

# Consolidated Financial Results for the Nine Months Ended March 31, 2021 [Japanese GAAP]

May 14, 2021

Company name: ENVIPRO HOLDINGS Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5698

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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, 2021 (July 01, 2020 to March 31, 2021)

### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended March 31, 2021	26,874	(1.5)	1,250	39.9	1,467	42.9	686	(8.6)
March 31, 2020	27,294	1.4	894	61.3	1,026	36.3	750	52.7

(Note) Comprehensive income: Nine months ended March 31, 2021: ¥ 875 million [ 14.4%]

Nine months ended March 31, 2020: ¥ 765 million [ 54.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended March 31, 2021	46.54	44.59
March 31, 2020	51.21	48.98

### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of March 31, 2021	27,526	12,764	45.0
June 30, 2020	25,913	12,012	45.0

(Reference) Equity: As of March 31, 2021: ¥ 12,392 million

As of June 30, 2020: ¥ 11,654 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2020	-	0.00	-	10.00	10.00
Fiscal year ending June 30, 2021	-	0.00	-		
Fiscal year ending June 30, 2021 (Forecast)				25.00	25.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2021(July 01, 2020 to June 30, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	40,400	19.2	1,918	142.7	2,229	138.4	1,291	114.4	87.54

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

\* Notes:

(1) Changes in significant subsidiaries during the nine months ended March 31, 2021

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

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: Yes

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, 2021: 15,051,227 shares

June 30, 2020: 15,051,227 shares

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

March 31, 2021: 290,690 shares

June 30, 2020: 329,326 shares

3) Average number of shares during the period:

Nine months ended March 31, 2021: 14,742,964 shares

Nine months ended March 31, 2020: 14,658,340 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 item (3) "Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on 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, 2021, the uncertain situation continued, with ocean freight rates soaring due to tight supply and demand of cargo ships against the backdrop of the worldwide shortage of shipping containers in addition to the prolonged COVID-19 pandemic. Demand for steel products has remained robust as domestic and overseas production in the manufacturing industries bounced back. Furthermore, using ferrous scrap is more appreciated amid the global trend of decarbonization.

As a result, the ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) increased from ¥24,500 at the end of the previous fiscal year to ¥41,000 as of March 31, 2021, and the average price during the nine months was ¥32,231, trending upward from ¥23,607 of the same period of the previous fiscal year. With regard to the prices of nonferrous metals, the average prices during the nine months of copper, aluminum, and nickel rose above those seen in the same period of the previous fiscal year.

Amid this environment, in the nine months ended March 31, 2021, we have set forth "CASH IS KING," "Restructuring of work," and "Reaffirming the raison d'être" as our basic policy to address the COVID-19 crisis based on our mission statement "Contribute to create a sustainable society," and have proceeded with the reinforcement of our foundation.

The business related to recycling lithium-ion rechargeable batteries is positioned as an important growth driver for the Group in the medium to long term. We chose not to avoid facing the potential risks in accelerating our growth in the future, and reviewed our revenue plan to make it more appropriate. As a result of careful discussions at Board of Directors meetings, an impairment loss of ¥437 million was recognized.

As a result, for the nine months ended March 31, 2021, net sales were ¥26,874 million (down 1.5% year on year), operating profit was ¥1,250 million (up 39.9% year on year), ordinary profit was ¥1,467 million (up 42.9% year on year), and profit attributable to owners of parent was ¥686 million (down 8.6% 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, 2020	Nine months ended March 31, 2021	Increase/decrease ratio
Resource Circulation Business	8,609	9,822	14.1%
Global Resource Circulation Business	16,067	15,793	(1.7)%
Used-cars-related Business	4,824	4,034	(16.4)%
Others	222	267	20.1%
Adjustment	(2,429)	(3,043)	—
Total	27,294	26,874	(1.5)%

#### <Segment profit>

(Million yen)

	Nine months ended March 31, 2020	Nine months ended March 31, 2021	Increase/decrease ratio
Resource Circulation Business	458	1,252	173.1%
Global Resource Circulation Business	571	357	(37.5)%
Used-cars-related Business	83	71	(14.7)%
Others	22	70	213.8%
Adjustment	(109)	(283)	—
Total	1,026	1,467	42.9%

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

### 1) Resource Circulation Business

The impending problem of final disposal sites that arose in the previous fiscal year on account of the return of waste to Japan eased owing to a decline in the volume of waste generated as a result of the COVID-19 pandemic, and at our processing sites as well, operations stabilized with no restrictions on acceptance with regard to waste processing. In addition, the surging of ferrous scrap prices, as well as the revisions to waste disposal fee we have pursued from the previous fiscal year, enabled us to secure profit margins. Combined with the effects of factors including the streamlining of production processes and an increase in share of profit of entities accounted for using equity method, they have all led to an increase in both sales and profit. Although we continue to incur up-front expenses associated with our new business related to recycling lithium-ion rechargeable batteries, we made progress with conclusion of purchase contracts with leading battery manufacturers and acceptance of waste batteries processing by making use of the disposal business license. We will continue to aggressively apply management resources to make these pillars of our growth strategy.

As a result, net sales in the Resource Circulation Business segment were ¥9,822 million (up 14.1% year on year), while segment profit was ¥1,252 million (up 173.1% year on year).

### 2) Global Resource Circulation Business

In the ferrous scrap business, we strived to secure revenue by fulfilling multiple sales contracts with high profit margins leveraging fluctuations in ferrous scrap prices in a challenging business environment, which included difficulties in booking freighters due to soaring ocean freight rates. In addition, in the nonferrous metals scrap business, handling volume increased from efforts to capitalize on domestic demand and contributed to revenue, despite struggling sales of products for overseas markets due to the shortage of shipping containers. However, both sales and profit declined due to the impact of the dedicated aircraft of the Japanese government posted as one-time revenue in the same period of the previous fiscal year. In our new biomass fuel business, we will continue to strengthen its structure to respond to market expansion.

As a result, net sales in the Global Resource Circulation Business segment were ¥15,793 million (down 1.7% year on year), while segment profit was ¥357 million (down 37.5% year on year).

### 3) Used-cars-related Business

A quick recovery from the sluggish previous fourth quarter lifted handling volume of used cars and used automobile parts above initial expectations, despite a decline in demand for used cars in our major export destination countries, reflecting the lockdown resumed in certain areas of Chile and lackluster sales of used truck parts for South East Asia, which had been favorable in the same period of the previous fiscal year. In logistics agency services, we secured revenue by adjusting sales prices in light of a decrease in handling volume due to the shortage of shipping containers. In addition, we endeavored to reduce fixed costs by such measures as reviewing yard management cost. However, we were unable to recover to the same level of the same period of the previous fiscal year and both sales and profit declined.

As a result, net sales in the Used-cars-related Business segment were ¥4,034 million (down 16.4% year on year), while segment profit was ¥71 million (down 14.7% year on year).

### 4) Others

The Environment Management Consulting Business remained robust and posted increases in both sales and

profit, owing to consulting services mainly to facilitate a circular economy in addition to a steady stream of orders for services including CDP evaluation improvement support, formulation of carbon neutral strategies and Task Force on Climate-related Financial Disclosures (TCFD) response support.

Concerning the Welfare Service Business for Persons with Disabilities, the usage rate at the Nagano area facilities and the Kanto area facilities saw firm growth, leading to increases in both sales and profit.

As a result, net sales in the Others segment were ¥267 million (up 20.1% year on year), while segment profit was ¥70 million (up 213.8% year on year).

## (2) Explanation of Financial Position

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

Total assets at March 31, 2021 amounted to ¥27,526 million (up ¥1,613 million, or 6.2% from the end of the previous fiscal year). Current assets amounted to ¥18,342 million (up ¥1,812 million, or 11.0% from the end of the previous fiscal year). This was primarily due to a decrease of ¥2,124 million in cash and deposits, despite increases of ¥1,993 million in merchandise and finished goods and ¥1,650 million in notes and accounts receivable - trade. Non-current assets amounted to ¥9,184 million (down ¥199 million, or 2.1% from the end of the previous fiscal year). This was mainly due to decreases of ¥525 million in machinery, equipment and vehicles, ¥128 million in buildings and structures, and ¥53 million in construction in progress despite an increase of ¥465 million in investment securities.

Total liabilities at March 31, 2021 amounted to ¥14,762 million (up ¥861 million, or 6.2% from the end of the previous fiscal year). Current liabilities amounted to ¥9,013 million (up ¥1,514 million, or 20.2% from the end of the previous fiscal year). This was mainly due to increases of ¥830 million in short-term borrowings and ¥539 million in notes and accounts payable - trade. Non-current liabilities amounted to ¥5,748 million (down ¥652 million, or 10.2% from the end of the previous fiscal year). This was mainly due to a decrease of ¥696 million in long-term borrowings.

Total net assets at March 31, 2021 amounted to ¥12,764 million (up ¥752 million, or 6.3% from the end of the previous fiscal year). This was mainly due to an increase in retained earnings of ¥538 million.

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

With regard to the consolidated financial results forecast for the fiscal year ending June 30, 2021, revisions have been made as described in Notice of Revisions to Consolidated Financial Results Forecast and Dividend Forecast (Increase) as well as Recording of Impairment Loss announced on May 14, 2021.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of June 30,2020	As of March 31,2021
<b>Assets</b>		
Current assets		
Cash and deposits	10,383,947	8,259,437
Notes and accounts receivable - trade	2,344,018	3,994,310
Merchandise and finished goods	2,615,544	4,608,869
Work in process	12,858	12,767
Raw materials and supplies	364,342	398,512
Other	861,513	1,134,941
Allowance for doubtful accounts	(52,447)	(66,753)
Total current assets	16,529,776	18,342,085
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,498,846	4,453,874
Accumulated depreciation	(2,609,911)	(2,693,835)
Buildings and structures, net	1,888,935	1,760,039
Machinery, equipment and vehicles	9,582,700	9,109,539
Accumulated depreciation	(7,532,687)	(7,585,359)
Machinery, equipment and vehicles, net	2,050,012	1,524,180
Land	2,517,061	2,517,061
Construction in progress	199,156	145,611
Other	439,486	442,741
Accumulated depreciation	(365,596)	(379,971)
Other, net	73,889	62,769
Total property, plant and equipment	6,729,056	6,009,662
Intangible assets		
Goodwill	9,686	-
Other	60,861	63,227
Total intangible assets	70,547	63,227
Investments and other assets		
Investment securities	2,289,265	2,755,243
Investments in capital	9,280	9,280
Deferred tax assets	193,568	235,809
Other	327,608	346,066
Allowance for doubtful accounts	(235,613)	(234,587)
Total investments and other assets	2,584,108	3,111,811
Total non-current assets	9,383,712	9,184,701
<b>Total assets</b>	<b>25,913,489</b>	<b>27,526,787</b>

(Thousand yen)

	As of June 30,2020	As of March 31,2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	1,102,215	1,641,617
Short-term borrowings	3,540,000	4,370,000
Current portion of long-term borrowings	1,595,158	1,331,772
Lease obligations	53,722	62,682
Income taxes payable	251,302	284,007
Provision for bonuses	57,328	200,218
Other	900,074	1,123,664
Total current liabilities	7,499,801	9,013,963
Non-current liabilities		
Long-term borrowings	5,476,615	4,779,733
Lease obligations	147,382	166,383
Deferred tax liabilities for land revaluation	64,282	64,282
Retirement benefit liability	356,312	383,096
Asset retirement obligations	168,067	168,810
Other	188,363	185,760
Total non-current liabilities	6,401,022	5,748,065
Total liabilities	13,900,824	14,762,028
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,524,830	1,524,830
Capital surplus	1,961,456	1,958,702
Retained earnings	8,309,117	8,848,053
Treasury shares	(217,853)	(191,828)
Total shareholders' equity	11,577,550	12,139,757
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	85,460	252,121
Revaluation reserve for land	8,633	8,633
Foreign currency translation adjustment	(16,819)	(8,297)
Total accumulated other comprehensive income	77,274	252,457
Share acquisition rights	326,064	326,584
Non-controlling interests	31,775	45,958
Total net assets	12,012,664	12,764,758
Total liabilities and net assets	25,913,489	27,526,787



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

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

(Thousand yen)

	For the nine months ended March 31,2020	For the nine months ended March 31,2021
Net sales	27,294,817	26,874,960
Cost of sales	21,778,966	21,337,962
Gross profit	5,515,850	5,536,997
Selling, general and administrative expenses	4,621,692	4,286,313
Operating profit	894,157	1,250,684
Non-operating income		
Interest income	3,867	1,454
Dividend income	3,839	19,348
Share of profit of entities accounted for using equity method	121,506	233,465
Rental income	24,259	21,798
Outsourcing service income	6,491	5,718
Other	20,960	38,215
Total non-operating income	180,924	320,001
Non-operating expenses		
Interest expenses	12,298	28,711
Commission expenses	4,680	1,746
Foreign exchange losses	21,432	57,760
Other	9,907	14,854
Total non-operating expenses	48,318	103,073
Ordinary profit	1,026,763	1,467,612
Extraordinary income		
Gain on sales of non-current assets	8,496	13,820
Insurance claim income	88,306	28,714
National subsidies	237,039	-
Compensation income	10,296	2,301
Total extraordinary income	344,138	44,836
Extraordinary losses		
Loss on retirement of non-current assets	1,529	14,107
Loss on sales of non-current assets	118	1,990
Loss on tax purpose reduction entry of non-current assets	237,039	-
Impairment loss	-	437,793
Loss on disaster	25,988	8,356
Total extraordinary losses	264,674	462,248
Profit before income taxes	1,106,227	1,050,200
Income taxes	363,068	349,861
Profit	743,159	700,339
Profit (loss) attributable to non-controlling interests	(7,427)	14,183
Profit attributable to owners of parent	750,586	686,155

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

(Thousand yen)

	For the nine months ended March 31,2020	For the nine months ended March 31,2021
Profit	743,159	700,339
Other comprehensive income		
Valuation difference on available-for-sale securities	19,162	166,660
Foreign currency translation adjustment	2,682	8,522
Total other comprehensive income	21,844	175,183
Comprehensive income	765,003	875,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	772,431	861,338
Comprehensive income attributable to non-controlling interests	(7,427)	14,183

### (3) Notes to the Quarterly Consolidated Financial Statements

#### (Notes on Going Concern Assumption)

There is no relevant information.

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

There is no relevant information.

#### (Changes in Accounting Policies)

##### (Change in the method of calculating tax costs)

The Company and its consolidated subsidiaries had previously used the principle method for calculating tax costs. However, in order to further streamline work involved in preparing the Group's quarterly financial results, the methodology used in this regard has been changed. Accordingly, commencing from the three months ended September 30, 2020, tax costs are calculated by reasonably estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, and by multiplying profit before income taxes by the estimated effective tax rate.

As the effect of this change is immaterial, no retrospective application has been performed.

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

##### (Calculation of tax costs)

The tax costs of the Company and its consolidated subsidiaries were calculated by reasonably estimating an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year including the nine months ended March 31, 2021, and by multiplying profit before income taxes by the estimated effective tax rate.

#### (Additional Information)

##### (Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

With regard to the transition to the group tax sharing system, which was instituted by the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), and the items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, in accordance with Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force No. 39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries have applied the provisions of the pre-amendment tax law to deferred tax assets and liabilities, instead of the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018).

#### (Accounting estimates regarding the spread of COVID-19)

In the nine months ended March 31, 2021, there were no material changes to the assumptions used in the accounting estimates associated with the spread of COVID-19 stated in the annual securities report for the previous fiscal year.

(Segment Information)

I Nine months ended March 31, 2020 (July 1, 2019 to March 31, 2020)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidate d financial statements (Note 3)
	Resource Circulation	Global Resource Circulation	Used-cars- related	Total				
Net sales								
Net sales to outside customers	6,331,319	15,951,439	4,820,445	27,103,204	191,612	27,294,817	—	27,294,817
Inter- segment sales or transfers	2,278,607	115,646	4,404	2,398,658	31,100	2,429,758	(2,429,758)	—
Total	8,609,926	16,067,086	4,824,850	29,501,863	222,712	29,724,575	(2,429,758)	27,294,817
Segment profit	458,645	571,771	83,730	1,114,147	22,373	1,136,520	(109,757)	1,026,763

(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 Persons with Disabilities.

2. Figures are adjusted as follows:

The adjustment for segment profit of negative ¥109,757 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, 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, 2021 (July 1, 2020 to March 31, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidate d financial statements (Note 3)
	Resource Circulation	Global Resource Circulation	Used-cars- related	Total				
Net sales								
Net sales to outside customers	6,921,867	15,720,915	3,984,551	26,627,335	247,625	26,874,960	—	26,874,960
Inter- segment sales or transfers	2,900,367	73,019	50,393	3,023,780	19,876	3,043,656	(3,043,656)	—
Total	9,822,235	15,793,934	4,034,944	29,651,115	267,501	29,918,616	(3,043,656)	26,874,960
Segment profit	1,252,385	357,184	71,416	1,680,986	70,198	1,751,184	(283,571)	1,467,612

(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 Persons with Disabilities.

2. Figures are adjusted as follows:

The adjustment for segment profit of negative ¥283,571 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)

	Resource Circulation	Global resource circulation	Used-car- related	Elimination/ Corporate	Total
Impairment loss	437,793	—	—	—	437,793

(Notes) The amount of " Elimination/Corporate " is pertaining to the corporate assets that are not allocated to reportable segments.

(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)

There is no relevant information.