	(333)	(1,890)
Purchase of insurance funds	(14)	(7)
Proceeds from cancellation of insurance funds	56	231
Proceeds from sale and redemption of short-term and long-term investment securities	1,201	506
Purchase of property, plant and equipment	(3,337)	(6,130)
Proceeds from sale of property, plant and equipment	155	62
Purchase of intangible assets	(19)	(39)
Subsidies received	10	13
Other, net	0	65
Net cash provided by (used in) investing activities	(3,827)	(8,300)

(Millions of yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(150)	370
Proceeds from long-term borrowings	-	500
Repayments of long-term borrowings	(802)	(731)
Dividends paid	(2,397)	(3,104)
Dividends paid to non-controlling interests	(59)	(95)
Purchase of treasury shares	(4,120)	(4,902)
Other, net	(90)	(67)
Net cash provided by (used in) financing activities	(7,620)	(8,031)
Net increase (decrease) in cash and cash equivalents	251	(6,412)
Cash and cash equivalents at beginning of period	33,663	33,914
Cash and cash equivalents at end of period	33,914	27,502

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

Not applicable.

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 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 fiscal year under review, with the new accounting policies applied from the beginning balance.

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 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 consolidated fiscal year have not been reclassified based on the new presentation method.

The resulting impact on the net sales and cost of sales for the fiscal year ended February 28, 2023 is immaterial. There is also no impact on the gross profit, operating profit, ordinary profit, and profit before income taxes.

In addition, there is no impact on the consolidated statements of cash flows, the beginning balance of retained earnings in the consolidated statements of changes in net assets, and the per share information, for the fiscal year under review.

(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 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 consolidated financial statements.

Segment information, etc.

Segment information

Fiscal years ended February 28, 2022 and February 28, 2023

This information has been omitted as the Group consists of a single business segment, the environment-related business.

Information associated with reportable segments

Fiscal years ended February 28, 2022 and February 28, 2023

1. Information for each product or service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statement of income.

2. Information for each region

(1) Net sales

This information has been omitted as net sales to external customers in Japan account for more than 90% of net sales recorded in the consolidated statement of income.

(2) Property, plant and equipment

Not applicable as the Company does not have property, plant, and equipment located in countries and regions other than Japan.

3. Information for each of main customers

This information has been omitted as there is no specific customer to which net sales, among those to external customers, account for 10% of net sales in consolidated statement of income.

Disclosure of impairment loss on non-current assets for each reportable segment

Fiscal year ended February 28, 2022

This information has been omitted as the Group consists of a single business segment, the environment-related business.

Fiscal year ended February 28, 2023

Not applicable.

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal years ended February 28, 2022 and February 28, 2023

This information has been omitted as the Group consists of a single business segment, the environment-related business.

Information about gain on bargain purchase for each reportable segment

Fiscal years ended February 28, 2022 and February 28, 2023

Not applicable.

Per share information

(Yen)

Fiscal year ended February 28, 2022		Fiscal year ended February 28, 2023	
Net assets per share	1,501.98	Net assets per share	1,549.15
Basic earnings per share	164.02	Basic earnings per share	174.21

Notes: 1. Diluted earnings per share is not presented because there were no potential shares.

2. The Company conducted a 1.2-for-1 share split of its common shares on September 1, 2021. Net assets per share and 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.

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

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit attributable to owners of parent (Millions of yen)	8,376	8,666
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	8,376	8,666
Average number of common shares outstanding during the period (Shares)	51,069,508	49,746,121

Significant events after reporting period

Business combination through acquisition

Daiseki Eco. Solution Co., Ltd., a consolidated subsidiary of Daiseki Co., Ltd., resolved at the Board of Directors' meeting held on March 31, 2023, to make Sugimoto Trading Company Co., Ltd. (hereinafter "Sugimoto Trading Company") a consolidated subsidiary through purchase of shares of Sugimoto Trading Company, and executed a share transfer agreement with the shareholders of Sugimoto Trading Company on the same date and acquired the shares on April 5, 2023.

(1) Outline of the business combination

- (i) Name of acquired company and description of its business
 Name of acquired company: Sugimoto Trading Company Co., Ltd.
 Business description: General waste transportation and treatment, industrial waste collection, transportation, and intermediate treatment, etc.
- (ii) Primary reasons for the business combination
 The primary business of Daiseki Eco. Solution Co., Ltd., a consolidated subsidiary of the Company, and its group companies (hereafter "Solution Group") is soil contamination remediation, and their strength lies in their one-stop solutions from start to finish, including consultation, survey, analysis, construction, and treatment. In addition, Solution Group is actively engaged in new environmental businesses such as waste gypsum board recycling, PCB, and BDF.

Sugimoto Trading Company engages in the transportation and treatment of general and industrial waste, including waste plastic recycling, mainly in northern Shiga Prefecture, while a Sugimoto Trading Company's subsidiary, Sugimoto Paper Industry Co., Ltd. (hereafter "Sugimoto Paper Industry"), is engaged in the collection and recycling of cardboard, newspapers, magazines, paper tubes, shredded paper waste, etc.

The acquisition of all outstanding shares of Sugimoto Trading Company and the integration of Sugimoto Trading Company and Sugimoto Paper Industry by Solution Group will enable them to expand the range of solutions they offer customers by adding new solutions in the areas of transportation and treatment of general and industrial waste and collection and recycling of wastepaper, which were previously unavailable to Solution Group. In addition, although Solution Group and the Sugimoto Group both engage in the waste treatment and recycling, our areas of expertise differ, and we believe that combining our respective know-how will enable us to launch new businesses such as renewable energy.

By implementing the above measures and generating synergies, we believe Solution Group can achieve sustainable growth over the medium to long term and further enhance corporate value, and thus we made the decision to conclude this share transfer agreement.

- (iii) Business combination date
April 5, 2023
- (iv) Legal form of business combination
Acquisition of shares for cash consideration
- (v) Name of business after combination
No change
- (vi) Percentage of voting rights acquired
100%
- (vii) Main basis for determining the acquiring company
Due to the acquisition of shares by Daiseki Eco. Solution Co., Ltd. for cash consideration.

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

The acquisition price is not disclosed due to a confidentiality agreement with the counterparty, but in order to ensure fairness and appropriateness, various due diligence and share value calculations were commissioned to a third party, and the results were used as a reference to determine the price upon consultation between the two parties.

(3) Description and amount of major acquisition-related expenses

Not determined at this time.

(4) Amount of goodwill to be accrued, reason for accrual, amortization method and amortization period

Not determined at this time.

(5) Amounts of assets received and liabilities assumed on the date of business combination and their breakdown

Not determined at this time.