

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Consolidated Financial Results for the Six Months Ended December 31, 2022 [Japanese GAAP]

February 10, 2023

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

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

Representative: Tomikazu Sano

Representative Director, President/CEO

Contact: Naoki Takekawa

Director in charge of Management Department

Phone: +81-544-21-3160

Scheduled date of filing quarterly securities report: February 10, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended December 31, 2022 (July 01, 2022 to December 31, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended December 31, 2022	23,582	(13.4)	870	(41.8)	1,014	(42.3)	709	(44.1)
December 31, 2021	27,242	64.0	1,494	180.9	1,759	146.7	1,270	159.6

(Note) Comprehensive income: Six months ended December 31, 2022: ¥ 713 million [(44.9)%]
Six months ended December 31, 2021: ¥ 1,294 million [158.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2022	23.91	22.94
December 31, 2021	42.99	41.11

(Note) The Company conducted a 2-for-1 stock split of shares of common stock on April 20, 2022; however, basic earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2022	27,364	16,226	57.7
June 30, 2022	28,963	16,219	54.6

(Reference) Equity: As of December 31, 2022: ¥ 15,800 million
As of June 30, 2022: ¥ 15,808 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2022	-	0.00	-	25.00	25.00
Fiscal year ending June 30, 2023	-	0.00			
Fiscal year ending June 30, 2023 (Forecast)			-	14.00	14.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023(July 01, 2022 to June 30, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	50,000	(12.8)	1,900	(43.2)	2,200	(47.2)	1,400	(55.0)	47.15

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended December 31, 2022

(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: No

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):

December 31, 2022: 30,102,454 Shares

June 30, 2022: 30,102,454 Shares

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

December 31, 2022: 399,618 Shares

June 30, 2022: 442,348 shares

3) Average number of shares during the period:

Six months ended December 31, 2022: 29,673,994 shares

Six months ended December 31, 2021: 29,550,120 shares

(Note) The Company conducted a 2-for-1 stock split of common stock on April 20, 2022; however, the total number of issued shares at the end of the period, the total number of treasury shares at the end of the period, and the average number of shares during the period are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* 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.

Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Primary Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to the Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumption)	11
(Notes in the Case of Significant Changes in Shareholders' Equity)	11
(Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements).....	11
(Additional Information)	11
(Segment Information).....	12
(Significant Subsequent Events).....	15

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

In the Group's business areas during the six months ended December 31, 2022, crude steel production volume worldwide fell below that seen in the same period of the previous fiscal year due mainly to energy crisis in Europe, prolonged supply chain disruption, and other factors, in addition to the economic slowdown in China. Under such circumstances, the ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) was on a downward trend from the beginning of the fiscal year under review, but increased from the latter half of August with tight supply-demand due to a sluggish cargo movement and the drastically weakening yen. Thereafter, the ferrous scrap price continued to repeat a pattern of rising and falling due to various factors, and was ¥49,000 per ton at December 31, 2022. As a result, the average ferrous scrap price during the six months ended December 31, 2022 was ¥47,315, trending downward from ¥52,266 of the same period of the previous fiscal year.

Meanwhile, with regard to the average prices of cobalt, nickel and copper, which are main materials for lithium-ion batteries, all rose above those seen in the same period of the previous fiscal year due to tight supply-demand and the impact of the yen's depreciation.

Amid this environment, in the six months ended December 31, 2022, the Company propelled its business with a strategic concept of "Realization of concrete cases of the circular economy", based on mission statement of "Contribute to a sustainable society". In addition, the Company pushed ahead with initiatives for raising the level of sharing of our corporate philosophy to support the future growth from the ground up, and enhancing the internal systems with environmental improvements and safe management to pursue aggressive attitude, as well as active investment in human capital, etc.

As a result, for the six months ended December 31, 2022, net sales were ¥23,582 million (down 13.4% year on year), operating profit was ¥870 million (down 41.8% year on year), ordinary profit was ¥1,014 million (down 42.3% year on year), and profit attributable to owners of parent was ¥709 million (down 44.1% year on year).

Results by segment are as follows, with net sales shown as inter-segment sales or sales including transfers.

Summary of Business Results by Segment

<Net sales>

(Million yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022	Increase/decrease ratio
Resource Circulation Business	9,891	8,529	(13.8)%
Global Trading Business	20,233	16,831	(16.8)%
Lithium-ion Battery Recycling Business	376	775	106.1%
Others	243	222	(8.9)%
Adjustment	(3,503)	(2,775)	—
Total	27,242	23,582	(13.4)%

<Segment profit>

(Million yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022	Increase/decrease ratio
Resource Circulation Business	1,405	748	(46.8)%
Global Trading Business	371	113	(69.4)%
Lithium-ion Battery Recycling Business	92	288	211.1%
Others	81	50	(38.2)%
Adjustment	(191)	(185)	—
Total	1,759	1,014	(42.3)%

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

1) Resource Circulation Business

Handling volume decreased due to a decline in operating rate caused by temporary failure of facilities and other factors during the first quarter of the fiscal year under review, in addition to a decrease in the number of scrapped vehicles generated. Both sales and profit decreased due to a shrunk margin for inventory sale because of the rapid fall in metal scrap prices in July, 2022, an increase in electricity costs caused by higher energy prices, and personnel expenses increased owing to the improved employee treatment.

As a result, net sales in the Resource Circulation Business segment were ¥8,529 million (down 13.8% year on year), while segment profit was ¥748 million (down 46.8% year on year).

A new factory was completed in Fuji City, Shizuoka Prefecture in September, 2022, and facility construction work is in progress with a view to starting operations in February, 2023.

2) Global Trading Business

The shipping environment for used-cars-related products and metal scrap, etc. improved owing to the rapid fall in ocean freight rates for containers, etc.

Meanwhile, crude steel production for domestic electric furnace was stable while overseas demand for ferrous scrap decreased, leading to high domestic prices and low overseas prices. As differences between overseas and domestic prices shrank, the profitability declined, and the handling volume also decreased. In addition, due in part to the impact of foreign exchange losses resulting from the drastically strengthening yen in the latter half of the six months ended December 31, 2022, both sales and profit decreased.

As a result, net sales in the Global Trading Business segment were ¥16,831 million (down 16.8% year on year), while segment profit was ¥113 million (down 69.4% year on year).

3) Lithium-ion Battery Recycling Business

Amid continued strong demand for materials for batteries, and combined with the yen's depreciation, prices of cobalt, nickel, and copper rose above those seen in the same period of the previous fiscal year. In addition, rising price of lithium in batteries improved the profitability. As the handling volume increased due to improved productivity owing to the improvement in facility operating rate, both sales and profit grew.

As a result, net sales in the Lithium-ion Battery Recycling Business segment were ¥775 million (up 106.1% year on year), while segment profit was ¥288 million (up 211.1% year on year).

We will continuously expand battery treatment capacity and develop hydrometallurgical technologies.

4) Others

The Environment Management Consulting Business posted decreases in both sales and profit, due in part to an increase in personnel expenses owing to the system enhancement, in addition to the postponement of the acceptance inspection of some contracted acceptance operations to the next quarter, amid increasing demand for consulting services related to carbon neutrality and circular economy including CDP scoring services and TCFD response support.

Concerning the Welfare Service Business for People with Disabilities, a new office opened in Nagano area, and started new services such as vegetable farming in collaboration between agriculture and welfare service. However, both sales and profit decreased due in part to a fall in the total number of users.

As a result, net sales in the Others segment were ¥222 million (down 8.9% year on year), while segment profit was ¥50 million (down 38.2% year on year).

(2) Explanation of Financial Position

1) Status of assets, liabilities, and net assets

Total assets at December 31, 2022 amounted to ¥27,364 million (down ¥1,599 million, or 5.5% from the end of the previous fiscal year). Current assets amounted to ¥15,762 million (down ¥2,686 million, or 14.6% from the end of the previous fiscal year). This was primarily due to decreases of ¥1,638 million in cash and deposits and ¥1,610 million in notes and accounts receivable - trade, despite increases of ¥530 million in other current assets and ¥127 million in merchandise and finished goods. Non-current assets amounted to ¥11,602 million (up ¥1,087 million, or 10.3% from the end of the previous fiscal year). This was mainly due to increases of ¥878 million in buildings and structures, ¥568 million in machinery, equipment and vehicles, and ¥199 million in

investment securities, despite decreases of ¥559 million in construction in progress and ¥44 million in other investments and other assets.

Total liabilities at December 31, 2022 amounted to ¥11,137 million (down ¥1,606 million, or 12.6% from the end of the previous fiscal year). Current liabilities amounted to ¥7,628 million (down ¥2,339 million, or 23.5% from the end of the previous fiscal year). This was mainly due to decreases of ¥1,810 million in short-term borrowings, ¥443 million in income taxes payable, and ¥74 million in notes and accounts payable - trade, despite an increase of ¥24 million in current portion of long-term borrowings. Non-current liabilities amounted to ¥3,509 million (up ¥733 million, or 26.4% from the end of the previous fiscal year). This was mainly due to an increase of ¥678 million in long-term borrowings.

Total net assets at December 31, 2022 amounted to ¥16,226 million (up ¥6 million, or 0.0% from the end of the previous fiscal year). This was mainly due to increases of ¥20 million in capital surplus and ¥15 million in non-controlling interests, despite a decrease of ¥31 million in retained earnings.

2) Status of Cash Flows

Cash and cash equivalents at December 31, 2022 decreased by ¥1,637 million, or 18.4%, from the end of the previous fiscal year, to ¥7,275 million.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1,361 million, compared with ¥38 million used in operating activities in the same period of the previous fiscal year. This net cash inflow mainly reflected cash inflows of ¥1,610 million in increase in trade receivables, ¥1,036 million in profit before income taxes, and ¥400 million in depreciation, compared with cash outflows of ¥707 million in income taxes paid, ¥280 million in decrease in accounts payable - other, and ¥406 million in other, net.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥921 million, compared with ¥380 million used in investing activities in the same period of the previous fiscal year. This net cash outflow mainly reflected a cash outflow of ¥988 million in purchase of property, plant and equipment, compared with a cash inflow of ¥39 million in proceeds from sale of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,015 million, compared with ¥364 million used in financing activities in the same period of the previous fiscal year. This net cash outflow mainly reflected cash outflows of ¥1,810 million in net decrease in short-term borrowings, ¥741 million in dividends paid, and ¥396 million in repayments of long-term borrowings, compared with a cash inflow of ¥1,100 million in proceeds from long-term borrowings.

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

Changes have been made to the consolidated financial results forecast for the fiscal year ending June 30, 2023, as announced in the Notice of Revisions to Consolidated Financial Results Forecast and Dividend Forecast dated February 10, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of June 30,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	9,057,899	7,419,610
Notes and accounts receivable - trade	4,532,295	2,921,458
Merchandise and finished goods	3,765,517	3,892,572
Work in process	18,477	20,525
Raw materials and supplies	618,601	524,049
Other	544,973	1,075,019
Allowance for doubtful accounts	(89,446)	(91,232)
Total current assets	18,448,319	15,762,002
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,686,467	5,627,090
Accumulated depreciation	(2,920,156)	(2,982,516)
Buildings and structures, net	1,766,310	2,644,574
Machinery, equipment and vehicles	9,555,475	10,287,897
Accumulated depreciation	(7,927,443)	(8,091,854)
Machinery, equipment and vehicles, net	1,628,031	2,196,042
Land	2,689,312	2,688,406
Construction in progress	1,006,309	446,787
Other	472,084	516,871
Accumulated depreciation	(400,787)	(413,322)
Other, net	71,297	103,548
Total property, plant and equipment	7,161,261	8,079,360
Intangible assets		
Goodwill	29,936	28,332
Other	66,596	76,712
Total intangible assets	96,533	105,045
Investments and other assets		
Investment securities	2,683,383	2,883,357
Investments in capital	9,441	9,441
Deferred tax assets	451,356	432,417
Other	570,247	525,886
Allowance for doubtful accounts	(457,172)	(433,359)
Total investments and other assets	3,257,256	3,417,743
Total non-current assets	10,515,051	11,602,148
Total assets	28,963,371	27,364,151

(Thousand yen)

	As of June 30,2022	As of December 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,743,827	1,669,736
Short-term borrowings	5,340,000	3,530,000
Current portion of long-term borrowings	828,555	853,411
Lease liabilities	87,805	94,118
Income taxes payable	604,885	161,297
Provision for bonuses	75,121	74,888
Other	1,287,818	1,245,088
Total current liabilities	9,968,013	7,628,540
Non-current liabilities		
Long-term borrowings	1,766,057	2,444,898
Lease liabilities	208,347	232,612
Deferred tax liabilities for land revaluation	64,282	64,022
Retirement benefit liability	427,031	444,299
Asset retirement obligations	172,756	190,660
Other	137,570	132,845
Total non-current liabilities	2,776,045	3,509,338
Total liabilities	12,744,059	11,137,878
Net assets		
Shareholders' equity		
Share capital	1,524,830	1,524,830
Capital surplus	1,964,621	1,985,332
Retained earnings	12,395,449	12,363,617
Treasury shares	(145,964)	(131,864)
Total shareholders' equity	15,738,937	15,741,916
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,077)	(2,826)
Revaluation reserve for land	8,633	8,598
Foreign currency translation adjustment	62,283	52,759
Total accumulated other comprehensive income	69,840	58,532
Share acquisition rights	326,584	326,584
Non-controlling interests	83,950	99,239
Total net assets	16,219,312	16,226,272
Total liabilities and net assets	28,963,371	27,364,151

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

(Thousand yen)

	For the six months ended December 31,2021	For the six months ended December 31,2022
Net sales	27,242,835	23,582,307
Cost of sales	22,224,830	19,225,822
Gross profit	5,018,004	4,356,485
Selling, general and administrative expenses	3,523,454	3,486,312
Operating profit	1,494,550	870,173
Non-operating income		
Interest income	1,293	924
Dividend income	198	533
Share of profit of entities accounted for using equity method	258,753	201,989
Rental income	13,689	14,597
Outsourcing service income	4,516	3,684
Other	39,027	40,523
Total non-operating income	317,478	262,252
Non-operating expenses		
Interest expenses	13,345	12,554
Commission expenses	2,800	3,423
Foreign exchange losses	14,786	96,394
Other	21,168	5,195
Total non-operating expenses	52,101	117,566
Ordinary profit	1,759,928	1,014,858
Extraordinary income		
Gain on sale of non-current assets	3,942	24,510
Reversal of allowance for doubtful accounts	4,849	-
Compensation income	3,395	-
Total extraordinary income	12,186	24,510
Extraordinary losses		
Loss on retirement of non-current assets	752	1,161
Loss on sale of non-current assets	96	1,631
Total extraordinary losses	849	2,793
Profit before income taxes	1,771,265	1,036,575
Income taxes	477,291	311,650
Profit	1,293,973	724,925
Profit attributable to non-controlling interests	23,748	15,289
Profit attributable to owners of parent	1,270,225	709,635

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

(Thousand yen)

	For the six months ended December 31,2021	For the six months ended December 31,2022
Profit	1,293,973	724,925
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,794)	(1,748)
Revaluation reserve for land	-	(34)
Foreign currency translation adjustment	4,020	(9,524)
Total other comprehensive income	225	(11,307)
Comprehensive income	1,294,199	713,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,270,451	698,327
Comprehensive income attributable to non-controlling interests	23,748	15,289

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended December 31,2021	For the six months ended December 31,2022
Cash flows from operating activities		
Profit before income taxes	1,771,265	1,036,575
Depreciation	343,805	400,724
Amortization of goodwill	534	1,603
Increase (decrease) in allowance for doubtful accounts	7,539	(21,820)
Increase (decrease) in provision for bonuses	1,533	(233)
Increase (decrease) in retirement benefit liability	7,993	17,290
Interest and dividend income	(1,492)	(1,458)
Interest expenses	13,345	12,554
Foreign exchange losses (gains)	(29,933)	61,028
Share of loss (profit) of entities accounted for using equity method	(258,753)	(201,989)
Loss on disposal of non current assets	96	1,631
Loss on retirement of non-current assets	752	1,161
Gain on sale of non-current assets	(3,942)	(24,510)
Compensation income	(3,395)	-
Decrease (increase) in trade receivables	(153,162)	1,610,688
Decrease (increase) in inventories	107,775	(43,252)
Increase (decrease) in trade payables	(630,658)	(74,186)
Decrease (increase) in advance payments to suppliers	(61,579)	(10,197)
Increase (decrease) in accounts payable - other	(488,295)	(280,453)
Other, net	(70,350)	(406,537)
Subtotal	553,079	2,078,619
Interest and dividends received	1,549	2,126
Interest paid	(13,351)	(12,576)
Income taxes paid	(587,857)	(707,059)
Proceeds from compensation	7,788	-
Net cash provided by (used in) operating activities	(38,791)	1,361,110
Cash flows from investing activities		
Payments into time deposits	(3,284)	(719)
Proceeds from withdrawal of time deposits	2,400	1,200
Purchase of property, plant and equipment	(326,255)	(988,978)
Proceeds from sale of property, plant and equipment	11,011	39,425
Purchase of intangible assets	(6,515)	(16,077)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(40,744)	-
Other, net	(16,996)	43,885
Net cash provided by (used in) investing activities	(380,385)	(921,264)

(Thousand yen)

	For the six months ended December 31,2021	For the six months ended December 31,2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	545,000	(1,810,000)
Proceeds from long-term borrowings	135,000	1,100,000
Repayments of long-term borrowings	(577,798)	(396,303)
Repayments of finance lease liabilities	(97,249)	(167,726)
Dividends paid	(369,128)	(741,502)
Net cash provided by (used in) financing activities	(364,176)	(2,015,532)
Effect of exchange rate change on cash and cash equivalents	17,246	(62,123)
Net increase (decrease) in cash and cash equivalents	(766,107)	(1,637,809)
Cash and cash equivalents at beginning of period	7,117,207	8,913,450
Cash and cash equivalents at end of period	6,351,100	7,275,640

(4) 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 December 31, 2022, and by multiplying profit before income taxes by the estimated effective tax rate.

(Additional Information)

(Application of the practical solution on the treatment of accounting and disclosure under the group tax sharing system)

The Company and some of its domestic consolidated subsidiaries have transitioned to the group tax sharing system from the consolidated taxation system from the beginning of the first quarter under review.

Accordingly, with regard to the accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting, the Company has abided by the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Issues Task Force No. 42, August 12, 2021; hereinafter the "Practical Issues Task Force No. 42.") The changes in accounting policies resulting from the application of the Practical Issues Task Force No. 42 are deemed to have no impact, based on Paragraph 32(1) of the Practical Issues Task Force No. 42.

(Accounting estimates regarding the spread of COVID-19)

There were no material changes to the assumptions used in the additional information associated with the spread of COVID-19 stated in the annual securities report for the previous fiscal year.

(Segment Information)
(Segment information)

I Six months ended December 31, 2021 (July 1, 2021 to December 31, 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 Battery Recycling	Total				
Net sales								
Ferrous scrap	2,446,558	14,992,114	—	17,438,673	—	17,438,673	—	17,438,673
Nonferrous scrap	1,709,793	1,518,593	—	3,228,386	—	3,228,386	—	3,228,386
Rubber products	949,072	—	—	949,072	—	949,072	—	949,072
Used car	—	3,173,142	—	3,173,142	—	3,173,142	—	3,173,142
Related LIB	—	—	226,460	226,460	—	226,460	—	226,460
Others	1,715,165	280,219	—	1,995,384	231,716	2,227,101	—	2,227,101
Revenue from contracts with customers	6,820,589	19,964,069	226,460	27,011,119	231,716	27,242,835	—	27,242,835
Net sales to outside customers	6,820,589	19,964,069	226,460	27,011,119	231,716	27,242,835	—	27,242,835
Inter-segment sales or transfers	3,071,230	269,902	149,896	3,491,028	12,212	3,503,241	(3,503,241)	—
Total	9,891,820	20,233,971	376,356	30,502,148	243,928	30,746,077	(3,503,241)	27,242,835
Segment profit	1,405,664	371,087	92,701	1,869,453	81,736	1,951,190	(191,261)	1,759,928

(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 ¥191,261 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 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)

A significant change in the amount of goodwill occurred in the Resource Circulation Business during the six months ended December 31, 2021 due to the acquisition of all the shares of Fujimi BMS Co., Ltd. by ECONECOL Inc., and the inclusion of Fujimi BMS Co., Ltd. in the scope of consolidation. The amount of the increase in goodwill resulting from this event in the Resource Circulation Business during the three months ended December 31, 2021 was ¥32,075 thousand.

(Significant gain on bargain purchase)
There is no relevant information.

II Six months ended December 31, 2022 (July 1, 2022 to December 31, 2022)

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 Battery Recycling	Total				
Net sales								
Ferrous scrap	1,788,787	11,131,124	—	12,919,911	—	12,919,911	—	12,919,911
Nonferrous scrap	1,575,591	1,701,690	—	3,277,281	—	3,277,281	—	3,277,281
Rubber products	1,062,034	—	—	1,062,034	—	1,062,034	—	1,062,034
Used car	—	3,487,592	—	3,487,592	—	3,487,592	—	3,487,592
Related LIB	—	—	631,506	631,506	—	631,506	—	631,506
Others	1,609,157	382,139	—	1,991,297	212,682	2,203,979	—	2,203,979
Revenue from contracts with customers	6,035,571	16,702,547	631,506	23,369,625	212,682	23,582,307	—	23,582,307
Net sales to outside customers	6,035,571	16,702,547	631,506	23,369,625	212,682	23,582,307	—	23,582,307
Inter-segment sales or transfers	2,493,603	128,818	144,006	2,766,428	9,488	2,775,916	(2,775,916)	—
Total	8,529,174	16,831,365	775,513	26,136,053	222,170	26,358,224	(2,775,916)	23,582,307
Segment profit	748,128	113,530	288,409	1,150,068	50,546	1,200,614	(185,755)	1,014,858

(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 ¥185,755 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 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)

(Commencement of a tender offer for shares of Nitto Kako Co., Ltd.)

The Company resolved at the Board of Directors meeting held today to acquire common shares of Nitto Kako Co., Ltd. (listed on the Standard Market of Tokyo Stock Exchange, Inc. (hereinafter referred to as the “Tokyo Stock Exchange”) under code number 5104, hereinafter referred to as the “Target Company” and such shares referred to as “Target Company Shares”), by means of a tender offer, under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (hereinafter referred to as the “Tender Offer”).

(1) Purpose of the Tender Offer

In the Group’s business, the Company defines the CE (circular economy) business as the business that can manufacture recycled raw materials and products using waste-derived raw materials, and designates the CE business as a future growth area for the Group. The Company believes that the Target Company’s participation in the Group will enable both companies to expand each other’s business, as the Company aims to actively expand its business, with both autonomous growth through the utilization of existing management resources and discontinuous growth by leveraging external resources, mainly M&A, as the two wheels in the CE business.

(2) Outline of the Target Company

1) Name	Nitto Kako Co., Ltd.
2) Location	6-1-3 Ichinomiya, Samukawa Town, Koza Gun, Kanagawa Prefecture
3) Title and name of representative	Takahiro Sakashita, President and Representative Director
4) Description of business	Manufacture and sale of rubber and resin products
5) Stated capital	¥1,920 million (as of September 30, 2022)
6) Incorporation	July 1949

(3) Outline of the Tender Offer

The Company (hereinafter referred to as the “Tender Offeror”) resolved at its Board of Directors meeting dated today to acquire Target Company shares listed on the Standard Market of Tokyo Stock Exchange, and to conduct the Tender Offer as part of a series of transactions (hereinafter referred to as the “Transaction”) to make the Target Company a wholly owned subsidiary of the Tender Offeror. As of today, the Tender Offeror does not own Target Company shares.

In conducting the Tender Offer, the Tender Offeror has entered into a tender offer agreement with Osaka Soda Co., Ltd., the largest and major shareholder and other related company of the Target Company (number of Target Company shares held: 1,200,000; shareholding ratio: 31.27%), dated today, pursuant to which Osaka Soda Co., Ltd. will tender all of its Target Company shares to the Tender Offer.

As the Tender Offeror intends to make the Target Company a wholly owned subsidiary of the Tender Offeror through the Tender Offer, it has set the lower limit of shares sought for purchase at 2,558,300 shares (shareholding ratio: 66.67%). If the total number of share certificates, etc. tendered in the Tender Offer (hereinafter referred to as the “Tendered Share Certificates, etc.”) is below the lower limit of shares sought for purchase, the Tender Offeror will not purchase any of the Tendered Share Certificates, etc. On the other hand, the Tender Offeror has not set the upper limit of shares sought for purchase in the Tender Offer, and if the total number of the Tendered Share Certificates, etc. is equal to or exceeds the lower limit of shares sought for purchase (2,558,300 shares), the Tender Offeror will make a purchase, etc. of all the Tendered Share Certificates, etc.

1) Number of share certificates, etc. sought for purchase

Class of share certificates, etc.	Number of shares sought for purchase	Lower limit of shares sought for purchase	Upper limit of shares sought for purchase
Common shares	3,837,482 shares	2,558,300 shares	— shares
Total	3,837,482 shares	2,558,300 shares	— shares

2) Period for purchase, etc.

From Monday, February 13, 2023 to Tuesday, March 28, 2023 (30 business days)

3) Price of purchase, etc.

¥490 per common share

4) Total amount of purchase: ¥1,880 million

(Note) Total amount of purchase is the amount obtained by multiplying the number of shares sought for purchase (3,837,482 shares) in the Tender Offer by Tender Offer price per share (¥490).

5) Commencement date of settlement

Tuesday, April 4, 2023

6) Prospect of delisting and reasons for delisting

Target Company shares are listed on the Standard Market of the Tokyo Stock Exchange as of today. As the Tender Offeror has not set the upper limit of share certificates, etc. sought for purchase in the Tender Offer, and depending of the outcome of the Tender Offer, the Target Company shares may be delisted through prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange. Even if such criteria are not met at the time of the consummation of the Tender Offer, the Tender Offeror plans to implement a series of procedures to make the Target Company a wholly owned subsidiary of the Tender Offeror in accordance with applicable laws and regulations after the Tender Offer is consummated, in which case the Target Company shares meet the delisting criteria of the Tokyo Stock Exchange and will be delisted through prescribed procedures. After delisting, the Target Company shares cannot be traded on the Standard Market of the Tokyo Stock Exchange.

7) Method of fund procurement for payments

Appropriation of own funds