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Consolidated Financial Results for the Year Ended June 30, 2024 [Japanese GAAP]

August 9, 2024

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 Annual General Meeting of Shareholders: September 27, 2024

Scheduled date of commencing dividend payments: September 30, 2024

Scheduled date of filing annual securities report: September 27, 2024

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (No on-site event, video streaming only)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended June 30, 2024	52,214	6.1	1,409	(8.6)	1,782	(6.3)	537	(56.5)
June 30, 2023	49,189	(14.2)	1,542	(53.9)	1,901	(54.4)	1,236	(60.3)

(Note) Comprehensive income: Fiscal year ended June 30, 2024: ¥ 595 million [(54.7)%
Fiscal year ended June 30, 2023: ¥ 1,313 million [(59.0)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended June 30, 2024	Yen 17.87	Yen 17.16	% 3.2	% 5.3	% 2.7
June 30, 2023	41.64	39.94	7.7	6.1	3.1

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended June 30, 2024: ¥ 469 million
Fiscal year ended June 30, 2023: ¥ 521 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of June 30, 2024	Millions of yen 33,786	Millions of yen 17,038	% 49.5	Yen 553.45
June 30, 2023	33,686	16,825	48.6	551.66

(Reference) Equity: As of June 30, 2024: ¥ 16,719 million
As of June 30, 2023: ¥ 16,386 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended June 30, 2024	Millions of yen 2,940	Millions of yen (1,560)	Millions of yen (1,931)	Millions of yen 6,771
June 30, 2023	2,332	(3,838)	(92)	7,245

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
June 30, 2023	-	0.00	-	14.00	14.00	415	33.6	2.6
June 30, 2024	-	0.00	-	6.00	6.00	181	33.6	1.1
Fiscal year ending June 30, 2025 (Forecast)	-	0.00	-	15.00	15.00		30.6	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024 to June 30, 2025)

(Percentages indicate year-on-year changes.)

	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	53,500	2.5	1,500	6.4	2,000	12.2	1,480	175.4	48.99

* Notes:

(1) Significant changes in the scope of consolidation during the period:

None

Newly included: - (Company name:)

Excluded: - (Company name:)

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(3) Number of issued shares (common shares)

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

June 30, 2024: 30,211,042 Shares

June 30, 2023: 30,102,454 Shares

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

June 30, 2024: 483 Shares

June 30, 2023: 399,470 Shares

3) Average number of shares outstanding during the period:

Fiscal Year ended June 30, 2024: 30,084,763 Shares

Fiscal Year ended June 30, 2023: 29,688,361 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended June 30, 2024	1,271	(14.2)	73	(80.1)	8	(97.5)	142	(68.7)
June 30, 2023	1,482	26.8	368	70.0	352	62.8	454	51.8

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
June 30, 2024	4.73	4.54
June 30, 2023	15.30	14.68

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	11,246	7,447	63.4	235.96
June 30, 2023	12,208	7,414	58.1	238.61

(Reference) Equity: As of June 30, 2024: ¥ 7,128 million
As of June 30, 2023: ¥ 7,087 million

* 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 “(4) Future Outlook” 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. Overview of Business Results, etc.

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

In the Group's business area, uncertainties continue resulting from the prolonged stagnation of the Chinese real estate market, the unsettled state of the world, and concerns about an economic downturn stemming from protracted global inflation, etc.

Under such circumstances, the average ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) was on a high level from the beginning of the fiscal year under review. The average price during the fiscal year ended June 30, 2024 was ¥50,916, trending upward from ¥49,082 of the previous fiscal year.

In addition, with regard to the main materials for lithium-ion batteries, the average market prices of cobalt, nickel, lithium and other minor metals were lower than in the previous fiscal year, although the average price of copper rose year on year.

Amid this environment, in the fiscal year ended June 30, 2024, the Company propelled its business to realize a large number of concrete cases of the circular economy ahead of other companies, with a strategy concept of "Lead a circular economy (CE)" and two sub-concepts of "CE supporting manufacturing" and "CE supporting local communities." In addition to actively investing in human capital, facilities, etc. and promoting safe management, etc., the Company will push ahead with portfolio restructuring by withdrawing from unprofitable businesses and expanding new businesses.

At the same time, disagreements with tax authorities on export sales transactions and the effects of the fire etc. resulted in extraordinary losses of ¥1,012 million.

As a result, for the fiscal year ended June 30, 2024, net sales were ¥52,214 million (up 6.1% year on year), operating profit was ¥1,409 million (down 8.6% year on year), ordinary profit was ¥1,782 million (down 6.3% year on year), and profit attributable to owners of parent was ¥537 million (down 56.5% 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)

	The 14th term (Fiscal year ended June 30, 2023)	The 15th term (Fiscal year ended June 30, 2024)	Increase/decrease ratio
Resource Circulation Business	18,852	21,254	12.7%
Global Trading Business	34,485	34,955	1.4%
Lithium-ion Battery Recycling Business	1,635	1,570	(4.0)%
Others	463	491	6.2%
Adjustment	(6,247)	(6,058)	—
Total	49,189	52,214	6.1%

<Segment profit (loss)>

(Million yen)

	The 14th term (Fiscal year ended June 30, 2023)	The 15th term (Fiscal year ended June 30, 2024)	Increase/decrease ratio
Resource Circulation Business	1,565	1,621	3.6%
Global Trading Business	220	411	86.5%
Lithium-ion Battery Recycling Business	575	218	(62.0)%
Others	99	108	8.5%
Adjustment	(558)	(576)	—
Total	1,901	1,782	(6.3)%

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

1) Resource Circulation Business

Higher costs resulting from new capital expenditures associated with the operation of the advanced sorting plant and higher labor costs due to improved treatment put pressure on profits. Meanwhile, NITTO KAKO Co., Ltd., becoming a Group company, increases in the collection of gold, silver & copper sediment sludge from increasing volumes of collected waste incineration ash, and strong cleaning and dismantling work contributed to profits.

As a result, net sales in the Resource Circulation Business segment were ¥21,254 million (up 12.7% year on year), while segment profit was ¥1,621 million (up 3.6% year on year).

2) Global Trading Business

As a result of strengthening domestic sales and dynamic sales activities, shipment volume increased in the transactions of recycled resources, which increased both sales and profit together with the impact of the foreign exchange market. However, export conditions for raw materials for steelmaking are expected to remain difficult, and we will continue to transform our business model by continuously developing products, expanding our bases, and strengthening our functions.

In logistics agency services, profit increased owing to strong shipments to land-locked countries, cost reduction from bulk purchases as well as the in-house customs clearance business among other factors.

As a result, net sales in the Global Trading Business segment were ¥34,955 million (up 1.4% year on year), while segment profit was ¥411 million (up 86.5% year on year).

3) Lithium-ion Battery Recycling Business

Handling volume increased due to aggressive sales activities, despite a weakening demand for materials for batteries. Meanwhile, market prices of minor metals, which are materials for batteries, were lackluster due to easing demand and supply.

As a result, net sales in the Lithium-ion Battery Recycling Business segment were ¥1,570 million (down 4.0% year on year), while segment profit was ¥218 million (down 62.0% year on year).

4) Others

In addition to increases in TNFD response support and consulting services related to circular economy, steady increases in demand for consulting services related to carbon neutrality contributed to revenue. The development of a GHG calculation system and a circular economy traceability system have also progressed.

Concerning the Welfare Service Business for People with Disabilities, due to a reimbursement revision in the Act on Providing Comprehensive Support for the Daily Life and Life in Society of Persons with Disabilities, there was a review of the compensation standards for Type B Continuous Employment Support. In addition, the numbers increased for both new users and total users.

As a result, net sales in the Others segment were ¥491 million (up 6.2% year on year), while segment profit was ¥108 million (up 8.5% year on year).

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

Total assets at the end of the fiscal year under review amounted to ¥33,786 million (up ¥99 million, or 0.3% from the end of the previous fiscal year). Current assets amounted to ¥18,366 million (down ¥721 million, or 3.8% from the end of the previous fiscal year). This was primarily due to decreases of ¥1,311 million in other current assets, ¥475 million in cash and deposits, and ¥198 million in notes and accounts receivable – trade, despite a ¥1,130 million increase in merchandise and finished goods. Non-current assets amounted to ¥15,419 million (up ¥821 million, or 5.6% from the end of the previous fiscal year). This was mainly due to increases of ¥474 million in machinery, equipment and vehicles and ¥327 million in investment securities, despite decreases of ¥210 million in buildings and structures.

Total liabilities at the end of the fiscal year under review amounted to ¥16,747 million (down ¥113 million, or 0.7% from the end of the previous fiscal year). Current liabilities amounted to ¥11,090 million (up ¥674 million, or 6.5% from the end of the previous fiscal year). This was mainly due to increases of ¥108 million in income taxes payable, ¥504 million in other current liabilities and ¥679 million in notes and accounts payable – trade, despite decreases of ¥660 million in short-term borrowings. Non-current liabilities amounted to ¥5,657 million

(down ¥788 million, or 12.2% from the end of the previous fiscal year). This was mainly due to a decrease of ¥727 million in long-term borrowings.

Total net assets at the end of the fiscal year under review amounted to ¥17,038 million (up ¥213 million, or 1.3% from the end of the previous fiscal year). This was mainly due to increases of ¥131 million in disposal of treasury shares and ¥121 million in retained earnings, despite a decrease of ¥112 million in non-controlling interests.

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

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥474 million, or 6.5%, from the end of the previous fiscal year, to ¥6,771 million.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥2,940 million, compared with ¥2,332 million provided in operating activities in the previous fiscal year. This net cash inflow mainly reflected cash inflows of ¥1,267 million in depreciation, ¥816 million in profit before income taxes, and ¥673 million in increase in trade payables, despite cash outflows of ¥1,157 million in increase in inventories, ¥469 million in share of profit of entities accounted for using equity method.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,560 million, compared with ¥3,838 million used in investing activities in the previous fiscal year. This net cash outflow mainly reflected a cash outflow of ¥1,578 million in purchase of property, plant and equipment, compared with a cash inflow of ¥92 million in proceeds from sale of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,931 million, compared with ¥92 million used in financing activities in the previous fiscal year. This net cash outflow mainly reflected cash outflows of ¥1,005 million in repayments of long-term borrowings, ¥660 million in net decrease in short-term borrowings, and ¥415 million in dividends paid, compared to a cash inflow of ¥301 million in proceeds from long-term borrowings.

(4) Future Outlook

Regarding the future outlook, demand for steel products is expected to rise further as private sector capital investment gradually recovers. In the Group's business environment, resource recycling has an important role to play in achieving carbon neutrality by 2050. The concept of a circular economy has begun to permeate the supply chain as a whole amid the global trend toward decarbonization, and we believe that demand for recycled raw materials will further increase going forward. Amid this environment, the Group will tackle the challenges of finding solutions to the issues that confront society based on our mission statement "Contribute to create a sustainable society," and with the strategic concept of "Lead a circular economy," the vision for the organization we build will be "A disciplined group of autonomous individuals with emergent abilities." The financial results forecasts for the next fiscal year are based on the assumption of ferrous scrap price of ¥50,000 per ton, copper price of ¥1,500 per kilogram, and an average yen exchange rate of ¥140 to the U.S. dollar, with net sales of ¥53,500 million (up 2.5% year on year), operating profit of ¥1,500 million (up 6.4% year on year), ordinary profit of ¥2,000 million (up 12.2% year on year), and profit attributable to owners of parent of ¥1,480 million (up 175.4% year on year).

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

(5) Significant Events regarding Going Concern Assumption

There is no relevant information.

2. Basic Stance Concerning Choice of Accounting Standards

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

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	7,390,449	6,915,029
Notes receivable - trade	712,575	514,194
Accounts receivable - trade	4,049,125	4,157,700
Merchandise and finished goods	3,857,343	4,988,235
Work in process	81,724	83,140
Raw materials and supplies	630,437	680,302
Other	2,377,737	1,066,295
Allowance for doubtful accounts	(11,175)	(37,917)
Total current assets	19,088,218	18,366,982
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,674,502	8,683,509
Accumulated depreciation	(5,204,026)	(5,423,881)
Buildings and structures, net	3,470,476	3,259,627
Machinery, equipment and vehicles	15,113,483	15,764,547
Accumulated depreciation	(12,359,773)	(12,536,352)
Machinery, equipment and vehicles, net	2,753,709	3,228,194
Land	3,839,023	3,843,049
Construction in progress	622,877	683,180
Other	978,459	987,533
Accumulated depreciation	(819,738)	(825,791)
Other, net	158,721	161,742
Total property, plant and equipment	10,844,809	11,175,794
Intangible assets		
Goodwill	26,729	23,521
Other	122,223	165,598
Total intangible assets	148,952	189,119
Investments and other assets		
Investment securities	3,172,757	3,500,444
Investments in capital	17,224	17,103
Deferred tax assets	332,771	431,513
Other	288,418	179,734
Allowance for doubtful accounts	(206,166)	(73,923)
Total investments and other assets	3,605,005	4,054,872
Total non-current assets	14,598,767	15,419,786
Total assets	33,686,985	33,786,769

(Thousands of yen)

	As of June 30, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,816,158	3,495,729
Short-term borrowings	4,230,000	3,570,000
Current portion of long-term borrowings	967,280	990,450
Lease liabilities	93,655	99,853
Income taxes payable	149,139	257,624
Provision for bonuses	108,123	120,895
Other	2,050,985	2,555,605
Total current liabilities	10,415,342	11,090,158
Non-current liabilities		
Long-term borrowings	4,822,781	4,095,631
Lease liabilities	213,549	183,495
Deferred tax liabilities for land revaluation	64,022	64,022
Retirement benefit liability	950,773	962,283
Asset retirement obligations	198,579	199,011
Other	196,431	153,336
Total non-current liabilities	6,446,137	5,657,779
Total liabilities	16,861,480	16,747,938
Net assets		
Shareholders' equity		
Share capital	1,524,830	1,553,348
Capital surplus	1,982,822	1,995,521
Retained earnings	12,889,079	13,010,720
Treasury shares	(131,732)	-
Total shareholders' equity	16,264,999	16,559,589
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,218	26,857
Revaluation reserve for land	8,598	8,598
Foreign currency translation adjustment	94,228	124,885
Total accumulated other comprehensive income	121,045	160,341
Share acquisition rights	326,584	318,899
Non-controlling interests	112,875	-
Total net assets	16,825,505	17,038,831
Total liabilities and net assets	33,686,985	33,786,769

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Net sales	49,189,601	52,214,192
Cost of sales	40,690,594	43,734,168
Gross profit	8,499,007	8,480,024
Selling, general and administrative expenses	6,956,384	7,070,035
Operating profit	1,542,622	1,409,988
Non-operating income		
Interest income	1,789	963
Dividend income	2,867	4,417
Share of profit of entities accounted for using equity method	521,743	469,745
Rental income	35,700	46,162
Other	55,971	86,774
Total non-operating income	618,071	608,063
Non-operating expenses		
Interest expenses	29,315	37,794
Foreign exchange losses	180,391	105,221
Depreciation	22,797	62,449
Other	26,235	29,667
Total non-operating expenses	258,740	235,132
Ordinary profit	1,901,953	1,782,919
Extraordinary income		
Gain on sale of non-current assets	35,770	25,525
National subsidies	60,000	18,959
Gain on extinguishment of tie-in shares	-	1,009
Total extraordinary income	95,770	45,494
Extraordinary losses		
Loss on sale of non-current assets	1,837	3,588
Loss on retirement of non-current assets	16,610	9,950
Loss on tax purpose reduction entry of non-current assets	60,000	18,959
Loss on liquidation of business	160,110	-
Loss on disaster	-	121,999
Consumption taxes for prior periods	-	857,769
Total extraordinary losses	238,558	1,012,266
Profit before income taxes	1,759,165	816,146
Income taxes - current	378,792	364,438
Income taxes - deferred	118,364	(104,550)
Total income taxes	497,157	259,887
Profit	1,262,007	556,259
Profit attributable to non-controlling interests	25,891	18,776
Profit attributable to owners of parent	1,236,116	537,482

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Profit	1,262,007	556,259
Other comprehensive income		
Valuation difference on available-for-sale securities	19,631	8,638
Revaluation reserve for land	(34)	-
Foreign currency translation adjustment	31,944	30,657
Total other comprehensive income	51,541	39,296
Comprehensive income	1,313,548	595,555
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,287,321	576,779
Comprehensive income attributable to non-controlling interests	26,226	18,776

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended June 30, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,524,830	1,964,621	12,395,449	(145,964)	15,738,937
Changes during period					
Issuance of new shares					-
Dividends of surplus			(741,502)		(741,502)
Profit attributable to owners of parent			1,236,116		1,236,116
Disposal of treasury shares		20,859		14,231	35,091
Change in scope of consolidation			(1,019)		(1,019)
Change in ownership interest of parent due to transactions with non-controlling interests		(2,659)			(2,659)
Reversal of revaluation reserve for land			34		34
Net changes in items other than shareholders' equity					
Total changes during period	-	18,200	493,629	14,231	526,061
Balance at end of period	1,524,830	1,982,822	12,889,079	(131,732)	16,264,999

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(1,077)	8,633	62,283	69,840	326,584	83,950	16,219,312
Changes during period							
Issuance of new shares							-
Dividends of surplus							(741,502)
Profit attributable to owners of parent							1,236,116
Disposal of treasury shares							35,091
Change in scope of consolidation							(1,019)
Change in ownership interest of parent due to transactions with non-controlling interests							(2,659)
Reversal of revaluation reserve for land		(34)		(34)			-
Net changes in items other than shareholders' equity	19,295	-	31,944	51,240	-	28,925	80,165
Total changes during period	19,295	(34)	31,944	51,205	-	28,925	606,192
Balance at end of period	18,218	8,598	94,228	121,045	326,584	112,875	16,825,505

For the fiscal year ended June 30, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,524,830	1,982,822	12,889,079	(131,732)	16,264,999
Changes during period					
Issuance of new shares	28,517	28,517			57,034
Dividends of surplus			(415,841)		(415,841)
Profit attributable to owners of parent			537,482		537,482
Disposal of treasury shares					-
Change in scope of consolidation					-
Change in ownership interest of parent due to transactions with non-controlling interests		(15,818)		131,732	115,914
Reversal of revaluation reserve for land					-
Net changes in items other than shareholders' equity					
Total changes during period	28,517	12,699	121,640	131,732	294,589
Balance at end of period	1,553,348	1,995,521	13,010,720	-	16,559,589

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	18,218	8,598	94,228	121,045	326,584	112,875	16,825,505
Changes during period							
Issuance of new shares							57,034
Dividends of surplus							(415,841)
Profit attributable to owners of parent							537,482
Disposal of treasury shares							-
Change in scope of consolidation							-
Change in ownership interest of parent due to transactions with non-controlling interests							115,914
Reversal of revaluation reserve for land							-
Net changes in items other than shareholders' equity	8,638	-	30,657	39,296	(7,684)	(112,875)	(81,264)
Total changes during period	8,638	-	30,657	39,296	(7,684)	(112,875)	213,325
Balance at end of period	26,857	8,598	124,885	160,341	318,899	-	17,038,831

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	1,759,165	816,146
Depreciation	935,998	1,267,780
Amortization of goodwill	3,207	3,207
Increase (decrease) in allowance for doubtful accounts	(467,379)	(138,929)
Increase (decrease) in provision for bonuses	(30,197)	12,772
Increase (decrease) in retirement benefit liability	45,860	10,193
Interest and dividend income	(4,656)	(5,381)
Interest expenses	29,315	37,794
Foreign exchange losses (gains)	64,111	(36,823)
Share of loss (profit) of entities accounted for using equity method	(521,743)	(469,745)
Loss on disposal of non current assets	1,837	3,588
Loss on retirement of non-current assets	16,610	9,950
Loss on tax purpose reduction entry of non-current assets	60,000	18,959
Gain on sale of non-current assets	(35,770)	(25,525)
Consumption taxes for prior periods	-	857,769
Loss on disaster	-	121,999
State subsidy	(60,000)	(18,959)
Loss (gain) on extinguishment of tie-in shares	-	(1,009)
Loss on liquidation of business	160,110	-
Decrease (increase) in trade receivables	1,868,045	125,389
Decrease (increase) in inventories	440,840	(1,157,102)
Increase (decrease) in trade payables	(108,458)	673,393
Decrease (increase) in advance payments to suppliers	(17,496)	97,027
Other, net	(1,063,391)	892,493
Subtotal	3,076,009	3,094,990
Interest and dividends received	94,268	132,896
Interest paid	(30,177)	(37,883)
Income taxes paid	(808,091)	(249,603)
Net cash provided by (used in) operating activities	2,332,009	2,940,399

(Thousands of yen)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Cash flows from investing activities		
Payments into time deposits	(58,552)	(1,100)
Proceeds from withdrawal of time deposits	57,891	2,431
Purchase of property, plant and equipment	(2,627,023)	(1,578,080)
Proceeds from sale of property, plant and equipment	71,199	92,840
Purchase of intangible assets	(40,389)	(65,790)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,303,908)	-
Proceeds from state subsidy	60,000	18,959
Other, net	2,309	(29,691)
Net cash provided by (used in) investing activities	(3,838,473)	(1,560,431)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,300,000)	(660,000)
Proceeds from long-term borrowings	4,213,005	301,666
Repayments of long-term borrowings	(1,027,556)	(1,005,646)
Repayments of finance lease liabilities	(236,044)	(157,809)
Proceeds from issuance of shares	-	6,029
Dividends paid	(741,502)	(415,841)
Purchase of treasury shares	(64)	-
Net cash provided by (used in) financing activities	(92,163)	(1,931,601)
Effect of exchange rate change on cash and cash equivalents	(62,753)	37,954
Net increase (decrease) in cash and cash equivalents	(1,661,380)	(513,678)
Cash and cash equivalents at beginning of period	8,913,450	7,245,339
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(6,730)	-
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	39,590
Cash and cash equivalents at end of period	7,245,339	6,771,250

(5) Notes to the 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.

(Notes to Consolidated Statements of Income)

The consumption tax for prior periods recorded in the fiscal year under review is due to corrective action with a tax audit conducted by the Tokyo Regional Taxation Bureau (hereinafter referred to as "the authority") at NEWSCON Inc., a consolidated subsidiary of the Company, and its receipt of a "notice of correction of consumption tax and local consumption tax" on July 30, 2024. This is due to a difference of opinion between NEWSCON Inc. and the authority regarding the recording of tax exempt sales and taxable purchases in export sales transactions.

The Company plans to appeal against this correction.

In addition, loss on disaster recorded in the fiscal year under review is due to such as the loss of buildings, production facilities, and products etc. owned by NITTO KAKO Co., Ltd., a consolidated subsidiary of the Company, as a result of a plant fire that occurred on June 10, 2024.

(Segment Information)

(Segment information)

1. Description of reportable segments

(1) Method of determining segments

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

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

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

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

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

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

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

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

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

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment
For the fiscal year ended June 30, 2023

(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	3,372,336	23,893,902	—	27,266,238	—	27,266,238	—	27,266,238
Nonferrous scrap	3,197,516	3,167,685	—	6,365,201	—	6,365,201	—	6,365,201
Rubber products	3,149,485	2,092	—	3,151,578	—	3,151,578	—	3,151,578
Used car	—	6,305,791	—	6,305,791	—	6,305,791	—	6,305,791
Related LIB	—	—	1,293,590	1,293,590	—	1,293,590	—	1,293,590
Others	3,546,551	815,458	—	4,362,009	445,191	4,807,201	—	4,807,201
Revenue from contracts with customers	13,265,889	34,184,929	1,293,590	48,744,410	445,191	49,189,601	—	49,189,601
Net sales to outside customers	13,265,889	34,184,929	1,293,590	48,744,410	445,191	49,189,601	—	49,189,601
Inter-segment sales or transfers	5,586,562	300,145	342,359	6,229,067	18,035	6,247,102	(6,247,102)	—
Total	18,852,452	34,485,074	1,635,950	54,973,477	463,226	55,436,703	(6,247,102)	49,189,601
Segment profit	1,565,479	220,509	575,090	2,361,078	99,570	2,460,649	(558,696)	1,901,953
Segment assets	21,313,456	7,399,533	1,318,451	30,031,441	367,203	30,398,644	3,288,340	33,686,985
Other items								
Depreciation	789,313	79,261	26,873	895,449	4,742	900,191	35,806	935,998
Amortization of goodwill	3,207	—	—	3,207	—	3,207	—	3,207
Interest income	17	1,455	3	1,476	2	1,479	310	1,789
Interest expenses	14,444	10,619	—	25,064	75	25,139	4,175	29,315
Share of profit of entities accounted for using equity method	521,743	—	—	521,743	—	521,743	—	521,743
Investment in entities accounted for using equity method	2,998,443	—	—	2,998,443	—	2,998,443	—	2,998,443
Increase in property, plant and equipment and intangible assets	3,484,822	93,277	132,135	3,710,236	7,512	3,717,748	930,724	4,648,472

(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:

- (1) The adjustment for segment profit of negative ¥558,696 thousand is corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.
 - (2) The adjustment for segment assets of ¥3,288,340 thousand mainly includes corporate assets not allocated to each reportable segment.
 - (3) The adjustments for depreciation of ¥35,806 thousand, interest income of ¥310 thousand, interest expenses of ¥4,175 thousand, as well as increase in property, plant and equipment and intangible assets of ¥930,724 thousand are associated with company assets not allocated to each reportable segment.
3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

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

(Significant impairment loss on non-current assets)

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.

For the fiscal year ended June 30, 2024

(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	2,938,953	24,897,005	—	27,835,959	—	27,835,959	—	27,835,959
Nonferrous scrap	3,659,667	3,613,237	—	7,272,904	—	7,272,904	—	7,272,904
Rubber products	5,647,250	80,514	—	5,727,764	—	5,727,764	—	5,727,764
Used car	—	4,641,400	—	4,641,400	—	4,641,400	—	4,641,400
Related LIB	—	—	1,101,588	1,101,588	—	1,101,588	—	1,101,588
Others	3,714,818	1,452,604	—	5,167,422	467,152	5,634,575	—	5,634,575
Revenue from contracts with customers	15,960,690	34,684,761	1,101,588	51,747,040	467,152	52,214,192	—	52,214,192
Net sales to outside customers	15,960,690	34,684,761	1,101,588	51,747,040	467,152	52,214,192	—	52,214,192
Inter-segment sales or transfers	5,294,073	270,600	468,938	6,033,612	24,806	6,058,419	△6,058,419	—
Total	21,254,763	34,955,361	1,570,527	57,780,652	491,959	58,272,612	△6,058,419	52,214,192
Segment profit	1,621,504	411,235	218,376	2,251,116	108,055	2,359,172	△576,253	1,782,919
Segment assets	21,797,490	7,532,562	1,440,022	30,770,076	430,654	31,200,730	2,586,038	33,786,769
Other items								
Depreciation	1,071,012	69,096	38,248	1,178,357	5,410	1,183,767	84,013	1,267,780
Amortization of goodwill	3,207	—	—	3,207	—	3,207	—	3,207
Interest income	19	623	5	648	2	651	312	963
Interest expenses	18,203	8,987	192	27,382	12	27,395	10,399	37,794
Share of profit of entities accounted for using equity method	469,745	—	—	469,745	—	469,745	—	469,745
Investment in entities accounted for using equity method	3,340,925	—	—	3,340,925	—	3,340,925	—	3,340,925
Increase in property, plant and equipment and intangible assets	955,069	15,962	628,905	1,599,937	9,468	1,609,405	64,483	1,673,889

(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:

- (1) The adjustment for segment profit of negative ¥576,253 thousand is corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general and administrative expenses that are not attributed to each reportable segment.
 - (2) The adjustment for segment assets of ¥2,586,038 thousand mainly includes corporate assets not allocated to each reportable segment.
 - (3) The adjustments for depreciation of ¥84,013 thousand, interest income of ¥312 thousand, interest expenses of ¥10,399 thousand, as well as increase in property, plant and equipment and intangible assets of ¥64,483 thousand are associated with company assets not allocated to each reportable segment.
3. Segment profit is adjusted with ordinary profit in the consolidated statements of income.

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

(Significant impairment loss on non-current assets)

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.)

Transactions under Common Control, etc.

(Acquisition of Full Ownership through Simplified Share Exchange)

Based on a resolution passed at its Board of Directors meeting held on August 10, 2023, the Company conducted a share exchange where, effective September 19, 2023, it became the wholly owning parent company in share exchange and BRIGHT INNOVATION Co., Ltd. (hereinafter “Bright Innovation”) became the wholly owned subsidiary in share exchange (hereinafter referred to as the “Share Exchange”).

1. Overview of the Transaction

(1) Name of constituent enterprise and description of business

Acquired company	BRIGHT INNOVATION Co., Ltd.
Description of business	Consulting firm specialized in the fields of environment management and sustainability management

(2) Date of business combination

September 19, 2023

(3) Legal form of business combination

Share exchange with consideration of the common share of the Company

(4) Name after business combination

No change

(5) Other matters related to overview of transaction

As the simplified share exchange procedure based on the main clause of Article 796, paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended) was used for the Share Exchange, the Company did not need to obtain the approval of the General Meeting of Shareholders. Bright Innovation obtained the approval for the share exchange agreement at its Annual General Meeting of Shareholders held on September 15, 2023. As a result, the transaction took effect on September 19, 2023.

The purpose of making Bright Innovation into a wholly owned subsidiary is to increase the mobility and flexibility of group management and to establish a more efficient consolidated management structure.

2. Overview of the Accounting Treatment Applied

The Share Exchange was treated as a transaction with non-controlling interest among transactions under common control, etc., set forth in the Accounting Standard for Business Combinations (ASBJ Statement No.21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, January 16, 2019).

3. Matters Related to Acquisition of Additional Shares of Subsidiary

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

Consideration for acquisition	Common share of the Company	¥ 273,208 thousand
Acquisition cost		¥ 273,208 thousand

(2) Exchange ratio of by type of share, calculation method of exchange ratio, and number of shares issued

1) Exchange ratio by type of share

The Company allotted 4,356 shares of its common share for each share of Bright Innovation's share.

2) Calculation method of exchange ratio

The Company and Bright Innovation took into account the calculated exchange ratio they each received from a third-party organization, advice from their respective legal advisers, and other factors, and made careful consideration based mainly on the results of due diligence they conducted against each other. Giving comprehensive consideration to the other party's financial position, performance trends, and share price trends, as well as to other aspects, the two companies engaged in a series of careful negotiations and discussions on the share exchange ratio. They finally came to judge that the above exchange ratio is appropriate, and agreed on and determined the ratio.

3) Number of shares issued

426,888 shares

4. Matters related to changes in the Company's shares related to transactions with noncontrolling shareholders

(1) Main reasons for changes in capital surplus

Additional acquisition of shares of a subsidiary

(2) Amount of capital surplus decreased due to transactions with noncontrolling shareholders

¥15,818 thousand

(Per Share Information)

	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Net assets per share	¥551.66	¥553.45
Basic earnings per share	¥41.64	¥17.87
Diluted earnings per share	¥39.94	¥17.16

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

Item	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,236,116	537,482
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (Thousand yen)	1,236,116	537,482
Average number of shares of common shares outstanding during each fiscal year (Shares)	29,688,361	30,084,763
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of shares of common shares (Shares)	1,260,031	1,230,237
Share acquisition rights included in the above (Shares)	1,260,031	1,230,237
Overview of dilutive shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	—

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

Item	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2024
Total amount of net assets (Thousand yen)	16,825,505	17,038,831
Amount deducted from total amount of net assets (Thousand yen)	439,460	318,899
Share acquisition rights included in the above (Shares)	326,584	318,899
Non-controlling interests included in the above (Shares)	112,875	—
Net assets at end of the period relating to common shares (Thousand yen)	16,386,044	16,719,931
Number of common shares at end of the period used to calculate net assets per share (Shares)	29,702,984	30,210,559

(Significant Subsequent Events)

Transactions under Common Control, etc.

(Reorganization of Consolidated Subsidiaries (Merger between Wholly Owned Subsidiaries))

The Company passed a resolution at its board of directors meeting held on April 12, 2024, to implement an absorption-type merger (hereafter, "Merger No. 1") wherein ECONECOL Inc. (hereafter, "ECONECOL"), which is a consolidated subsidiary of the Company, is to be the surviving company and KURODA Recycle Co., Ltd. (hereafter, "Kuroda Recycle") and SYN ECO Inc. ("SYN ECO"), which are also consolidated subsidiaries of the Company, are to be the absorbed companies, and to implement an absorption-type merger (hereafter, "Merger No.2") wherein NITTO KAKO Co., Ltd., ("NITTO KAKO"), which is a consolidated subsidiary of the Company, is to be the surviving company and TOYO RUBBER CHIP Co., Ltd (hereafter, "TOYO RUBBER CHIP"), which is also a consolidated subsidiary of the Company, is to be the absorbed company. The effective date of both mergers is July 1, 2024.

(Merger No. 1)

1. Overview of the Transaction

(1) Name of constituent enterprise and description of business

Name of the surviving company ECONECOL Inc.

Description of business

Recycling of ferrous and non-ferrous metals, recycling of industrial waste, recycling of incineration ash, plant demolition, processing of bulky waste for local governments, export of recycled materials etc.

Name of company absorbed in the merger KURODA Recycle Co., Ltd.

Description of business

Recycling of ferrous and non-ferrous metals, recycling of industrial waste, recycling of general waste, collection and transportation of industrial waste and specially controlled industrial waste etc.

Name of company absorbed in the merger SYN ECO Inc.

Description of business

Recycling of ferrous and non-ferrous metal, recycling of industrial waste, recycling of small consumer electronics, recycling of used paper etc.

(2) Date of business combination

July 1, 2024

(3) Legal form of business combination

ECONECOL is the surviving company and Kuroda Recycle and SYN ECO is the absorbed companies

(4) Name after business combination

ECONECOL Inc.

(5) Other matters related to overview of transaction

The purpose of Merger No. 1 is to integrate three companies involved in the recycling of metal and other resources, namely ECONECOL, Kuroda Recycle and SYN ECO, thereby strengthening the Group's ability to handle projects through expansion in business scale and also strengthening profitability and further promoting the circular economy through the efficient use of management resources held across the Group and the streamlining of organizations and businesses.

2. Overview of the Accounting Treatment Applied

The transaction was treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No.21, January 16, 2019) and the Guidance on Accounting

(Merger No. 2)

1. Overview of the Transaction

(1) Name of constituent enterprise and description of business

Name of the surviving company NITTO KAKO Co., Ltd.,

Description of business Manufacture and sale of rubber products and resin products

Name of company absorbed in the merger TOYO RUBBER CHIP Co., Ltd.

Description of business

Sale of recycled materials made by shredding scrap tires and other rubber waste, manufacture and sale of recycled rubber, manufacture and sale of elastic paving material (colored rubber chips), manufacture and sale of rubber molding products

(2) Date of business combination

July 1, 2024

(3) Legal form of business combination

NITTO KAKO is the surviving company and TOYO RUBBER CHIP is the absorbed company

(4) Name after business combination

NITTO KAKO Co., Ltd.,

(5) Other matters related to overview of transaction

The purpose of Merger No. 2 is to promote the recycling of polymers (plastics and rubber etc.) through the vertical integration of NITTO KAKO, which manufactures and sells rubber products and resin products, and TOYO RUBBER CHIP, which manufactures and sells recycled rubber produced from scrap tires, and to achieve business expansion through the marketing of circular economy products and the optimization of human capital achieved through integration of the entire supply chain from the processing of waste rubber to the manufacture of products.

2. Overview of the Accounting Treatment Applied

The transaction was treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No.21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, January 16, 2019).