

Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 [Japanese GAAP]

August 11, 2021

Company name: ENVIPRO HOLDINGS Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 5698

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Scheduled date of Annual General Meeting of Shareholders: September 28, 2021

Scheduled date of commencing dividend payments: September 29, 2021

Scheduled date of filing annual securities report: September 28, 2021

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Not scheduled (The briefing will be video streamed instead of holding a normal briefing session.)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 01, 2020 to June 30, 2021)

(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	%
Fiscal year ended June 30, 2021	40,933	20.8	2,130	169.6	2,508	168.3	1,491	147.8
June 30, 2020	33,879	(6.8)	790	(5.9)	934	(18.1)	602	(23.5)

(Note) Comprehensive income: Fiscal year ended June 30, 2021: ¥ 1,441 million [124.2%]
Fiscal year ended June 30, 2020: ¥ 643 million [(15.5)%]

	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 June 30, 2021	Yen 101.15	Yen 96.84	% 12.1	% 9.6	% 5.2
June 30, 2020	41.03	39.25	5.3	4.1	2.3

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended June 30, 2021: ¥ 380 million
Fiscal year ended June 30, 2020: ¥ 123 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of June 30, 2021	Million yen 26,548	Million yen 13,333	% 48.8	Yen 877.72
June 30, 2020	25,913	12,012	45.0	791.67

(Reference) Equity: As of June 30, 2021: ¥ 12,959 million
As of June 30, 2020: ¥ 11,654 million

(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 June 30, 2021	Million yen (252)	Million yen (15)	Million yen (2,866)	Million yen 7,117
June 30, 2020	2,632	(1,001)	5,897	10,242

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	Million yen	%	%
June 30, 2020	-	0.00	-	10.00	10.00	147	24.4	1.3
June 30, 2021	-	0.00	-	25.00	25.00	369	24.7	3.0
Fiscal year ending June 30, 2022 (Forecast)	-	0.00	-	33.00	33.00		25.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 01, 2021 to June 30, 2022)

(% 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
Full year	54,000	31.9	2,390	12.2	2,850	13.6	1,950	30.7	132.07

* Notes:

(1) Changes in significant subsidiaries during the fiscal year ended June 30, 2021

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

June 30, 2021: 15,051,227 shares

June 30, 2020: 15,051,227 shares

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

June 30, 2021: 286,091 shares

June 30, 2020: 329,326 shares

3) Average number of shares during the period:

Fiscal Year ended June 30, 2021: 14,747,731 shares

Fiscal Year ended June 30, 2020: 14,673,332 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms

* Explanation of the proper use of financial results forecast and other notes

The financial results forecast and other forward-looking statements in this material are based on information currently available to the Company and certain assumptions deemed to be reasonable, and actual results may differ significantly due to various factors. Please see the item (4) "Future Outlook" on page 5 of the attached document of this material for the conditions for financial and other results, as well as important matters to be aware of when using the financial results forecast.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period under Review

During the fiscal year ended June 30, 2021, the world economy and the Japanese economy remained in a severe situation due to the global COVID-19 pandemic, and the impact of trends in future infections on the economy remains unclear.

In the Group's business areas, the uncertain situation continued, with ocean freight rates soaring due to tight supply and demand of cargo ships against the backdrop of the worldwide shortage of shipping containers in addition to the prolonged COVID-19 pandemic. However, demand for steel products has remained robust as domestic and overseas production in the manufacturing industries bounced back. Furthermore, using recycled raw materials, including ferrous scrap, is more appreciated amid the global trend of decarbonization.

As a result, the ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) increased from ¥24,500 at the end of the previous fiscal year to ¥51,500 at the end of the fiscal year under review, and the average price during the fiscal year under review was ¥36,054, trending upward from ¥22,943 in the previous fiscal year. With regard to the prices of nonferrous metals, the average prices of copper, aluminum, and nickel rose above those of the previous fiscal year.

Amid this environment, during the fiscal year ended June 30, 2021, we have set forth "CASH IS KING," "Restructuring of work," and "Reaffirming the raison d'être" as our basic policy to address the COVID-19 crisis based on our mission statement "Contribute to create a sustainable society," and have proceeded with the reinforcement of our foundation.

In the Lithium-ion Batteries Recycling Business, we reviewed our earnings plan and recorded an impairment loss. In the Global Trading Business, we decided to change the business form of the subsidiary in Uganda operated by 3WM Co., Ltd, a consolidated subsidiary of the Company engaged in the used car business, etc., through a business transfer or other means, due in part to the change in the business environment caused by the COVID-19 pandemic, and recorded a restructuring loss. In addition, as a result of careful discussions regarding the recoverability of some receivables in biomass fuel trading, we recorded provision of allowance for doubtful accounts. These extraordinary losses, including other items, amounted to ¥834 million. Meanwhile, we recorded a gain on sale of investment securities due to the sale of cross-shareholdings, and extraordinary income, including other items, amounted to ¥427 million.

As a result, for the fiscal year ended June 30, 2021, net sales were ¥40,933 million (up 20.8% year on year), operating profit was ¥2,130 million (up 169.6% year on year), ordinary profit was ¥2,508 million (up 168.3% year on year), and profit attributable to owners of parent was ¥1,491 million (up 147.8% year on year).

Results by segment are as follows, with net sales shown as inter-segment sales or sales including transfers. The classification of reportable segments has been changed from the fiscal year under review, and the amounts stated for the previous fiscal year are those compiled based on the classification of reportable segments following the change.

Summary of Business Results by Segment

<Net sales>

(Million yen)

	The 11th term (Fiscal year ended June 30, 2020)	The 12th term (Fiscal year ended June 30, 2021)	Increase/decrease ratio
Resource Circulation Business	10,746	14,216	32.3%
Global Trading Business	25,792	31,033	20.3%
Lithium-ion Batteries Recycling Business	97	356	264.2%
Others	295	354	20.0%
Adjustment	(3,052)	(5,026)	-
Total	33,879	40,933	20.8%

<Segment profit (loss)>

(Million yen)

	The 11th term (Fiscal year ended June 30, 2020)	The 12th term (Fiscal year ended June 30, 2021)	Increase/decrease ratio
Resource Circulation Business	540	2,080	285.2%
Global Trading Business	638	711	11.4%
Lithium-ion Batteries Recycling Business	(127)	(80)	-
Others	30	84	173.6%
Adjustment	(147)	(287)	-
Total	934	2,508	168.3%

(Note) Segment profit (loss) is adjusted with ordinary profit in the consolidated statements of income.

1) Resource Circulation Business

Metal scrap prices rose, and, partly due to the purchasing of metal scrap discharged from large-scale demolished properties, both prices and handling volume increased compared to the previous fiscal year. In addition, the revisions to waste disposal fee we have pursued from the previous fiscal year enabled us to secure profit margins, and combined with the effects of factors including the streamlining of production processes and an increase in share of profit of entities accounted for using equity method, they have all led to an increase in both sales and profit.

As a result, net sales in the Resource Circulation Business segment were ¥14,216 million (up 32.3% year on year), while segment profit was ¥2,080 million (up 285.2% year on year).

2) Global Trading Business

We secured profit margin by utilizing regular sales schemes and passing on prices in our logistics agency services in a challenging business environment, which included a continuation of soaring ocean freight rates, difficulties in booking freighters, and restrictions on overseas business due to COVID-19. In addition, expanding domestic stockyards and securing handling volume through trilateral trade led to an increase in both sales and profit.

As a result, net sales in the Global Trading Business segment were ¥31,033 million (up 20.3% year on year), while segment profit was ¥711 million (up 11.4% year on year).

3) Lithium-ion Batteries Recycling Business

In addition to an increase in prices of cobalt, nickel and copper, handling volume rose due to purchasing from leading battery manufacturers, etc. and acceptance of waste batteries processing by making use of the disposal business license, leading to an improvement in profitability. The deficit contracted with the business turning a profit in the fourth quarter, partly as a result of a decrease in depreciation due to recording of an impairment loss.

As a result, net sales in the Lithium-ion Batteries Recycling Business segment were ¥356 million (up 264.2% year on year), while segment loss was ¥80 million (segment loss was ¥127 million in the previous fiscal year).

We will continue to aggressively apply management resources to make these pillars of our growth strategy.

4) Others

The Environment Management Consulting Business remained robust and posted increases in both sales and profit, owing to consulting services mainly to facilitate a circular economy in addition to a steady stream of orders for services including CDP evaluation improvement support, formulation of carbon neutral strategies and Task Force on Climate-related Financial Disclosures (TCFD) response support.

Concerning the Welfare Service Business for Persons with Disabilities, the usage rate at the Nagano area facilities saw firm growth and the usage rate at the Kanto area facilities likewise experienced firm growth, leading to increases in both sales and profit.

As a result, net sales in Others segment were ¥354 million (up 20.0% year on year), while segment profit was ¥84 million (up 173.6% year on year).

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the fiscal year under review amounted to ¥26,548 million (up ¥635 million, or 2.5% from the end of the previous fiscal year). Current assets amounted to ¥17,500 million (up ¥970 million, or 5.9% from the end of the previous fiscal year). This was primarily due to increases of ¥2,374 million in merchandise and finished goods and ¥1,887 million in notes and accounts receivable - trade, despite a decrease of ¥3,124 million in cash and deposits. Non-current assets amounted to ¥9,048 million (down ¥335 million, or 3.6% from the end of the previous fiscal year). This was mainly due to decreases of ¥482 million in machinery, equipment and vehicles, and ¥78 million in buildings and structures, despite an increase of ¥271 million in deferred tax assets.

Total liabilities at the end of the fiscal year under review amounted to ¥13,215 million (down ¥685 million, or 4.9% from the end of the previous fiscal year). Current liabilities amounted to ¥9,765 million (up ¥2,265 million, or 30.2% from the end of the previous fiscal year). This was mainly due to increases of ¥1,270 million in short-term borrowings and ¥1,061 million in notes and accounts payable - trade, despite a decrease of ¥907 million in current portion of long-term borrowings. Non-current liabilities amounted to ¥3,450 million (down ¥2,950 million, or 46.1% from the end of the previous fiscal year). This was mainly due to a decrease of ¥3,010 million in long-term borrowings.

Total net assets at the end of the fiscal year under review amounted to ¥13,333 million (up ¥1,320 million, or 11.0% from the end of the previous fiscal year). This was mainly due to an increase of ¥1,344 million in retained earnings.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥3,125 million, or 30.5%, from the end of the previous fiscal year, to ¥7,117 million.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥252 million, compared with ¥2,632 million provided by operating activities in the previous fiscal year. This net cash outflow mainly reflected cash outflows of ¥2,473 million in decrease in inventories and ¥1,885 million in decrease in trade receivables, compared with cash inflows of ¥2,101 million in profit before income taxes, 1,273¥ million in increase in trade payables and ¥736 million in depreciation.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥15 million, compared with ¥1,001 million used in investing activities in the previous fiscal year. This net cash outflow mainly reflected cash outflows of ¥604 million in purchase of property, plant and equipment, compared with cash inflows of ¥577 million in proceeds from sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,866 million, compared with ¥5,897 million provided by financing activities in the previous fiscal year. This net cash outflow mainly reflected cash outflows of ¥4,250 million in repayments of long-term borrowings, compared with cash inflows of ¥1,270 million in net increase in

short-term borrowings and ¥333 million in proceeds from long-term borrowings.

(4) Future Outlook

Regarding the future outlook, the situation remains harsh due to the prolonged COVID-19 pandemic, and the impact of trends in future infections on the economy remains unclear. Meanwhile, in the Group's business environment, using recycled raw materials is more appreciated amid the global trend of decarbonization.

Under our mission statement "Contribute to create a sustainable society," which is set out in the "Sustainability Strategy" formulated by the Group as a five-year long-term strategy in 2018, the Group will also promote its businesses based on priority policies to dramatically raise social credibility, dramatically raise management resource efficiency, and dramatically raise productivity.

The financial results forecasts for the next fiscal year are based on the assumption of ferrous scrap price of ¥50,000 per ton, copper price of ¥1,000,000 per ton, and an average yen exchange rate of ¥105 to the U.S. dollar, with net sales of ¥54,000 million (up 31.9% year on year), operating profit of ¥2,390 million (up 12.2% year on year), ordinary profit of ¥2,850 million (up 13.6% year on year), and profit attributable to owners of parent of ¥1,950 million (up 30.7% year on year).

* The financial results forecasts are based on information available to the Company as of the release of this document and certain assumptions judged to be valid, and actual results may differ significantly due to various factors. Should the need arise to revise the financial results, revisions will be disclosed promptly.

(5) Significant Events regarding Going Concern Assumption

There is no relevant information.

2. Basic Stance Concerning Choice of Accounting Standards

The Group has adopted Japanese GAAP in consideration of the comparability of its consolidated financial statements with domestic industry peers.

Please note that application of IFRS (International Financial Reporting Standards) will be considered, based on various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Thousand yen)

	As of June 30,2020	As of June 30,2021
Assets		
Current assets		
Cash and deposits	10,383,947	7,259,898
Notes and accounts receivable - trade	2,344,018	4,231,391
Merchandise and finished goods	2,615,544	4,990,470
Work in process	12,858	21,037
Raw materials and supplies	364,342	437,067
Other	861,513	644,643
Allowance for doubtful accounts	(52,447)	(83,829)
Total current assets	16,529,776	17,500,678
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,498,846	4,537,521
Accumulated depreciation	(2,609,911)	(2,727,161)
Buildings and structures, net	1,888,935	1,810,360
Machinery, equipment and vehicles	9,582,700	9,139,250
Accumulated depreciation	(7,532,687)	(7,571,635)
Machinery, equipment and vehicles, net	2,050,012	1,567,615
Land	2,517,061	2,513,070
Construction in progress	199,156	170,109
Other	439,486	441,636
Accumulated depreciation	(365,596)	(383,589)
Other, net	73,889	58,047
Total property, plant and equipment	6,729,056	6,119,202
Intangible assets		
Goodwill	9,686	-
Other	60,861	66,095
Total intangible assets	70,547	66,095
Investments and other assets		
Investment securities	2,289,265	2,274,099
Investments in capital	9,280	9,430
Deferred tax assets	193,568	464,822
Other	327,608	681,780
Allowance for doubtful accounts	(235,613)	(567,423)
Total investments and other assets	2,584,108	2,862,709
Total non-current assets	9,383,712	9,048,007
Total assets	25,913,489	26,548,686

(Thousand yen)

	As of June 30,2020	As of June 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,102,215	2,163,255
Short-term borrowings	3,540,000	4,810,000
Current portion of long-term borrowings	1,595,158	687,773
Lease obligations	53,722	76,987
Income taxes payable	251,302	556,206
Provision for bonuses	57,328	65,631
Other	900,074	1,405,164
Total current liabilities	7,499,801	9,765,018
Non-current liabilities		
Long-term borrowings	5,476,615	2,466,423
Lease obligations	147,382	223,069
Deferred tax liabilities for land revaluation	64,282	64,282
Retirement benefit liability	356,312	389,489
Asset retirement obligations	168,067	169,070
Other	188,363	137,827
Total non-current liabilities	6,401,022	3,450,162
Total liabilities	13,900,824	13,215,180
Net assets		
Shareholders' equity		
Share capital	1,524,830	1,524,830
Capital surplus	1,961,456	1,957,981
Retained earnings	8,309,117	9,653,565
Treasury shares	(217,853)	(188,806)
Total shareholders' equity	11,577,550	12,947,571
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	85,460	4,999
Revaluation reserve for land	8,633	8,633
Foreign currency translation adjustment	(16,819)	(1,568)
Total accumulated other comprehensive income	77,274	12,064
Share acquisition rights	326,064	326,584
Non-controlling interests	31,775	47,284
Total net assets	12,012,664	13,333,505
Total liabilities and net assets	25,913,489	26,548,686

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended June 30,2020	For the fiscal year ended June 30,2021
Net sales	33,879,334	40,933,769
Cost of sales	27,017,544	32,568,921
Gross profit	6,861,790	8,364,847
Selling, general and administrative expenses	6,071,490	6,234,352
Operating profit	790,299	2,130,495
Non-operating income		
Interest income	4,581	1,985
Dividend income	3,856	19,703
Share of profit of entities accounted for using equity method	123,021	380,440
Rental income	31,514	28,887
Outsourcing service income	8,467	8,761
Other	41,156	46,097
Total non-operating income	212,596	485,874
Non-operating expenses		
Interest expenses	19,631	36,736
Foreign exchange losses	26,883	50,367
Commission expenses	5,455	3,680
Depreciation	4,527	6,920
Other	11,487	10,212
Total non-operating expenses	67,984	107,917
Ordinary profit	934,911	2,508,452
Extraordinary income		
Gain on sale of non-current assets	12,184	20,787
Gain on sale of investment securities	-	372,702
Insurance claim income	91,856	29,632
National subsidies	237,039	-
Compensation income	13,763	4,605
Total extraordinary income	354,843	427,727
Extraordinary losses		
Loss on sale of non-current assets	18,540	1,990
Loss on retirement of non-current assets	52,724	14,376
Loss on tax purpose reduction entry of non- current assets	237,039	-
Impairment losses	-	437,793
Provision of allowance for doubtful accounts	-	319,685
Loss on business restructuring	36,470	49,900
Loss on disaster	26,234	5,356
Loss on valuation of investment securities	-	5,080
Total extraordinary losses	371,008	834,184
Profit before income taxes	918,746	2,101,995
Income taxes - current	422,050	826,427
Income taxes - deferred	(98,636)	(231,607)
Total income taxes	323,414	594,819
Profit	595,332	1,507,176
Profit (loss) attributable to non-controlling interests	(6,721)	15,509
Profit attributable to owners of parent	602,053	1,491,667

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended June 30,2020	For the fiscal year ended June 30,2021
Profit	595,332	1,507,176
Other comprehensive income		
Valuation difference on available-for-sale securities	48,224	(80,461)
Foreign currency translation adjustment	(272)	15,251
Total other comprehensive income	47,952	(65,209)
Comprehensive income	643,284	1,441,967
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	650,006	1,426,457
Comprehensive income attributable to non-controlling interests	(6,721)	15,509

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended June 30, 2020

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,524,830	1,973,372	7,941,272	(273,350)	11,166,124
Changes during period					
Dividends of surplus			(234,209)		(234,209)
Profit attributable to owners of parent			602,053		602,053
Disposal of treasury shares		(8,689)		55,497	46,807
Purchase of shares of consolidated subsidiaries		(3,226)			(3,226)
Net changes in items other than shareholders' equity					
Total changes during period	-	(11,915)	367,844	55,497	411,426
Balance at end of period	1,524,830	1,961,456	8,309,117	(217,853)	11,577,550

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	37,235	8,633	(16,547)	29,322	328,125	38,496	11,562,068
Changes during period							
Dividends of surplus							(234,209)
Profit attributable to owners of parent							602,053
Disposal of treasury shares							46,807
Purchase of shares of consolidated subsidiaries							(3,226)
Net changes in items other than shareholders' equity	48,224	-	(272)	47,952	(2,060)	(6,721)	39,169
Total changes during period	48,224	-	(272)	47,952	(2,060)	(6,721)	450,596
Balance at end of period	85,460	8,633	(16,819)	77,274	326,064	31,775	12,012,664

For the fiscal year ended June 30, 2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,524,830	1,961,456	8,309,117	(217,853)	11,577,550
Changes during period					
Dividends of surplus			(147,219)		(147,219)
Profit attributable to owners of parent			1,491,667		1,491,667
Purchase of treasury shares				(26)	(26)
Disposal of treasury shares		(3,474)		29,073	25,598
Net changes in items other than shareholders' equity					
Total changes during period	-	(3,474)	1,344,448	29,047	1,370,020
Balance at end of period	1,524,830	1,957,981	9,653,565	(188,806)	12,947,571

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	85,460	8,633	(16,819)	77,274	326,064	31,775	12,012,664
Changes during period							
Dividends of surplus							(147,219)
Profit attributable to owners of parent							1,491,667
Purchase of treasury shares							(26)
Disposal of treasury shares							25,598
Net changes in items other than shareholders' equity	(80,461)	-	15,251	(65,209)	519	15,509	(49,180)
Total changes during period	(80,461)	-	15,251	(65,209)	519	15,509	1,320,840
Balance at end of period	4,999	8,633	(1,568)	12,064	326,584	47,284	13,333,505

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended June 30,2020	For the fiscal year ended June 30,2021
Cash flows from operating activities		
Profit before income taxes	918,746	2,101,995
Depreciation	592,235	736,393
Impairment losses	-	437,793
Amortization of goodwill	12,915	9,686
Increase (decrease) in allowance for doubtful accounts	6,606	362,149
Increase (decrease) in retirement benefit liability	46,548	32,862
Interest and dividend income	(8,437)	(21,688)
Interest expenses	19,631	36,736
Foreign exchange losses (gains)	(31)	(17,936)
Share of loss (profit) of entities accounted for using equity method	(123,021)	(380,440)
Loss on sale of non-current assets	18,540	1,990
Loss on retirement of non-current assets	52,724	14,376
Gain on sale of non-current assets	(12,184)	(20,787)
Loss on tax purpose reduction entry of non-current assets	237,039	-
Decrease (increase) in trade receivables	449,241	(1,885,858)
Decrease (increase) in inventories	1,350,703	(2,473,392)
Increase (decrease) in trade payables	(63,693)	1,273,965
Decrease (increase) in advance payments to suppliers	-	294,708
Loss (gain) on sale of investment securities	-	(372,702)
Increase (decrease) in provision for bonuses	(3,027)	8,303
Loss (gain) on valuation of investment securities	-	5,080
Proceeds from state subsidy	(237,039)	-
Compensation income	(13,763)	(4,605)
Insurance claim income	(91,856)	(29,632)
Loss on business restructuring	36,470	49,900
Loss on disaster	26,234	5,356
Other, net	(250,745)	43,784
Subtotal	2,963,835	208,038
Interest and dividends received	53,176	77,871
Interest paid	(15,722)	(37,375)
Income taxes paid	(411,871)	(543,821)
Proceeds from compensation	2,361	31,453
Proceeds from insurance income	91,856	29,632
Payments for business restructuring	(36,470)	(1,313)
Payments associated with disaster loss	(14,836)	(16,753)
Net cash provided by (used in) operating activities	2,632,327	(252,267)

(Thousand yen)

	For the fiscal year ended June 30,2020	For the fiscal year ended June 30,2021
Cash flows from investing activities		
Payments into time deposits	(141,488)	(142,690)
Proceeds from withdrawal of time deposits	141,483	141,455
Purchase of property, plant and equipment	(1,249,537)	(604,927)
Proceeds from sale of property, plant and equipment	30,245	64,045
Purchase of intangible assets	(1,605)	(12,056)
Proceeds from sale of investment securities	-	577,902
Proceeds from state subsidy	237,039	-
Other, net	(17,356)	(39,249)
Net cash provided by (used in) investing activities	(1,001,219)	(15,520)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,660,000	1,270,000
Proceeds from long-term borrowings	4,995,302	333,324
Repayments of long-term borrowings	(485,886)	(4,250,901)
Repayments of finance lease obligations	(58,389)	(71,895)
Dividends paid	(234,209)	(147,219)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,226)	-
Purchase of treasury shares	-	(26)
Proceeds from disposal of treasury shares from exercise of share acquisition rights	23,789	-
Net cash provided by (used in) financing activities	5,897,381	(2,866,717)
Effect of exchange rate change on cash and cash equivalents	(134)	9,221
Net increase (decrease) in cash and cash equivalents	7,528,354	(3,125,284)
Cash and cash equivalents at beginning of period	2,714,137	10,242,492
Cash and cash equivalents at end of period	10,242,492	7,117,207

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Additional Information)

(Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

With regard to the transition to the group tax sharing system, which was instituted by the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), and the items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, in accordance with Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force No. 39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries have applied the provisions of the pre-amendment tax law to deferred tax assets and liabilities, instead of the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018).

(Accounting estimates regarding the spread of COVID-19)

Although there is concern about the impact of changes in the economic situation and business environment caused by the spread of COVID-19, no material impact on our business activities and business performance has been observed so far, and the Group believes that our accounting estimates will not be affected. However, a revision of our judgment due to changes in the situation in the future may result in a material impact on the consolidated financial statements for the next fiscal year and beyond.

(Consolidated Statements of Income)

Restructuring loss recorded for the previous fiscal year is due to the restructuring of the plastic recycling business operated by the Company's consolidated subsidiaries ECONECOL Inc. and PLA 2 PLA Inc.

Restructuring loss recorded for the fiscal year under review is due to the restructuring of the subsidiary operated in Uganda by the Company's consolidated subsidiary, 3WM Co., Ltd.

(Segment Information)

(Segment information)

1. Description of reportable segments

(1) Method of determining segments

Reportable segments of the Group are determined as segments whose separate financial information is accessible from among the constituent units of the Group and are regularly considered by the Board of Directors to determine the allocation of management resources and to evaluate achievements.

The Group's businesses include the Resource Circulation Business, Global Trading Business, Lithium-ion Batteries Recycling Business, Environment Management Consulting Business, Welfare Service Business for Persons with Disabilities, and others. Each business unit formulates its own comprehensive strategies and develops its business activities.

Therefore, the Group consists of segments based on products and services and has three reportable segments: Resource Circulation Business, Global Trading Business, and Lithium-ion Batteries Recycling Business.

(2) Type of products and services belonging to each reportable segment

The Resource Circulation Business mainly handles metal scrap and industrial waste (including some domestic waste; hereinafter referred to as "waste") that are discharged from factories and demolished properties, etc. The Company collects and transports these waste materials to intermediate processing factories, where it cuts/fuses, manually dismantles, shreds/sorts, compresses/molds the waste, and produces ferrous scrap, nonferrous metals (copper, aluminum, stainless steel, etc.), plastic, and rubber, which are then sold both domestically and overseas, including at bases for the Global Trading Business.

The Global Trading Business collects recycled resources produced by the Group, as well as recycled resources and used cars, etc. purchased from domestic industry peers at our collection bases throughout Japan, which are then sold both domestically and overseas. It also imports and is engaged in trilateral trade of recycled resources, wood biomass fuel, and used cars, etc. In addition, it provides logistics services for importers and exporters. The Global Trading Business operates overseas bases in the form of local subsidiaries in the UAE, Chile and Uganda for the sale of used cars, etc., and representative offices in Vietnam and the U.K. for the sale of metal scrap, etc.

The Lithium-ion Batteries Recycling Business mainly handles process waste and used batteries discharged from battery factories, etc., which it dries, shreds, and sorts to produce minor metal concentrated sand containing cobalt and nickel, which is then sold.

(3) Items related to changes in the reportable segments

From the fiscal year under review, the classification of reportable segments has been changed from the previous four segments of Resource Circulation Business, Global Resource Circulation Business, Used-cars-related Business, and Others to the four segments of Resource Circulation Business, Global Trading Business, Lithium-ion Batteries Recycling Business, and Others.

The aim is to strengthen the synergies between the Global Resource Circulation Business and the Used-cars-related Business, which engage in international product distribution transactions, by integrating these segments.

In addition, lithium-ion batteries recycling, which comprised part of the Resource Circulation Business, has been spun off as an independent segment in view of the business content and scale of hydrometallurgy, etc., which is planned as a strategic business of the Group in the future.

"Information on net sales, profit (loss), and assets and other items by reportable segment" for the previous fiscal year has been reclassified to reflect the amounts after the change.

2. Method of measurement for the amounts of net sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting method used for reporting business segments is generally the same as stated in "Important Matters That Form the Basis for Preparing Consolidated Financial Statements." Reporting segment profit figures are based on ordinary profit. Inter-segment revenues and transfers are mainly based on market prices.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

For the fiscal year ended June 30, 2020

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Resource Circulation	Global Trading	Lithium-ion Batteries Recycling	Total				
Net sales								
Net sales to outside customers	7,924,558	25,655,817	41,541	33,621,917	257,417	33,879,334	–	33,879,334
Inter-segment sales or transfers	2,821,594	136,284	56,385	3,014,264	37,897	3,052,161	(3,052,161)	–
Total	10,746,152	25,792,101	97,927	36,636,181	295,314	36,931,496	(3,052,161)	33,879,334
Segment profit	540,013	638,867	(127,704)	1,051,176	30,824	1,082,000	(147,088)	934,911
Segment assets	9,829,509	4,459,934	637,152	14,926,596	195,302	15,121,898	10,791,590	25,913,489
Other items								
Depreciation	469,874	54,714	40,615	565,204	3,816	569,020	23,214	592,235
Amortization of goodwill	12,915	–	–	12,915	–	12,915	–	12,915
Interest income	10	3,615	0	3,626	1	3,627	953	4,581
Interest expenses	6,988	582	1,924	9,495	374	9,870	9,761	19,631
Share of profit of entities accounted for using equity method	123,021	–	–	123,021	–	123,021	–	123,021
Investment in entities accounted for using equity method	1,860,486	–	–	1,860,486	–	1,860,486	–	1,860,486
Increase in property, plant and equipment and intangible assets	1,006,518	101,391	416,250	1,524,160	14,178	1,538,339	29,651	1,567,990

(Notes) 1. The “Others” business segment, which is not included in the reportable segments, includes the Environment Management Consulting Business and the Welfare Service Business for Persons with Disabilities.

2. Figures are adjusted as follows:

- (1) The adjustment for segment profit of negative ¥147,088 thousand is corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.
- (2) The adjustment for segment assets of ¥10,791,590 thousand mainly includes corporate assets not allocated to each reportable segment.
- (3) The adjustments for depreciation of ¥23,214 thousand, interest income of ¥953 thousand, interest expenses of ¥9,761 thousand, as well as increase in property, plant and equipment and intangible assets of ¥29,651 thousand are associated with company assets not allocated to each reportable segment.

3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

For the fiscal year ended June 30, 2021

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Resource Circulation	Global Trading	Lithium-ion Batteries Recycling	Total				
Net sales								
Net sales to outside customers	9,541,082	30,857,002	208,449	40,606,533	327,235	40,933,769	–	40,933,769
Inter-segment sales or transfers	4,675,473	176,131	148,180	4,999,785	27,137	5,026,922	(5,026,922)	–
Total	14,216,555	31,033,133	356,629	45,606,319	354,372	45,960,692	(5,026,922)	40,933,769
Segment profit	2,080,011	711,538	(80,021)	2,711,528	84,333	2,975,861	(287,408)	2,508,452
Segment assets	13,057,948	9,909,382	292,555	23,259,886	253,282	23,513,168	3,035,517	26,548,686
Other items								
Depreciation	589,747	76,003	55,480	721,231	4,642	725,874	10,518	736,393
Amortization of goodwill	9,686	–	–	9,686	–	9,686	–	9,686
Interest income	85	1,482	0	1,569	1	1,570	414	1,985
Interest expenses	11,503	10,728	2,214	24,446	308	24,754	11,981	36,736
Share of profit of entities accounted for using equity method	380,440	–	–	380,440	–	380,440	–	380,440
Investment in entities accounted for using equity method	2,184,709	–	–	2,184,709	–	2,184,709	–	2,184,709
Increase in property, plant and equipment and intangible assets	424,093	164,876	16,055	605,025	904	605,930	1,636	607,566

(Notes) 1. The “Others” business segment, which is not included in the reportable segments, includes the Environment Management Consulting Business and the Welfare Service Business for Persons with Disabilities.

2. Figures are adjusted as follows:

- (1) The adjustment for segment profit of negative ¥287,408 thousand is corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.
- (2) The adjustment for segment assets of ¥3,035,517 thousand mainly includes corporate assets not allocated to each reportable segment.
- (3) The adjustments for depreciation of ¥10,518 thousand, interest income of ¥414 thousand, interest expenses of ¥11,981 thousand, as well as increase in property, plant and equipment and intangible assets of ¥1,636 thousand are associated with company assets not allocated to each reportable segment.

3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

4. Information about impairment loss on non-current assets and goodwill, etc. by reportable segment
(Significant impairment loss on non-current assets)

For the fiscal year ended June 30, 2020

There is no relevant information.

For the fiscal year ended June 30, 2021

(Thousand yen)

	Resource Circulation	Global Trading	Lithium-ion Batteries Recycling	Others	Elimination/ Corporate	Total
Impairment loss	—	—	437,793	—	—	437,793

(Notes) The amount of " Elimination/Corporate " is pertaining to the corporate assets that are not allocated to reportable segments.

(Significant changes in the amount of goodwill)

There is no relevant information.

(Significant gain on bargain purchase)

There is no relevant information.

(Per Share Information)

	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Net assets per share	¥791.67	¥877.72
Basic earnings per share	¥41.03	¥101.15
Diluted earnings per share	¥39.25	¥96.84

(Notes) 1. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

Item	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	602,053	1,491,667
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (Thousand yen)	602,053	1,491,667
Average number of shares of common shares outstanding during each fiscal year (Shares)	14,673,332	14,747,731
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of shares of common shares (Shares)	664,081	655,807
(Share acquisition rights included in the above (Shares))	(664,081)	(655,807)
Overview of dilutive shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	—

3. The basis for calculating net assets per share is as follows.

Item	For the fiscal year ended June 30, 2020	For the fiscal year ended June 30, 2021
Total amount of net assets (Thousand yen)	12,012,664	13,333,505
Amount deducted from total amount of net assets (Thousand yen)	357,839	373,868
(Share acquisition rights included in the above (Shares))	(326,064)	(326,584)
(Non-controlling interests included in the above (Shares))	(31,775)	(47,284)
Net assets at end of the period relating to common shares (Thousand yen)	11,654,824	12,959,636
Number of common shares at end of the period used to calculate net assets per share (Shares)	14,721,901	14,765,136

(Significant Subsequent Events)

There is no relevant information.