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Consolidated Financial Results for the Nine Months Ended March 31, 2024 [Japanese GAAP]

May 15, 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

Director in charge of Management Department

Scheduled date of filing quarterly securities report: May 15, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended March 31, 2024 (July 1, 2023 to March 31, 2024)

(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, 2024	38,764	9.6	1,039	(15.4)	1,334	(11.6)	976	(4.0)
March 31, 2023	35,363	(12.9)	1,228	(46.7)	1,509	(45.4)	1,017	(48.5)

(Note) Comprehensive income: Nine months ended March 31, 2024: ¥ 1,020 million [(2.5)%]
Nine months ended March 31, 2023: ¥ 1,045 million [(48.5)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2024	32.50	31.21
March 31, 2023	34.26	32.87

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	32,905	17,457	52.1
June 30, 2023	33,686	16,825	48.6

(Reference) Equity: As of March 31, 2024: ¥ 17,138 million
As of June 30, 2023: ¥ 16,386 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2023	Yen	Yen	Yen	Yen	Yen
Fiscal year ending June 30, 2023	-	0.00	-	14.00	14.00
Fiscal year ending June 30, 2024	-	0.00	-	-	-
Fiscal year ending June 30, 2024 (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, 2024(July 1, 2023 to June 30, 2024)

(% 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	54,000	9.8	1,330	(13.8)	1,700	(10.6)	1,210	(2.1)	40.22

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended March 31, 2024

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

New - (Company name:)

Exclusion: - (Company name:)

(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, 2024: 30,199,656 shares

June 30, 2023: 30,102,454 shares

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

March 31, 2024: 483 shares

June 30, 2023: 399,470 shares

3) Average number of shares outstanding during the period:

Nine months ended March 31, 2024: 30,046,340 shares

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

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

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

The financial results forecast and other forward-looking statements in this material are based on information currently available to the Company and certain assumptions deemed to be reasonable, and actual results may differ significantly due to various factors. Please see the “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” from page 4 of the attached document of this material for the conditions for financial and other results, as well as important matters to be aware of when using the financial results forecast.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

In the Group's business areas during the nine months ended March 31, 2024, 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. Although crude steel production volume worldwide stayed stagnant, domestic crude steel production volume remained steady.

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 for the nine months ended March 31, 2024 was ¥50,881, trending upward from ¥48,990 of the same period 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 same period of the previous fiscal year, although the average price of copper rose year on year.

Amid this environment, in the nine months ended March 31, 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.

As a result, for the nine months ended March 31, 2024, net sales were ¥38,764 million (up 9.6% year on year), operating profit was ¥1,039 million (down 15.4% year on year), ordinary profit was ¥1,334 million (down 11.6% year on year), and profit attributable to owners of parent was ¥976 million (down 4.0% 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, 2023	Nine months ended March 31, 2024	Increase/decrease ratio
Resource Circulation Business	13,226	15,653	18.4%
Global Trading Business	24,876	25,888	4.1%
Lithium-ion Battery Recycling Business	1,301	1,195	(8.1)%
Others	353	387	9.6%
Adjustment	(4,395)	(4,362)	—
Total	35,363	38,764	9.6%

<Segment profit>

(Million yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024	Increase/decrease ratio
Resource Circulation Business	1,166	1,144	(1.9)%
Global Trading Business	225	323	43.4%
Lithium-ion Battery Recycling Business	496	170	(65.5)%
Others	94	107	13.1%
Adjustment	(473)	(411)	—
Total	1,509	1,334	(11.6)%

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

1) Resource Circulation Business

The establishment of a system for sorting profitable products from incineration ash and other resources and Nitto Kako becoming a Group company contributed to revenue and profit. However, as metal scraps purchasing conditions remained stagnant, the received shipments of metal scraps was lower than in the same period of the previous fiscal year. Furthermore, depreciation stemming from the start of operations at a new plant as well as temporary relocation costs, among others, depressed profit.

As a result, net sales in the Resource Circulation Business segment were ¥15,653 million (up 18.4% year on year), while segment profit was ¥1,144 million (down 1.9% 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 ¥25,888 million (up 4.1% year on year), while segment profit was ¥323 million (up 43.4% 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 ¥1,195 million (down 8.1% year on year), while segment profit was ¥170 million (down 65.5% year on year).

We will proceed with the preparation to start operations of the Ibaraki Plant scheduled in June 2024.

4) Others

The Company pushed ahead with new initiatives, such as TNFD response support, consulting services related to circular economy, and CO₂ calculation system development. Meanwhile, steady increases in demand for consulting services related to carbon neutrality contributed to revenue.

Concerning the Welfare Service Business for People with Disabilities, the number of new users, as well as cumulative total number of users, increased mainly in Type B Continuous Employment Support.

As a result, net sales in the Others segment were ¥387 million (up 9.6% year on year), while segment profit was ¥107 million (up 13.1% year on year).

(2) Explanation of Financial Position

Status of assets, liabilities, and net assets

Total assets at March 31, 2024 amounted to ¥32,905 million (down ¥781 million, or 2.3% from the end of the previous fiscal year). Current assets amounted to ¥17,635 million (down ¥1,453 million, or 7.6% from the end of the previous fiscal year). This was primarily due to decreases of ¥1,446 million in other current assets and ¥1,057 million in cash and deposits, despite increases of ¥623 million in merchandise and finished goods and ¥402 million in notes and accounts receivable - trade. Non-current assets amounted to ¥15,270 million (up ¥671 million, or 4.6% from the end of the previous fiscal year). This was mainly due to increases of ¥471 million in machinery, equipment and vehicles.

Total liabilities at March 31, 2024 amounted to ¥15,448 million (down ¥1,413 million, or 8.4% from the end of the previous fiscal year). Current liabilities amounted to ¥9,549 million (down ¥865 million, or 8.3% from the end of the previous fiscal year). This was mainly due to decreases of ¥625 million in other current liabilities and ¥560 million in short-term borrowings, despite an increase of ¥188 million in provision for bonuses. Non-current liabilities amounted to ¥5,898 million (down ¥547 million, or 8.5% from the end of the previous fiscal year). This

was mainly due to a decrease of ¥467 million in long-term borrowings.

Total net assets at March 31, 2024 amounted to ¥17,457 million (up ¥632 million, or 3.8% from the end of the previous fiscal year). This was mainly due to an increase of ¥560 million in retained earnings and ¥131 million resulting from the disposal of treasury shares despite a decrease of ¥112 million in non-controlling interests.

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

No changes have been made to the consolidated financial results forecast for the fiscal year ending June 30, 2024 following the Notice of Revisions to Consolidated Financial Results Forecast and Dividend Forecast dated February 9, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	7,390,449	6,333,171
Notes and accounts receivable - trade	4,761,700	5,164,461
Merchandise and finished goods	3,857,343	4,481,198
Work in process	81,724	68,496
Raw materials and supplies	630,437	663,210
Other	2,377,737	931,389
Allowance for doubtful accounts	(11,175)	(6,781)
Total current assets	19,088,218	17,635,144
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,674,502	8,763,935
Accumulated depreciation	(5,204,026)	(5,426,642)
Buildings and structures, net	3,470,476	3,337,293
Machinery, equipment and vehicles	15,113,483	15,808,045
Accumulated depreciation	(12,359,773)	(12,582,810)
Machinery, equipment and vehicles, net	2,753,709	3,225,234
Land	3,839,023	3,841,021
Construction in progress	622,877	596,001
Other	978,459	975,947
Accumulated depreciation	(819,738)	(835,762)
Other, net	158,721	140,184
Total property, plant and equipment	10,844,809	11,139,737
Intangible assets		
Goodwill	26,729	24,323
Other	122,223	159,131
Total intangible assets	148,952	183,454
Investments and other assets		
Investment securities	3,172,757	3,491,715
Investments in capital	17,224	17,234
Long-term loans receivable	-	34,644
Deferred tax assets	332,771	365,573
Other	288,418	262,601
Allowance for doubtful accounts	(206,166)	(224,376)
Total investments and other assets	3,605,005	3,947,392
Total non-current assets	14,598,767	15,270,584
Total assets	33,686,985	32,905,729

(Thousands of yen)

	As of June 30, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,816,158	2,830,788
Short-term borrowings	4,230,000	3,670,000
Current portion of long-term borrowings	967,280	993,369
Lease liabilities	93,655	97,489
Income taxes payable	149,139	235,249
Provision for bonuses	108,123	297,026
Other	2,050,985	1,425,424
Total current liabilities	10,415,342	9,549,347
Non-current liabilities		
Long-term borrowings	4,822,781	4,355,078
Lease liabilities	213,549	184,018
Deferred tax liabilities for land revaluation	64,022	64,022
Retirement benefit liability	950,773	936,751
Asset retirement obligations	198,579	199,054
Other	196,431	159,806
Total non-current liabilities	6,446,137	5,898,731
Total liabilities	16,861,480	15,448,079
Net assets		
Shareholders' equity		
Share capital	1,524,830	1,550,347
Capital surplus	1,982,822	1,992,521
Retained earnings	12,889,079	13,449,702
Treasury shares	(131,732)	-
Total shareholders' equity	16,264,999	16,992,571
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,218	30,948
Revaluation reserve for land	8,598	8,598
Foreign currency translation adjustment	94,228	106,632
Total accumulated other comprehensive income	121,045	146,179
Share acquisition rights	326,584	318,899
Non-controlling interests	112,875	-
Total net assets	16,825,505	17,457,650
Total liabilities and net assets	33,686,985	32,905,729

(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, 2023	For the nine months ended March 31, 2024
Net sales	35,363,460	38,764,054
Cost of sales	29,033,047	32,517,176
Gross profit	6,330,413	6,246,877
Selling, general and administrative expenses	5,101,777	5,207,432
Operating profit	1,228,635	1,039,445
Non-operating income		
Interest income	1,236	808
Dividend income	803	1,859
Share of profit of entities accounted for using equity method	374,499	319,805
Rental income	21,863	34,202
Other	53,665	58,505
Total non-operating income	452,068	415,181
Non-operating expenses		
Interest expenses	19,058	27,669
Foreign exchange losses	134,688	30,018
Depreciation	7,809	46,515
Other	9,451	16,253
Total non-operating expenses	171,007	120,457
Ordinary profit	1,509,696	1,334,169
Extraordinary income		
Gain on sale of non-current assets	33,179	19,459
National subsidies	60,000	12,805
Gain on extinguishment of tie-in shares	-	1,009
Total extraordinary income	93,179	33,274
Extraordinary losses		
Loss on retirement of non-current assets	13,392	8,134
Loss on sale of non-current assets	1,628	49
Loss on tax purpose reduction entry of non-current assets	60,000	12,805
Loss on liquidation of business	57,074	-
Total extraordinary losses	132,096	20,988
Profit before income taxes	1,470,779	1,346,455
Income taxes	427,096	351,213
Profit	1,043,682	995,241
Profit attributable to non-controlling interests	26,631	18,776
Profit attributable to owners of parent	1,017,051	976,464

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

(Thousands of yen)

	For the nine months ended March 31, 2023	For the nine months ended March 31, 2024
Profit	1,043,682	995,241
Other comprehensive income		
Valuation difference on available-for-sale securities	8,169	12,394
Revaluation reserve for land	(34)	-
Foreign currency translation adjustment	(6,004)	12,404
Total other comprehensive income	2,130	24,798
Comprehensive income	1,045,813	1,020,039
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,019,181	1,001,263
Comprehensive income attributable to non-controlling interests	26,631	18,776

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

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

There is no relevant information.

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

(Calculation of tax costs)

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, 2024, and by multiplying profit before income taxes by the estimated effective tax rate.

(Segment Information)

(Segment information)

I 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.

II Nine months ended March 31, 2024 (July 1, 2023 to March 31, 2024)

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	2,176,933	18,665,890	—	20,842,824	—	20,842,824	—	20,842,824
Nonferrous scrap	2,635,920	2,652,255	—	5,288,176	—	5,288,176	—	5,288,176
Rubber products	4,444,497	66,163	—	4,510,660	—	4,510,660	—	4,510,660
Used car	—	3,408,378	—	3,408,378	—	3,408,378	—	3,408,378
Related LIB	—	—	860,010	860,010	—	860,010	—	860,010
Others	2,609,912	875,304	—	3,485,216	368,786	3,854,003	—	3,854,003
Revenue from contracts with customers	11,867,264	25,667,992	860,010	38,395,267	368,786	38,764,054	—	38,764,054
Net sales to outside customers	11,867,264	25,667,992	860,010	38,395,267	368,786	38,764,054	—	38,764,054
Inter-segment sales or transfers	3,786,651	220,711	335,820	4,343,184	19,160	4,362,344	(4,362,344)	—
Total	15,653,916	25,888,704	1,195,831	42,738,451	387,946	43,126,398	(4,362,344)	38,764,054
Segment profit	1,144,037	323,471	170,973	1,638,482	107,220	1,745,702	(411,533)	1,334,169

(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 ¥411,533 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)

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. (Head Office: Fujinomiya, Shizuoka Prefecture; President/CEO: Fumikatsu Sano; hereafter, "ECONECOL"), which is a consolidated subsidiary of the Company, is to be the surviving company and KURODA Recycle Co., Ltd. (Head Office: Hakodate, Hokkaido; President & Representative Director: Koji Nara; hereafter, "Kuroda Recycle") and SYN ECO Inc. (Head Office: Matsumoto, Nagano Prefecture; President & Representative Director: Shigeto Komatsu; hereafter, "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. (Head Office: Samukawa-machi, Koza-gun, Kanagawa Prefecture; President & Representative Director: Kozo Haruyama; hereafter, "NITTO KAKO"), which is a consolidated subsidiary of the Company, is to be the surviving company and TOYO RUBBER CHIP Co., Ltd (Head Office: Maebashi, Gunma Prefecture; President & Representative Director: Kozo Haruyama; 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 to be July 1, 2024.

Since Merger No. 1 and Merger No. 2 (hereafter, the "Reorganization") are mergers between consolidated subsidiaries of the Company, disclosure of some information is omitted.

1. Purpose of the Reorganization

Based on the strategic concept "Lead a circular economy," the Envipro Group is pushing ahead with business, aiming to achieve a number of specific examples of a circular economy ahead of other companies.

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.

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. Merger No. 1

(1) Summary of Merger No. 1

① Schedule of Merger No. 1

Board of Directors' meeting to approve merger agreement (the Company)	April 12, 2024
Execution of the merger agreement (constituent corporations)	April 19, 2024

General meeting of shareholders to approve the merger agreement (constituent corporations)	April 19, 2024
Effective date of the merger (constituent corporations)	July 1, 2024 (plan)

② Method of Merger No. 1

An absorption-type merger in which ECONECOL will be the surviving company and Kuroda Recycle and SYN ECO will be the absorbed companies

③ Details of allotment relating to Merger No. 1

Since Merger No. 1 is a merger between the consolidated subsidiaries of the Company, there will be no issuance of shares or allotment of money, etc.

④ Handling related to stock acquisition rights and bonds with stock acquisition rights in connection with Merger No. 1

Not applicable

(2) Overview of the constituent corporations in Merger No. 1

(Surviving Company)

N a m e	ECONECOL Inc.
A d d r e s s	3507-19, Yamamiya, Fujinomiya-shi, Shizuoka, Japan.
R e p r e s e n t a t i v e	Fumikatsu Sano, President/CEO
B u s i n e s s	Recycling of industrial waste (ferrous and non-ferrous metals, waste plastic, waste consumer electronics, unwanted OA/office equipment, scrap vehicles, etc.) recycling of incineration ash, plant demolition, processing of bulky waste for local governments, export of recycled materials (scrap metal, used paper, waste plastic)
C a p i t a l	435 million yen
E s t a b l i s h m e n t	July 1978 (Founded: March 1950)
Number of shares issued	153,400 shares
Major shareholders and their shareholding ratios	Wholly owned by the Company
E m p l o y e e s *	199 (As of March 31, 2024)
F i s c a l Y e a r - E n d	June 30
Financial position and operating results of the immediately preceding fiscal year (ended June 30, 2023)	
N e t a s s e t s	4,079 million yen
T o t a l a s s e t s	6,956 million yen
Net assets per share	26,592.2 yen
N e t s a l e s	10,254 million yen

Operating profit	644 million yen
Ordinary profit	678 million yen
P r o f i t	488 million yen
Basic earnings per share	3,184.3 yen

(Absorbed Companies)

N a m e	KURODA Recycle Co., Ltd.	SYN ECO Inc.
A d d r e s s	246-27, Nishikikyo-cho, Hakodate-shi, Hokkaido	2346 Oaza Shimadate, Matsumoto- shi, Nagano
R e p r e s e n t a t i v e	Koji Nara, President and Representative Director	Shigeto Komatsu, President and Representative Director
B u s i n e s s	Recycling of ferrous and non-ferrous metals, recycling of waste consumer electronics, recycling of unwanted small consumer electronics, recycling of scrap computers, recycling of unwanted OA/office equipment, recycling of scrap vehicles, recycling of scrap FRP boats, industrial waste disposal, general waste disposal, collection and transportation of industrial waste and specially controlled industrial waste, measurement certification business	Recycling of ferrous and non-ferrous metal, recycling of waste plastic, recycling of small consumer electronics, recycling of unwanted OA/office equipment, recycling of scrap vehicles, recycling of used paper
C a p i t a l	40 million yen	100 million yen
E s t a b l i s h m e n t	January 2004 (Founded: 1922)	February 2002
Number of shares issued	800 shares	2,000 shares
Major shareholders and their shareholding ratios	Wholly owned by the Company	Wholly owned by the Company
E m p l o y e e s *	86 (As of March 31, 2024)	54 (As of March 31, 2024)
F i s c a l Y e a r - E n d	June 30	June 30
Financial position and operating results of the immediately preceding fiscal year (ended June 30, 2023)		
N e t a s s e t s	1,778 million yen	658 million yen
T o t a l a s s e t s	2,798 million yen	1,578 million yen
Net assets per share	2,223,583.5 yen	329,129.9 yen
N e t s a l e s	4,286 million yen	1,221 million yen
Operating profit	58 million yen	158 million yen
Ordinary profit	70 million yen	159 million yen
P r o f i t	48 million yen	107 million yen
Basic earnings per share	60,799.7 yen	53,697.9 yen

*Number of employees includes regular employees, contract employees, employees under temporary contracts, part-time and casual workers, and excludes staffing agency employees.

(3) Post situation of Merger No. 1

There will be no change in the company name, business, location, representative, capital stock or fiscal year end of the surviving company as a result of Merger No. 1.

3. Merger No. 2

(1) Summary of Merger No. 2

① Schedule of Merger No. 2

Board of Directors' meeting to approve merger agreement (the Company)	April 12, 2024
Execution of the merger agreement (constituent corporations)	April 22, 2024
General meeting of shareholders to approve the merger agreement (constituent corporations)	April 22, 2024
Effective date of the merger (constituent corporations)	July 1, 2024 (plan)

② Method of Merger No. 2

An absorption-type merger in which NITTO KAKO will be the surviving company and TOYO RUBBER CHIP will be the absorbed company

③ Details of allotment relating to Merger No. 2

Since the merger is a merger between the consolidated subsidiaries of the Company, there will be no issuance of shares or allotment of money, etc.

④ Handling related to stock acquisition rights and bonds with stock acquisition rights in connection with Merger No. 2

Not applicable

(2) Overview of the constituent corporations in Merger No. 2

	Surviving Company	Absorbed Company
N a m e	NITTO KAKO CO., LTD.	TOYO RUBBER CHIP Co., Ltd.
A d d r e s s	6-1-3 Ichinomiya, Samukawa-machi, Koza-gun, Kanagawa	1573 Fukatsu, Kasukawa-cho, Maebashi-shi, Gunma
R e p r e s e n t a t i v e	Kozo Haruyama, President and Representative Director	Kozo Haruyama, President and Representative Director

B u s i n e s s	Manufacture and sale of rubber products and resin products	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 (mats for railroad crossing, cow shed mats, etc.)
C a p i t a l	100 million yen	100 million yen
E s t a b l i s h m e n t	July 1949	October 2015 (Founded: 1904)
Number of shares issued	6 shares	2,000 shares
Major shareholders and their shareholding ratios	Wholly owned by the Company	Wholly owned by the Company
E m p l o y e e s *	159 (As of March 31, 2024)	77 (As of March 31, 2024)
F i s c a l Y e a r - E n d	March 31	June 30
Financial position and operating results of the immediately preceding fiscal year (NITTO KAKO: Fiscal year ended March 31, 2023, TOYO RUBBER CHIP: Fiscal year ended June 30, 2023)		
N e t a s s e t s	2,832 million yen	1,621 million yen
T o t a l a s s e t s	6,057 million yen	2,757 million yen
Net assets per share	738.0 yen	810,501.8 yen
N e t s a l e s	3,839 million yen	2,204 million yen
O p e r a t i n g p r o f i t	2 million yen	146 million yen
Ordinary profit (loss)	(41) million yen	155 million yen
P r o f i t (l o s s)	(90) million yen	95 million yen
Basic earnings (loss) per share	(23.5) yen	47,712.9 yen

*Number of employees includes regular employees, contract employees, employees under temporary contracts, part-time and casual workers, and excludes staffing agency employees.

(3) Post situation of Merger No. 2

There will be no change in the company name, business, location, representative or capital stock of surviving company as a result of Merger No. 2; however, its fiscal year end will change from March 31 to June 30.