

Consolidated Financial Results for the Three Months Ended September 30, 2021 [Japanese GAAP]

November 08, 2021

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

URL: <https://www.envipro.jp/>

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Scheduled date of filing quarterly securities report: November 12, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended September 30, 2021 (July 01, 2021 to September 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	%
Three months ended September 30, 2021	14,292	92.1	795	516.1	921	325.0	666	377.2
September 30, 2020	7,439	(26.7)	129	(70.8)	216	(55.7)	139	(56.6)

(Note) Comprehensive income: Three months ended September 30, 2021: ¥ 679 million [419.1%]
Three months ended September 30, 2020: ¥ 130 million [(56.9)%]

	Basic earnings per share	Diluted earnings per share
Three months ended September 30, 2021	Yen 45.12	Yen 43.15
September 30, 2020	9.49	9.09

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of September 30, 2021	Million yen 26,292	Million yen 13,646	50.4%
June 30, 2021	26,548	13,333	48.8

(Reference) Equity: As of September 30, 2021: ¥ 13,259 million
As of June 30, 2021: ¥ 12,959 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2021	Yen -	Yen 0.00	Yen -	Yen 25.00	Yen 25.00
Fiscal year ending June 30, 2022	-	-	-	-	-
Fiscal year ending June 30, 2022 (Forecast)	-	0.00	-	33.00	33.00

(Note) Revision to the forecast for dividends announced most recently: No

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

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended September 30, 2021

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

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(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

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

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

September 30, 2021: 15,051,227 shares

June 30, 2021: 15,051,227 shares

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

September 30, 2021: 282,131 shares

June 30, 2021: 286,091 shares

3) Average number of shares during the period:

Three months ended September 30, 2021: 14,767,606 shares

Three months ended September 30, 2020: 14,721,901 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 “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” from page 4 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. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

In the Group's business areas during the three months ended September 30, 2021, amid the prolonged COVID-19 pandemic, demand for steel products has been weak since the beginning of the period under review due mainly to soaring ocean freight rates and reduced production in the manufacturing industries primarily caused by the semiconductor shortage. However, in the latter half of the period under review, demand for steel products rose, partly driven by expectations of an economic recovery with the spread of COVID-19 having passed its peak.

As a result, the ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) came to ¥50,000 as of September 30, 2021, the same level as that at the end of the previous fiscal year, and the average price during the three months was ¥49,461, trending upward from ¥23,225 of the same period of the previous fiscal year. With regard to the prices of nonferrous metals, the average prices during the three months of copper, aluminum, and nickel rose above those seen in the same period of the previous fiscal year.

Amid this environment, in the three months ended September 30, 2021, with a strategic concept of challenging ourselves to resolve issues toward realizing a "Decarbonized society," "Circular economy society" and "Distributed society" by viewing it as a business opportunity, based on our mission statement "Contribute to create a sustainable society.", we have proceeded with measures to establish "Realization of concrete cases of the circular economy" and "A disciplined group of autonomous individuals with emergent abilities."

As a result, for the three months ended September 30, 2021, net sales were ¥14,292 million (up 92.1% year on year), operating profit was ¥795 million (up 516.1% year on year), ordinary profit was ¥921 million (up 325.0% year on year), and profit attributable to owners of parent was ¥666 million (up 377.2% 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 end of the previous fiscal year, 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)

	Three months ended September 30, 2020	Three months ended September 30, 2021	Increase/decrease ratio
Resource Circulation Business	2,795	4,762	70.4%
Global Trading Business	5,356	11,109	107.4%
Lithium-ion Batteries Recycling Business	62	147	133.7%
Others	94	127	34.0%
Adjustment	(870)	(1,853)	—
Total	7,439	14,292	92.1%

<Segment profit (loss)>

(Million yen)

	Three months ended September 30, 2020	Three months ended September 30, 2021	Increase/decrease ratio
Resource Circulation Business	242	685	182.1%
Global Trading Business	61	302	387.7%
Lithium-ion Batteries Recycling Business	(37)	18	—
Others	31	45	46.9%
Adjustment	(81)	(130)	—
Total	216	921	325.0%

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

1) Resource Circulation Business

While metal scrap prices remained at the same level as that at the end of the previous fiscal year, demand for

ferrous scrap and other high-grade scraps produced from large-scale shredders increased. As a result, the price gap between those of high-grade and low-grade scraps has widened, which enabled us to secure revenue. In addition, handling volume of ferrous scrap discharged from large-scale demolished properties has been continuing to increase from the previous fiscal year, and combined with 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 ¥4,762 million (up 70.4% year on year), while segment profit was ¥685 million (up 182.1% year on year).

2) Global Trading Business

The business environment remained challenging as exports of metal scrap to overseas destinations were sluggish with a resurgence of the spread of COVID-19, in addition to soaring ocean freight rates due to difficulties in booking freighters. Amid such an environment, an increase in sales volume mainly through capturing domestic demand led to an increase in both sales and profit.

As a result, net sales in the Global Trading Business segment were ¥11,109 million (up 107.4% year on year), while segment profit was ¥302 million (up 387.7% year on year).

3) Lithium-ion Batteries Recycling Business

In addition to stable 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. Also, a decrease in depreciation due to the recording of an impairment loss on non-current assets during the previous fiscal year led to an increase in both sales and profit.

As a result, net sales in the Lithium-ion Batteries Recycling Business segment were ¥147 million (up 133.7% year on year), while segment profit was ¥18 million (segment loss was ¥37 million in the same period of the previous fiscal year).

4) Others

The Environment Management Consulting Business remained robust and posted increases in both sales and profit, owing 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, as well as for consulting services mainly to facilitate a circular economy.

Concerning the Welfare Service Business for Persons with Disabilities, although the usage rate at the facilities saw firm growth, mainly driven by the increased recognition of the facilities, profitability worsened due to the revision of compensation and personnel expenses increased owing to the improved employee treatment, leading to an increase in sales and a decrease in profit.

As a result, net sales in the Others segment were ¥127 million (up 34.0% year on year), while segment profit was ¥45 million (up 46.9% year on year).

(2) Explanation of Financial Position

Status of assets, liabilities, and net assets

Total assets at September 30, 2021 amounted to ¥26,292 million (down ¥256 million, or 1.0% from the end of the previous fiscal year). Current assets amounted to ¥17,021 million (down ¥479 million, or 2.7% from the end

of the previous fiscal year). This was primarily due to decreases of ¥880 million in merchandise and finished goods and ¥603 million in notes and accounts receivable - trade, despite increases of ¥575 million in cash and deposits and ¥396 million in other current assets. Non-current assets amounted to ¥9,270 million (up ¥222 million, or 2.5% from the end of the previous fiscal year). This was mainly due to increases of ¥133 million in investment securities and ¥118 million in construction in progress, despite a decrease of ¥32 million in buildings and structures.

Total liabilities at September 30, 2021 amounted to ¥12,646 million (down ¥569 million, or 4.3% from the end of the previous fiscal year). Current liabilities amounted to ¥9,310 million (down ¥454 million, or 4.7% from the end of the previous fiscal year). This was mainly due to decreases of ¥437 million in notes and accounts payable - trade, ¥373 million in income taxes payable and ¥210 million in other current liabilities, despite an increase of ¥500 million in short-term borrowings. Non-current liabilities amounted to ¥3,335 million (down ¥114 million, or 3.3% from the end of the previous fiscal year). This was mainly due to a decrease of ¥100 million in long-term borrowings.

Total net assets at September 30, 2021 amounted to ¥13,646 million (up ¥312 million, or 2.3% from the end of the previous fiscal year). This was mainly due to an increase of ¥297 million in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

No changes have been made to the consolidated financial results forecast for the fiscal year ending June 30, 2022, announced in the Consolidated Financial Results dated August 11, 2021.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of June 30,2021	As of September 30,2021
Assets		
Current assets		
Cash and deposits	7,259,898	7,835,477
Notes and accounts receivable - trade	4,231,391	3,627,587
Merchandise and finished goods	4,990,470	4,110,097
Work in process	21,037	12,579
Raw materials and supplies	437,067	475,616
Other	644,643	1,040,749
Allowance for doubtful accounts	(83,829)	(80,606)
Total current assets	17,500,678	17,021,502
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,537,521	4,541,853
Accumulated depreciation	(2,727,161)	(2,763,825)
Buildings and structures, net	1,810,360	1,778,028
Machinery, equipment and vehicles	9,139,250	9,255,125
Accumulated depreciation	(7,571,635)	(7,686,902)
Machinery, equipment and vehicles, net	1,567,615	1,568,222
Land	2,513,070	2,513,070
Construction in progress	170,109	289,080
Other	441,636	447,730
Accumulated depreciation	(383,589)	(388,933)
Other, net	58,047	58,797
Total property, plant and equipment	6,119,202	6,207,198
Intangible assets		
Other	66,095	67,842
Total intangible assets	66,095	67,842
Investments and other assets		
Investment securities	2,274,099	2,407,618
Investments in capital	9,430	9,430
Deferred tax assets	464,822	462,258
Other	681,780	687,610
Allowance for doubtful accounts	(567,423)	(571,087)
Total investments and other assets	2,862,709	2,995,830
Total non-current assets	9,048,007	9,270,871
Total assets	26,548,686	26,292,373

(Thousand yen)

	As of June 30,2021	As of September 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,163,255	1,726,041
Short-term borrowings	4,810,000	5,310,000
Current portion of long-term borrowings	687,773	623,536
Lease obligations	76,987	75,288
Income taxes payable	556,206	182,208
Provision for bonuses	65,631	198,938
Other	1,405,164	1,194,698
Total current liabilities	9,765,018	9,310,710
Non-current liabilities		
Long-term borrowings	2,466,423	2,365,697
Lease obligations	223,069	204,664
Deferred tax liabilities for land revaluation	64,282	64,282
Retirement benefit liability	389,489	394,105
Asset retirement obligations	169,070	169,262
Other	137,827	137,348
Total non-current liabilities	3,450,162	3,335,360
Total liabilities	13,215,180	12,646,071
Net assets		
Shareholders' equity		
Share capital	1,524,830	1,524,830
Capital surplus	1,957,981	1,957,364
Retained earnings	9,653,565	9,950,819
Treasury shares	(188,806)	(186,192)
Total shareholders' equity	12,947,571	13,246,821
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,999	10,364
Revaluation reserve for land	8,633	8,633
Foreign currency translation adjustment	(1,568)	(6,017)
Total accumulated other comprehensive income	12,064	12,980
Share acquisition rights	326,584	326,584
Non-controlling interests	47,284	59,916
Total net assets	13,333,505	13,646,302
Total liabilities and net assets	26,548,686	26,292,373

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousand yen)

	For the three months ended September 30,2020	For the three months ended September 30,2021
Net sales	7,439,171	14,292,726
Cost of sales	5,894,662	11,692,293
Gross profit	1,544,509	2,600,432
Selling, general and administrative expenses	1,415,415	1,805,058
Operating profit	129,093	795,374
Non-operating income		
Interest income	612	586
Dividend income	18,971	-
Share of profit of entities accounted for using equity method	65,847	125,722
Rental income	6,177	6,745
Outsourcing service income	2,549	2,555
Other	8,661	23,133
Total non-operating income	102,819	158,743
Non-operating expenses		
Interest expenses	9,687	6,808
Commission expenses	306	1,010
Foreign exchange losses	2,086	17,810
Other	3,121	7,376
Total non-operating expenses	15,201	33,005
Ordinary profit	216,711	921,111
Extraordinary income		
Gain on sale of non-current assets	10,985	798
Reversal of allowance for doubtful accounts	-	2,665
Compensation income	-	2,213
Total extraordinary income	10,985	5,677
Extraordinary losses		
Loss on retirement of non-current assets	2,200	0
Loss on sale of non-current assets	1,990	-
Loss on disaster	8,157	-
Total extraordinary losses	12,348	0
Profit before income taxes	215,348	926,789
Income taxes	67,917	247,774
Profit	147,431	679,014
Profit attributable to non-controlling interests	7,782	12,632
Profit attributable to owners of parent	139,649	666,382

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

(Thousand yen)

	For the three months ended September 30,2020	For the three months ended September 30,2021
Profit	147,431	679,014
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,611)	5,365
Foreign currency translation adjustment	(5,849)	(4,449)
Total other comprehensive income	(16,461)	915
Comprehensive income	130,970	679,929
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	123,188	667,297
Comprehensive income attributable to non-controlling interests	7,782	12,632

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes in the Case of Significant Changes in Shareholders' Equity)

There is no relevant information.

(Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements)

(Calculation of tax costs)

The tax costs of the Company and its consolidated subsidiaries were calculated by reasonably estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year including the three months ended September 30, 2021, and by multiplying profit before income taxes by the estimated effective tax rate.

(Changes in Accounting Policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter under review, and thereby revenue is recognized when the control of promised goods or services is transferred to a customer at an amount to which the Company expects to be entitled in exchange for transferring the goods or services to the customer.

The application of the Revenue Recognition Accounting Standard, etc., follows the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively applying the new accounting policy to the periods prior to the beginning of the first quarter under review has been added to or subtracted from retained earnings at the beginning of the first quarter under review, and the new accounting policy has been applied from the beginning balance. However, the application has no impact on the beginning balance.

As a result, net sales for the three months ended September 30, 2021 decreased by ¥1,164,436 thousand, and cost of sales decreased by ¥1,164,436 thousand. In addition, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the components of revenue from contracts with customers for the three months ended September 30, 2020 is not presented.

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first quarter under review, and thereby the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. has been applied prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the accounting standard, etc. has no impact on the quarterly consolidated financial statements.

(Additional Information)

(Application 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)

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)

In the three months ended September 30, 2021, there were no material changes to the assumptions used in the accounting estimates associated with the spread of COVID-19 stated in the annual securities report for the previous fiscal year.

(Segment Information)
(Segment information)

I Three months ended September 30, 2020 (July 1, 2020 to September 30, 2020)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidate d financial statements (Note 3)
	Resource Circulation	Global Trading	Lithium-ion Batteries Recycling	Total				
Net sales								
Net sales to outside customers	1,977,224	5,334,232	36,074	7,347,532	91,639	7,439,171	—	7,439,171
Inter- segment sales or transfers	817,953	22,508	26,863	867,325	3,359	870,685	(870,685)	—
Total	2,795,178	5,356,741	62,938	8,214,857	94,999	8,309,856	(870,685)	7,439,171
Segment profit (loss)	242,945	61,942	(37,505)	267,383	31,129	298,512	(81,800)	216,711

(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 People with Disabilities.

2. Figures are adjusted as follows:

The adjustment for segment profit of negative ¥81,800 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.

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

2. Information about impairment loss on non-current assets, goodwill, etc. by reportable segment

(Significant impairment loss on non-current assets)

There is no relevant information.

(Significant changes in the amount of goodwill)

There is no relevant information.

(Significant gain on bargain purchase)

There is no relevant information.

II Three months ended September 30, 2021 (July 1, 2021 to September 30, 2021)

1. Information on net sales and profit (loss) and information on disaggregation of revenue by reportable segment

(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								
Ferrous scrap	1,012,606	8,660,737	—	9,673,343	—	9,673,343	—	9,673,343
Nonferrous scrap	808,325	719,574	—	1,527,900	—	1,527,900	—	1,527,900
Rubber products	443,457	—	—	443,457	—	443,457	—	443,457
Used car	—	1,509,112	—	1,509,112	—	1,509,112	—	1,509,112
Related LIB	—	—	94,822	94,822	—	94,822	—	94,822
Others	785,497	133,810	—	919,308	124,781	1,044,089	—	1,044,089
Revenue from contracts with customers	3,049,887	11,023,234	94,822	14,167,944	124,781	14,292,726	—	14,292,726
Net sales to outside customers	3,049,887	11,023,234	94,822	14,167,944	124,781	14,292,726	—	14,292,726
Inter-segment sales or transfers	1,712,169	86,749	52,248	1,851,167	2,526	1,853,693	(1,853,693)	—
Total	4,762,057	11,109,984	147,070	16,019,112	127,307	16,146,419	(1,853,693)	14,292,726
Segment profit (loss)	685,346	302,074	18,942	1,006,362	45,713	1,052,076	(130,964)	921,111

(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 People with Disabilities.

2. Figures are adjusted as follows:

The adjustment for segment profit of negative ¥130,964 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.

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

2. Items related to changes in the reportable segments

As presented in Changes in Accounting Policies, the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the first quarter under review, and changed the accounting treatment of revenue recognition. Accordingly, the calculation method of profit (loss) in the reportable segments has been changed in the same manner. As a result of this change, compared with the previous method, net sales of Global Trading Business for the three months ended September 30, 2021 decreased by ¥1,164,436 thousand. However, there is no impact on segment profit.

From the previous fiscal year, 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 segment information for the three months ended September 30, 2020 was prepared based on the classification after the change.

3. Information about impairment loss on non-current assets and goodwill, etc. by reportable segment

(Significant impairment loss on non-current assets)

There is no relevant information.

(Significant changes in the amount of goodwill)

There is no relevant information.

(Significant gain on bargain purchase)

There is no relevant information.

(Significant Subsequent Events)

(Disposal of treasury shares as restricted stock compensation)

The Company resolved at the Board of Directors meeting held on September 28, 2021 to dispose of treasury shares as restricted stock compensation, and completed payment from eligible persons on October 27, 2021. The details are as follows.

1. Purpose and reason for the disposal

The Company resolved at the Board of Directors meeting held on September 11, 2018 to introduce a restricted stock compensation plan (hereinafter referred to as “the Plan”) for Directors, Executive Officers and Advisors of the Company, and Directors and Auditors of the Company’s subsidiaries (hereinafter referred to as “Eligible Persons”), with the purposes of imparting an incentive to enhance corporate value and sharing in the interests of shareholders of the Company. Based on the Plan, the Company resolved at the Board of Directors meeting held on September 28, 2021 to grant monetary compensation receivables to Eligible Persons, the entire sum of which the Eligible Persons then make in-kind contribution of, and in turn receive an allocation of common shares through the disposal of treasury shares by the Company.

2. Summary of the disposal

(1)	Date of disposal	October 27, 2021
(2)	Type and number of shares subject to disposal	13,107 common shares of the Company
(3)	Disposal value	¥1,783 per share
(4)	Total amount of the disposal	¥23,369,781
(5)	Subject persons of the allocation, the number of subject persons, and the number of shares to be allocated	Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members) 7 persons: 4,377 shares Directors who are Audit and Supervisory Committee Members 3 persons: 877 shares Employees of the Company (Counselors and Executive Officers) 5 persons: 2,646 shares Directors and Auditors of the Company’s subsidiaries 15 persons: 5,207 shares