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## Consolidated Financial Results for the Nine Months Ended March 31, 2023 [Japanese GAAP]

May 12, 2023

Company name: ENVIPRO HOLDINGS Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5698

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

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Representative Director, President/CEO

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Scheduled date of filing quarterly securities report: May 12, 2023

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 millions of yen are rounded down.)

### 1. Consolidated Financial Results for the Nine Months Ended March 31, 2023 (July 1, 2022 to March 31, 2023)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended March 31, 2023	35,363	(12.9)	1,228	(46.7)	1,509	(45.4)	1,017	(48.5)
March 31, 2022	40,615	51.1	2,306	84.4	2,767	88.5	1,973	187.6

(Note) Comprehensive income: Nine months ended March 31, 2023: ¥ 1,045 million [ (48.5)% ]  
 Nine months ended March 31, 2022: ¥ 2,031 million [ 132.0% ]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2023	34.26	32.87
March 31, 2022	66.76	63.85

(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	Millions of yen	Millions of yen	%
March 31, 2023	35,852	16,865	45.0
June 30, 2022	28,963	16,219	54.6

(Reference) Equity: As of March 31, 2023: ¥ 16,121 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: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2023(July 1, 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of 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: No

\* Notes:

(1) Changes in significant subsidiaries during the nine months ended March 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New 1 (Company name: Nitto Kako Co., Ltd. )

Exclusion: - (Company name: - )

(Note) For details, please see the “2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Nine Months Ended March 31, 2023)” on page 9 of the attached document.

(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):

March 31, 2023: 30,102,454 Shares

June 30, 2022: 30,102,454 Shares

2) Number of treasury shares at the end of the period:

March 31, 2023: 399,218 Shares

June 30, 2022: 442,348 Shares

3) Average number of shares outstanding during the period:

Nine months ended March 31, 2023: 29,683,496 Shares

Nine months ended March 31, 2022: 29,561,335 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) Notes to the Quarterly Consolidated Financial Statements .....	9
(Notes on Going Concern Assumption) .....	9
(Notes in the Case of Significant Changes in Shareholders' Equity) .....	9
(Changes in Significant Subsidiaries during the Nine Months Ended March 31, 2023) .....	9
(Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements).....	9
(Additional Information) .....	9
(Segment Information).....	10
(Business Combinations, etc.).....	13
(Significant Subsequent Events).....	14

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Business Results

In the Group's business areas during the nine months ended March 31, 2023, crude steel production volume, both in Japan and worldwide, fell below that seen in the same period of the previous fiscal year against the backdrop of China's zero-COVID policy, energy crisis in Europe, global inflation, and other factors. Ferrous scrap export volume also fell below that of the same period of the previous fiscal year on account of the aforementioned factors, as well as from low domestically generated volume.

Under such circumstances, the average ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) for the nine months ended March 31, 2023 was ¥48,990 per ton, (¥53,735 in the same period of the previous fiscal year). In addition, with regard to the main materials for lithium-ion batteries, the average prices of cobalt and lithium were lower than in the same period of the previous fiscal year due to the easing of supply and demand, although the average prices of nickel and copper rose year on year.

Amid this environment, in the nine months ended March 31, 2023, 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 create a sustainable society". In addition, in the third quarter under review, the Company made Nitto Kako Co., Ltd. a consolidated subsidiary and acquired new plant-use land/building for the Lithium-ion Battery Recycling Business. Furthermore, 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 nine months ended March 31, 2023, net sales were ¥35,363 million (down 12.9% year on year), operating profit was ¥1,228 million (down 46.7% year on year), ordinary profit was ¥1,509 million (down 45.4% year on year), and profit attributable to owners of parent was ¥1,017 million (down 48.5% 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)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023	Increase/decrease ratio
Resource Circulation Business	15,022	13,226	(12.0)%
Global Trading Business	29,977	24,876	(17.0)%
Lithium-ion Battery Recycling Business	785	1,301	65.7%
Others	367	353	(3.8)%
Adjustment	(5,537)	(4,395)	—
Total	40,615	35,363	(12.9)%

<Segment profit>

(Million yen)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023	Increase/decrease ratio
Resource Circulation Business	2,116	1,166	(44.9)%
Global Trading Business	578	225	(61.0)%
Lithium-ion Battery Recycling Business	249	496	99.1%
Others	124	94	(23.8)%
Adjustment	(301)	(473)	—
Total	2,767	1,509	(45.4)%

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

### 1) Resource Circulation Business

Handling volume remained at the same level as the previous fiscal year due to aggressive sales activities, even as volume of metal scrap, etc., generated declined on account of a decrease in the number of scrapped vehicles generated and a drop in production in the domestic manufacturing industry, etc. Meanwhile, profitability declined due to deterioration in the purchasing environment associated with lower volume generated. In addition, both sales and profit decreased on account of rising electricity costs caused by higher energy prices, and rising personnel expenses in line with improved employee treatment.

As a result, net sales in the Resource Circulation Business segment were ¥13,226 million (down 12.0% year on year), while segment profit was ¥1,166 million (down 44.9% year on year).

Since February 2023, partial facilities at the new plant in Fuji City, Shizuoka Prefecture, started operation. We will continue to proceed with construction of facilities for full-scale operation.

### 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, profitability declined as differences between overseas and domestic prices narrowed due to a decline in overseas demand for ferrous scrap, and handling volume also fell. In addition, due in part to the impact of foreign exchange losses resulting from the drastically strengthening yen, both sales and profit decreased.

As a result, net sales in the Global Trading Business segment were ¥24,876 million (down 17.0% year on year), while segment profit was ¥225 million (down 61.0% year on year).

### 3) Lithium-ion Battery Recycling Business

Amid continued strong demand for materials for batteries, prices of cobalt and lithium decreased in the third quarter under review due to easing demand and other factors associated with the conclusion of sales promotion measures in China at the end of the previous year. However, in addition to securing profitability through forward sales contracts, handling volume increased on improved productivity owing to enhanced facility operating rates, and both sales and profit increased.

As a result, net sales in the Lithium-ion Battery Recycling Business segment were ¥1,301 million (up 65.7% year on year), while segment profit was ¥496 million (up 99.1% year on year).

In March 2023, we acquired new plant-use land/building in Ibaraki prefecture and will continue to develop hydrometallurgical technology as well as prepare for starting operations in April 2024.

### 4) Others

In the Environment Management Consulting Business, demand increased for CDP scoring services, TCFD response support and other consulting services related to carbon neutrality and circular economy, while personnel expenses rose in line with system enhancement.

Concerning the Welfare Service Business for People with Disabilities, we opened a new office in the Nagano area and started new services such as vegetable farming in collaboration between agriculture and welfare.

As a result, net sales in the Others segment were ¥353 million (down 3.8% year on year), while segment profit was ¥94 million (down 23.8% year on year).

## (2) Explanation of Financial Position

### Status of assets, liabilities, and net assets

Total assets at March 31, 2023 amounted to ¥35,852 million (up ¥6,889 million, or 23.8% from the end of the previous fiscal year). Current assets amounted to ¥21,399 million (up ¥2,951 million, or 16.0% from the end of the previous fiscal year). This was primarily due to increases of ¥1,559 million in other current assets, ¥1,209 million in merchandise and finished goods, and ¥959 million in notes and accounts receivable – trade, despite a decrease of ¥897 million in cash and deposits. Non-current assets amounted to ¥14,453 million (up ¥3,938 million, or 37.5% from the end of the previous fiscal year). This was mainly due to increases of ¥1,693 million in buildings and structures, ¥1,149 million in land, ¥1,057 million in machinery, equipment and vehicles, and ¥449 million in investment securities, despite a decrease of ¥522 million in construction in progress.

A factor of increase asset items is mainly due to the inclusion of Nitto Kako Co., Ltd. in the scope of

consolidation.

Total liabilities at March 31, 2023 amounted to ¥18,987 million (up ¥6,243 million, or 49.0% from the end of the previous fiscal year). Current liabilities amounted to ¥14,043 million (up ¥4,075 million, or 40.9% from the end of the previous fiscal year). This was mainly due to increases of ¥1,693 million in other current liabilities, ¥1,530 million in short-term borrowings, and ¥1,301 million notes and accounts payable – trade, despite a decrease of ¥600 million in income taxes payable. Non-current liabilities amounted to ¥4,943 million (up ¥2,167 million, or 78.1% from the end of the previous fiscal year). This was mainly due to increases of ¥1,585 million in long-term borrowings and ¥495 million in retirement benefit liability.

As with asset items, the balance of liability items also increased from the end of the previous consolidated fiscal year, mainly due to the inclusion of Nitto Kako Co., Ltd. in the scope of consolidation.

Total net assets at March 31, 2023 amounted to ¥16,865 million (up ¥645 million, or 4.0% from the end of the previous fiscal year). This was mainly due to increases of ¥333 million in non-controlling interests and ¥275 million in retained earnings.

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

As stated in the Notice Regarding Results of the Tender Offer for Nitto Kako Co., Ltd. (Securities Code: 5104) and Change in Subsidiary (Specified Subsidiary), announced March 29, 2023, Nitto Kako Co., Ltd. became a consolidated subsidiary of the Company as of April 4, 2023, although the impact on the Company's consolidated financial results is immaterial.

Consequently, no changes have been made to the consolidated financial results forecast for the fiscal year ending June 30, 2023 following 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

(Thousands of yen)

	As of June 30, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	9,057,899	8,160,710
Notes and accounts receivable - trade	4,532,295	5,491,440
Merchandise and finished goods	3,765,517	4,974,714
Work in process	18,477	79,076
Raw materials and supplies	618,601	658,024
Other	544,973	2,104,404
Allowance for doubtful accounts	(89,446)	(68,815)
Total current assets	18,448,319	21,399,555
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,686,467	8,605,526
Accumulated depreciation	(2,920,156)	(5,145,919)
Buildings and structures, net	1,766,310	3,459,606
Machinery, equipment and vehicles	9,555,475	15,325,773
Accumulated depreciation	(7,927,443)	(12,640,252)
Machinery, equipment and vehicles, net	1,628,031	2,685,520
Land	2,689,312	3,839,023
Construction in progress	1,006,309	483,797
Other	472,084	975,181
Accumulated depreciation	(400,787)	(810,435)
Other, net	71,297	164,745
Total property, plant and equipment	7,161,261	10,632,693
Intangible assets		
Goodwill	29,936	27,531
Other	66,596	112,243
Total intangible assets	96,533	139,774
Investments and other assets		
Investment securities	2,683,383	3,132,509
Investments in capital	9,441	9,441
Deferred tax assets	451,356	432,697
Other	570,247	597,752
Allowance for doubtful accounts	(457,172)	(491,678)
Total investments and other assets	3,257,256	3,680,722
Total non-current assets	10,515,051	14,453,190
Total assets	28,963,371	35,852,746

(Thousands of yen)

	As of June 30, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,743,827	3,045,709
Short-term borrowings	5,340,000	6,870,000
Current portion of long-term borrowings	828,555	760,276
Lease liabilities	87,805	93,851
Income taxes payable	604,885	4,742
Provision for bonuses	75,121	287,695
Other	1,287,818	2,981,390
Total current liabilities	9,968,013	14,043,667
Non-current liabilities		
Long-term borrowings	1,766,057	3,351,081
Lease liabilities	208,347	210,421
Deferred tax liabilities for land revaluation	64,282	64,022
Retirement benefit liability	427,031	922,848
Asset retirement obligations	172,756	198,401
Other	137,570	197,118
Total non-current liabilities	2,776,045	4,943,892
Total liabilities	12,744,059	18,987,560
Net assets		
Shareholders' equity		
Share capital	1,524,830	1,524,830
Capital surplus	1,964,621	1,985,481
Retained earnings	12,395,449	12,671,033
Treasury shares	(145,964)	(131,732)
Total shareholders' equity	15,738,937	16,049,612
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,077)	7,092
Revaluation reserve for land	8,633	8,598
Foreign currency translation adjustment	62,283	56,278
Total accumulated other comprehensive income	69,840	71,970
Share acquisition rights	326,584	326,584
Non-controlling interests	83,950	417,018
Total net assets	16,219,312	16,865,185
Total liabilities and net assets	28,963,371	35,852,746



## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statements of Income (For the nine months)

(Thousands of yen)

	For the nine months ended March 31, 2022	For the nine months ended March 31, 2023
Net sales	40,615,556	35,363,460
Cost of sales	33,076,015	29,033,047
Gross profit	7,539,540	6,330,413
Selling, general and administrative expenses	5,233,077	5,101,777
Operating profit	2,306,463	1,228,635
Non-operating income		
Interest income	1,798	1,236
Dividend income	468	803
Share of profit of entities accounted for using equity method	368,967	374,499
Foreign exchange gains	58,236	-
Rental income	20,666	21,863
Outsourcing service income	7,116	6,315
Other	46,577	47,349
Total non-operating income	503,832	452,068
Non-operating expenses		
Interest expenses	19,972	19,058
Commission expenses	3,732	4,553
Foreign exchange losses	-	134,688
Provision of allowance for doubtful accounts	8,972	-
Other	10,577	12,707
Total non-operating expenses	43,256	171,007
Ordinary profit	2,767,039	1,509,696
Extraordinary income		
Gain on sale of non-current assets	9,508	33,179
Reversal of allowance for doubtful accounts	5,233	-
National subsidies	-	60,000
Compensation income	4,587	-
Total extraordinary income	19,329	93,179
Extraordinary losses		
Loss on retirement of non-current assets	4,268	13,392
Loss on sale of non-current assets	137	1,628
Loss on tax purpose reduction entry of non-current assets	-	60,000
Loss on liquidation of business	-	57,074
Total extraordinary losses	4,406	132,096
Profit before income taxes	2,781,961	1,470,779
Income taxes	770,931	427,096
Profit	2,011,030	1,043,682
Profit attributable to non-controlling interests	37,538	26,631
Profit attributable to owners of parent	1,973,492	1,017,051

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

(Thousands of yen)

	For the nine months ended March 31, 2022	For the nine months ended March 31, 2023
Profit	2,011,030	1,043,682
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,412)	8,169
Revaluation reserve for land	-	(34)
Foreign currency translation adjustment	24,721	(6,004)
Total other comprehensive income	20,309	2,130
Comprehensive income	2,031,339	1,045,813
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,993,801	1,019,181
Comprehensive income attributable to non-controlling interests	37,538	26,631

(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.

(Changes in Significant Subsidiaries during the Nine Months Ended March 31, 2023)

During the nine months ended March 31, 2023, Nitto Kako Co., Ltd. was included in the scope of consolidation since it became a subsidiary through the acquisition of shares by tender offer.

Nitto Kako Co., Ltd. is a specified subsidiary of the Company.

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

(Calculation of tax costs)

Tax costs 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 nine months ended March 31, 2023, 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 Nine months ended March 31, 2022 (July 1, 2021 to March 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	3,475,364	22,068,952	—	25,544,317	—	25,544,317	—	25,544,317
Nonferrous scrap	2,497,560	2,280,799	—	4,778,360	—	4,778,360	—	4,778,360
Rubber products	1,676,351	—	—	1,676,351	—	1,676,351	—	1,676,351
Used car	—	4,607,140	—	4,607,140	—	4,607,140	—	4,607,140
Related LIB	—	—	547,926	547,926	—	547,926	—	547,926
Others	2,570,966	537,844	—	3,108,811	352,648	3,461,460	—	3,461,460
Revenue from contracts with customers	10,220,243	29,494,737	547,926	40,262,907	352,648	40,615,556	—	40,615,556
Net sales to outside customers	10,220,243	29,494,737	547,926	40,262,907	352,648	40,615,556	—	40,615,556
Inter-segment sales or transfers	4,802,147	482,718	237,446	5,522,311	15,055	5,537,367	(5,537,367)	—
Total	15,022,391	29,977,455	785,372	45,785,218	367,704	46,152,923	(5,537,367)	40,615,556
Segment profit	2,116,650	578,495	249,207	2,944,353	124,405	3,068,758	(301,719)	2,767,039

(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 ¥301,719 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 nine months ended March 31, 2022 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 nine months ended March 31, 2022 was ¥32,075 thousand.

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

II Nine months ended March 31, 2023 (July 1, 2022 to March 31, 2023)

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	2,596,885	16,827,979	—	19,424,864	—	19,424,864	—	19,424,864
Nonferrous scrap	2,249,380	2,385,547	—	4,634,928	—	4,634,928	—	4,634,928
Rubber products	1,739,086	—	—	1,739,086	—	1,739,086	—	1,739,086
Used car	—	4,865,801	—	4,865,801	—	4,865,801	—	4,865,801
Related LIB	—	—	1,054,017	1,054,017	—	1,054,017	—	1,054,017
Others	2,705,103	598,529	—	3,303,632	341,129	3,644,761	—	3,644,761
Revenue from contracts with customers	9,290,455	24,677,857	1,054,017	35,022,331	341,129	35,363,460	—	35,363,460
Net sales to outside customers	9,290,455	24,677,857	1,054,017	35,022,331	341,129	35,363,460	—	35,363,460
Inter-segment sales or transfers	3,936,008	199,090	247,455	4,382,555	12,691	4,395,246	(4,395,246)	—
Total	13,226,464	24,876,947	1,301,473	39,404,886	353,820	39,758,707	(4,395,246)	35,363,460
Segment profit	1,166,565	225,600	496,112	1,888,278	94,824	1,983,103	(473,406)	1,509,696

(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 ¥473,406 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.

(Business Combinations, etc.)

(Business Combinations through Acquisition)

At its Board of Directors meeting held on February 10, 2023, the Company resolved to acquire common shares of Nitto Kako Co., Ltd. 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”), and conducted the Tender Offer from February 13, 2023 to March 28, 2023 as the Tender Offer period.

As a result of the Tender Offer, Nitto Kako Co., Ltd. became a consolidated subsidiary as of April 4, 2023 (the Tender Offer settlement date).

(1) Overview of the Business Combination

1. Name of acquired company and description of business

Acquired company	Nitto Kako Co., Ltd.
Description of business	Manufacture and sale of rubber and resin products

2. Purpose of the business combination

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 acquired 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.

3. Date of business combination

April 4, 2023 (deemed date of acquisition March 31, 2023)

4. Legal form of business combination

Acquisition of shares for cash consideration

5. Name after business combination

No change to name

6. Ownership ratio of shares after acquisition

83.71%

7. Main basis for determining the acquiring company

Due to the acquisition of shares for cash consideration

(2) Period of the acquired company’s results included in the quarterly consolidated statements of income relating to the quarterly consolidated cumulative period

Only the balance sheet is consolidated for the nine months ended March 31, 2023, so the business performance of the acquired company is not included in the third quarter consolidated statements of income.

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

Consideration for acquisition	Cash and deposits	¥1,573,929 thousand
Acquisition cost		¥1,573,929 thousand

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

Advisory fees, etc. ¥84,673 thousand

(5) Amount of goodwill generated, reason for this goodwill, and amortization period

No goodwill or negative goodwill has arisen.

The amount of goodwill generated is a tentatively calculated, since the allocation of the acquisition cost had not yet been completed as of March 31, 2023.

(Significant Subsequent Events)  
There is no relevant information.