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Consolidated Financial Results for the Three Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

Company name: ENVIPRO HOLDINGS Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5698
 URL: <https://www.envipro.jp/>
 Representative: Tomikazu Sano Representative Director, President/CEO
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 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Three Months Ended September 30, 2024 (July 1, 2024 to September 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	%
Three months ended September 30, 2024	12,259	(4.3)	(133)	-	41	(92.0)	34	(90.5)
September 30, 2023	12,812	14.7	412	6.3	523	(8.0)	359	(3.7)

(Note) Comprehensive income: Three months ended September 30, 2024: ¥ (26) million [-%]
 Three months ended September 30, 2023: ¥ 397 million [(2.5)%]

	Basic earnings per share	Diluted earnings per share
Three months ended September 30, 2024	Yen 1.13	Yen 1.09
September 30, 2023	12.09	11.60

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of September 30, 2024	Millions of yen 32,715	Millions of yen 16,841	50.5%
June 30, 2024	33,786	17,038	49.5

(Reference) Equity: As of September 30, 2024: ¥ 16,512 million
 As of June 30, 2024: ¥ 16,719 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 30, 2024	Yen -	Yen 0.00	Yen -	Yen 6.00	Yen 6.00
Fiscal year ending June 30, 2025	-	-	-	-	-
Fiscal year ending June 30, 2025 (Forecast)	-	0.00	-	15.00	15.00

(Note) Revision to the forecast for dividends announced most recently: None

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

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

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

Newly included: - (Company name)

KURODA Recycle Co., Ltd.

Excluded: 3 (Company name) SYN ECO Inc.

TOYO RUBBER CHIP Co., Ltd.

(Note) Please see “ 2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to the Quarterly Consolidated Financial Statements (Notes to Changes in the Scope of Consolidation)” from page 12 of the attached document of this material for more detailed information.

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

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

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

September 30, 2024: 30,211,042 shares

June 30, 2024: 30,211,042 shares

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

September 30, 2024: 484 shares

June 30, 2024: 483 shares

3) Average number of shares outstanding during the period:

Three months ended September 30, 2024: 30,210,558 shares

Three months ended September 30, 2023: 29,758,840 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes(voluntary)

* 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

During the three months ended September 30, 2024, the uncertainty of the future outlook for the Group's business areas increased as the economy slowed down in China, resulting in a surplus of steel products and an increase in exports, the US dollar-yen exchange market continued to be unstable, and geopolitical risks increased. In Japan as well, business was on a downward trend overall, due partly to the appreciation of the yen affecting different base metal prices.

The ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) dropped from ¥52,000 per ton at the beginning of the three-month period to ¥40,000 per ton at the end of the period. The copper price (copper price for quotation announced by JX Advanced Metals Corporation) also plunged from ¥1,570 per kilogram at the beginning of the period to ¥1,310 per kilogram at the end. There is an oversupply of lithium-ion batteries following the decline in EV demand. The average prices of cobalt, nickel and lithium, which are the main raw materials of lithium-ion batteries, were lower than in the same period of the previous year.

In this situation, under the strategy concept of “Lead a circular economy (CE)” the Company aims to establish a structure that is not susceptible to the fluctuation of resources prices through reconstructing its portfolio by reviewing unprofitable businesses and expanding new businesses.

However, the Company's performance was affected by a short-term decrease in metal prices. Net sales stood at ¥12,259 million (down 4.3% year on year), operating loss at ¥133 million (operating profit of ¥4 million for the same period of the previous year), ordinary profit at ¥41 million (down 92.0% year on year), and profit attributable to owners of parent at ¥34 million (down 90.5% 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)

	Three months ended September 30, 2023	Three months ended September 30, 2024	Increase/decrease ratio
Resource Circulation Business	4,916	4,792	(2.5)%
Global Trading Business	8,709	8,051	(7.6)%
Lithium-ion Battery Recycling Business	356	465	30.4%
Others	157	134	(14.5)%
Adjustment	(1,326)	(1,183)	—
Total	12,812	12,259	(4.3)%

<Segment profit>

(Million yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024	Increase/decrease ratio
Resource Circulation Business	391	85	(78.2)%
Global Trading Business	124	6	(94.8)%
Lithium-ion Battery Recycling Business	81	50	(38.6)%
Others	66	27	(58.4)%
Adjustment	(140)	(127)	—
Total	523	41	(92.0)%

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

1) Resource Circulation Business

Incoming volume increased year on year, but marine logistics was temporarily disrupted by a typhoon and other factors. Outgoing volume was smaller than in the same period of the previous year. In this situation, segment profit was pushed downwards by the decreasing prices of metal raw materials, including ferrous scrap. Meanwhile, the revenue earned from the dismantling and processing of plastics into fuel and polymer product manufacturing was solid, as they were not impacted by market conditions.

As a result, net sales in the Resource Circulation Business were ¥4,792 million (down 2.5% year on year) and segment profit was ¥85 million (down 78.2% year on year).

2) Global Trading Business

In logistics agency services, there were problems such as freight fluctuations and difficulty securing transport space. However, the Company offered services at appropriate prices while keeping a close eye on the supply-demand balance. This led to a surge in sales and profit.

In the metal material trading business, profit was pushed downwards by falling raw materials prices, as in the Resource Recycling Business. In the field of ferrous scrap, the Company will promote to expand joint collection yard operations with domestic electric furnace makers.

As a result, net sales in the Global Trading Business stood at ¥8,051 million (down 7.6% year on year) and segment profit was ¥6 million (down 94.8% year on year).

3) Lithium-ion Battery Recycling Business

As the supply-demand balance continued to ease regarding the rare metals used in batteries, their market prices remained low. The Company increased its commissioned processing which is not impacted by market conditions.

As a result, net sales in the Lithium-ion Battery Recycling Business were ¥465 million (up 30.4% year on year) and segment profit was ¥50 million (down 38.6% year on year).

The Ibaraki Plant began fully operating in September 2024.

4) Others

In the Environmental Management Consulting Business, the period of support for improving CDP scoring services was extended due to the alteration of the CDP response period. This delayed the posting of sales and resulted in a reduction of sales and profit. Despite this, the Company forecasts full-year figures to be comparable with the previous year. The Welfare Service Business for People with Disabilities performed briskly.

As a result, net sales in the Others segment stood at ¥134 million (down 14.5% year on year) and segment profit at ¥27 million (down 58.4% year on year).

(2) Explanation of Financial Position

Status of assets, liabilities, and net assets

Total assets as of September 30, 2024 amounted to ¥32,715 million (down ¥1,071 million or 3.2% from the end of the previous fiscal year). Current assets were ¥17,265 million (down ¥1,101 million or 6.0% from the end of the previous fiscal year). This was primarily due to merchandise and finished goods decreasing ¥624 million, notes and accounts receivable - trade decreasing ¥256 million, other current assets decreasing ¥130 million and cash and deposits decreasing ¥129 million. Non-current assets amounted to ¥15,449 million (up ¥29 million or 0.2% from the end of the previous fiscal year). This is explained chiefly by the ¥549 million increase in machinery, equipment and vehicles and the ¥51 million increase in investment securities, despite construction in progress falling ¥525 million and buildings and structures decreasing ¥43 million.

Total liabilities as of September 30, 2024 stood at ¥15,874 million (down ¥873 million or 5.2% from the end of the previous fiscal year). Current liabilities were ¥10,389 million (down ¥700 million or 6.3% from the end of the previous fiscal year). This is attributable mainly to a ¥1,324 million increase in other current liabilities and a ¥574 million increase in accounts payable - trade, despite a ¥1,220 million increase in short-term borrowings and a ¥201 million increase in provision for bonuses. Non-current liabilities amounted to ¥5,484 million (down ¥172 million

or 3.1% from the end of the previous fiscal year). This is due chiefly to a ¥180 million decrease in long-term borrowings.

Net assets as of September 30, 2024 were ¥16,841 million (down ¥197 million or 1.2% from the end of the previous fiscal year). This is explained mainly by a ¥146 million decrease in retained earnings, a ¥34 million decrease in foreign currency translation adjustment and a ¥25 million decrease in valuation difference on available-for-sale securities.

(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, 2025 announced in the Consolidated Financial Results dated August 9, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	6,915,029	6,785,304
Notes and accounts receivable - trade	4,671,895	4,415,770
Merchandise and finished goods	4,988,235	4,363,713
Work in process	83,140	113,516
Raw materials and supplies	680,302	658,959
Other	1,066,295	935,389
Allowance for doubtful accounts	(37,917)	(6,887)
Total current assets	18,366,982	17,265,766
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,683,509	8,710,106
Accumulated depreciation	(5,423,881)	(5,493,939)
Buildings and structures, net	3,259,627	3,216,166
Machinery, equipment and vehicles	15,764,547	16,557,072
Accumulated depreciation	(12,536,352)	(12,779,432)
Machinery, equipment and vehicles, net	3,228,194	3,777,640
Land	3,843,049	3,843,049
Construction in progress	683,180	157,470
Other	987,533	985,099
Accumulated depreciation	(825,791)	(825,407)
Other, net	161,742	159,692
Total property, plant and equipment	11,175,794	11,154,018
Intangible assets		
Goodwill	23,521	22,719
Other	165,598	162,726
Total intangible assets	189,119	185,445
Investments and other assets		
Investment securities	3,500,444	3,552,358
Investments in capital	17,103	17,093
Deferred tax assets	431,513	438,151
Other	179,734	205,607
Allowance for doubtful accounts	(73,923)	(103,096)
Total investments and other assets	4,054,872	4,110,114
Total non-current assets	15,419,786	15,449,579
Total assets	33,786,769	32,715,345

(Thousands of yen)

	As of June 30, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	3,495,729	2,921,288
Short-term borrowings	3,570,000	4,790,000
Current portion of long-term borrowings	990,450	981,706
Lease liabilities	99,853	99,354
Income taxes payable	257,624	42,941
Provision for bonuses	120,895	322,483
Other	2,555,605	1,231,408
Total current liabilities	11,090,158	10,389,183
Non-current liabilities		
Long-term borrowings	4,095,631	3,915,184
Lease liabilities	183,495	188,451
Deferred tax liabilities for land revaluation	64,022	64,022
Retirement benefit liability	962,283	987,510
Asset retirement obligations	199,011	199,115
Other	153,336	130,715
Total non-current liabilities	5,657,779	5,484,999
Total liabilities	16,747,938	15,874,182
Net assets		
Shareholders' equity		
Share capital	1,553,348	1,553,348
Capital surplus	1,995,521	1,995,686
Retained earnings	13,010,720	12,863,731
Treasury shares	-	(0)
Total shareholders' equity	16,559,589	16,412,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,857	868
Revaluation reserve for land	8,598	8,598
Foreign currency translation adjustment	124,885	90,196
Total accumulated other comprehensive income	160,341	99,663
Share acquisition rights	318,899	318,899
Non-controlling interests	-	9,834
Total net assets	17,038,831	16,841,163
Total liabilities and net assets	33,786,769	32,715,345

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended September 30, 2023	For the three months ended September 30, 2024
Net sales	12,812,581	12,259,219
Cost of sales	10,690,043	10,659,527
Gross profit	2,122,537	1,599,691
Selling, general and administrative expenses	1,709,709	1,733,513
Operating profit (loss)	412,827	(133,822)
Non-operating income		
Interest income	306	632
Share of profit of entities accounted for using equity method	128,683	96,987
Foreign exchange gains	-	53,843
Rental income	12,180	9,145
Other	16,409	55,397
Total non-operating income	157,579	216,007
Non-operating expenses		
Interest expenses	9,502	11,527
Foreign exchange losses	15,167	-
Depreciation	15,260	13,715
Other	6,740	15,076
Total non-operating expenses	46,671	40,319
Ordinary profit	523,736	41,864
Extraordinary income		
Gain on sale of non-current assets	8,959	329
Gain on sale of investment securities	-	10,517
Total extraordinary income	8,959	10,846
Extraordinary losses		
Loss on retirement of non-current assets	815	1,260
Loss on sale of non-current assets	-	150
Total extraordinary losses	815	1,410
Profit before income taxes	531,879	51,301
Income taxes	153,351	17,026
Profit	378,527	34,274
Profit attributable to non-controlling interests	18,776	-
Profit attributable to owners of parent	359,751	34,274

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

(Thousands of yen)

	For the three months ended September 30, 2023	For the three months ended September 30, 2024
Profit	378,527	34,274
Other comprehensive income		
Valuation difference on available-for-sale securities	10,295	(25,988)
Foreign currency translation adjustment	9,084	(34,689)
Total other comprehensive income	19,380	(60,678)
Comprehensive income	397,908	(26,403)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	379,131	(26,403)
Comprehensive income attributable to non-controlling interests	18,776	-

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on Changes in Accounting Policies)

(Application of the Accounting Standard for Current Income Taxes and Others) The Accounting Standard for Current Income Taxes (The Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022); hereinafter the "2022 Revised Accounting Standard" applies starting at the beginning of the three months ended September 30, 2024.

The amendment to the categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment prescribed in proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter the "2022 Revised Implementation Guidance"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first three months of the fiscal year under review. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(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 three months ended September 30, 2024, and by multiplying profit before income taxes by the estimated effective tax rate.

(Notes on Segment Information etc.)

(Segment information)

I Three months ended September 30, 2023 (July 1, 2023 to September 30, 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	679,714	6,313,753	—	6,993,468	—	6,993,468	—	6,993,468
Nonferrous scrap	875,167	818,543	—	1,693,711	—	1,693,711	—	1,693,711
Rubber products	1,358,027	16,050	—	1,374,077	—	1,374,077	—	1,374,077
Used car	—	1,188,274	—	1,188,274	—	1,188,274	—	1,188,274
Related LIB	—	—	287,218	287,218	—	287,218	—	287,218
Others	851,212	280,089	—	1,131,301	144,529	1,275,830	—	1,275,830
Revenue from contracts with customers	3,764,121	8,616,711	287,218	12,668,051	144,529	12,812,581	—	12,812,581
Net sales to outside customers	3,764,121	8,616,711	287,218	12,668,051	144,529	12,812,581	—	12,812,581
Inter-segment sales or transfers	1,152,129	92,575	69,568	1,314,273	12,643	1,326,917	(1,326,917)	—
Total	4,916,251	8,709,286	356,787	13,982,325	157,173	14,139,498	(1,326,917)	12,812,581
Segment profit	391,623	124,585	81,450	597,659	66,652	664,312	(140,576)	523,736

(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 ¥140,576 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 Three months ended September 30, 2024 (July 1, 2024 to September 30, 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	593,653	5,429,547	—	6,023,201	—	6,023,201	—	6,023,201
Nonferrous scrap	867,825	956,438	—	1,824,264	—	1,824,264	—	1,824,264
Rubber products	1,374,897	15,397	—	1,390,295	—	1,390,295	—	1,390,295
Used car	—	1,288,191	—	1,288,191	—	1,288,191	—	1,288,191
Related LIB	—	—	366,159	366,159	—	366,159	—	366,159
Others	983,023	255,887	—	1,238,911	128,195	1,367,106	—	1,367,106
Revenue from contracts with customers	3,819,401	7,945,462	366,159	12,131,024	128,195	12,259,219	—	12,259,219
Net sales to outside customers	3,819,401	7,945,462	366,159	12,131,024	128,195	12,259,219	—	12,259,219
Inter-segment sales or transfers	972,709	105,657	99,003	1,177,370	6,138	1,183,509	(1,183,509)	—
Total	4,792,110	8,051,120	465,163	13,308,394	134,334	13,442,728	(1,183,509)	12,259,219
Segment profit	85,498	6,537	50,000	142,036	27,759	169,795	(127,931)	41,864

(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 ¥127,931 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.

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

There is no relevant information.

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Statement of Cash Flows)

The Company did not prepare quarterly consolidated statement of cash flows for the first three months of the fiscal year under review. Depreciation (including depreciation on intangible assets excluding goodwill) and the amount of amortization of goodwill for the first three months under review are as follows.

	Three months ended September 30, 2023	Three months ended September 30, 2024
Depreciation	305,664thousand yen	341,614thousand yen
Amortization of goodwill	801 "	801 "

(Notes to Changes in the Scope of Consolidation)

In the three months ended September 30, 2024, ECONECOL Inc., a consolidated subsidiary of the Company, conducted an absorption-type merger with KURODA Recycle Co., Ltd. and SYN ECO Inc. on July 1, 2024 and NITTO KAKO CO., LTD., another consolidated subsidiary of the Company, also conducted an absorption-type merger with TOYO RUBBER CHIP Co., Ltd. on the same date. The companies that have ceased to exist due to these absorption-type mergers have therefore been excluded from the scope of consolidation.

(Business Combinations, etc.)

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 Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, January 16, 2019).

(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).