Financial Results Briefing Materials
For the Six Months ended December 31, 2019

Envipro Holdings Inc.
February 19, 2020

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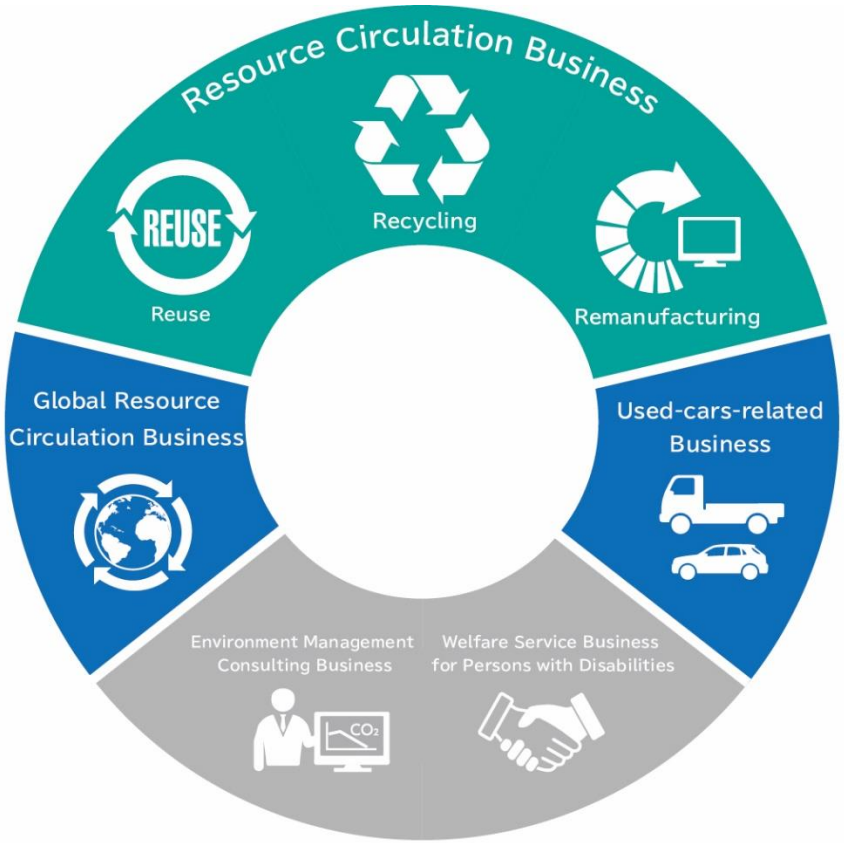
1. Financial Overview for the Six Months Ended December 31, 2019

Business Segment



Business segment		Description
Resource Circulation	Reuse	Promoting the distribution of used products and maintenance parts without modifying their functionality or value.
	Recycling (Resource recovery)	Promoting recycling by developing highly advanced technologies that can shred metal scrap and waste, and physically sort them by material type based on their different properties.
	Remanufacturing	Manufacturing recycled raw materials and articles out of waste and scrap by taking the advancement of recycling technologies to the next level.
Global Resource Circulation		Promoting optimal global resource circulation through the import/export and trilateral trading of a wide range of resources including metals, plastic scrap, and biomass fuel.
Used-cars-related		Stocking high-quality Japanese used cars/heavy machinery and used car maintenance parts such as engines, and exporting them overseas as well as trilateral trading.
Others		Offering consulting services specialized in environmental management, including the provision of support for companies to develop their own environmental strategy and CO2 emission reduction plan. Further, undertaking the business to help persons with disabilities secure employment by offering on-the-job training to enhance their skills.

Highlights for the Six Months Ended December 31,2019

Financial Results

Net Sales	¥18,691 million	(up7.6%	year on year)
Operating Profit	¥660 million	(up57.8%	year on year)
Ordinary Profit	¥748 million	(up31.2%	year on year)
※Profit	¥549 million	(up75.0%	year on year)

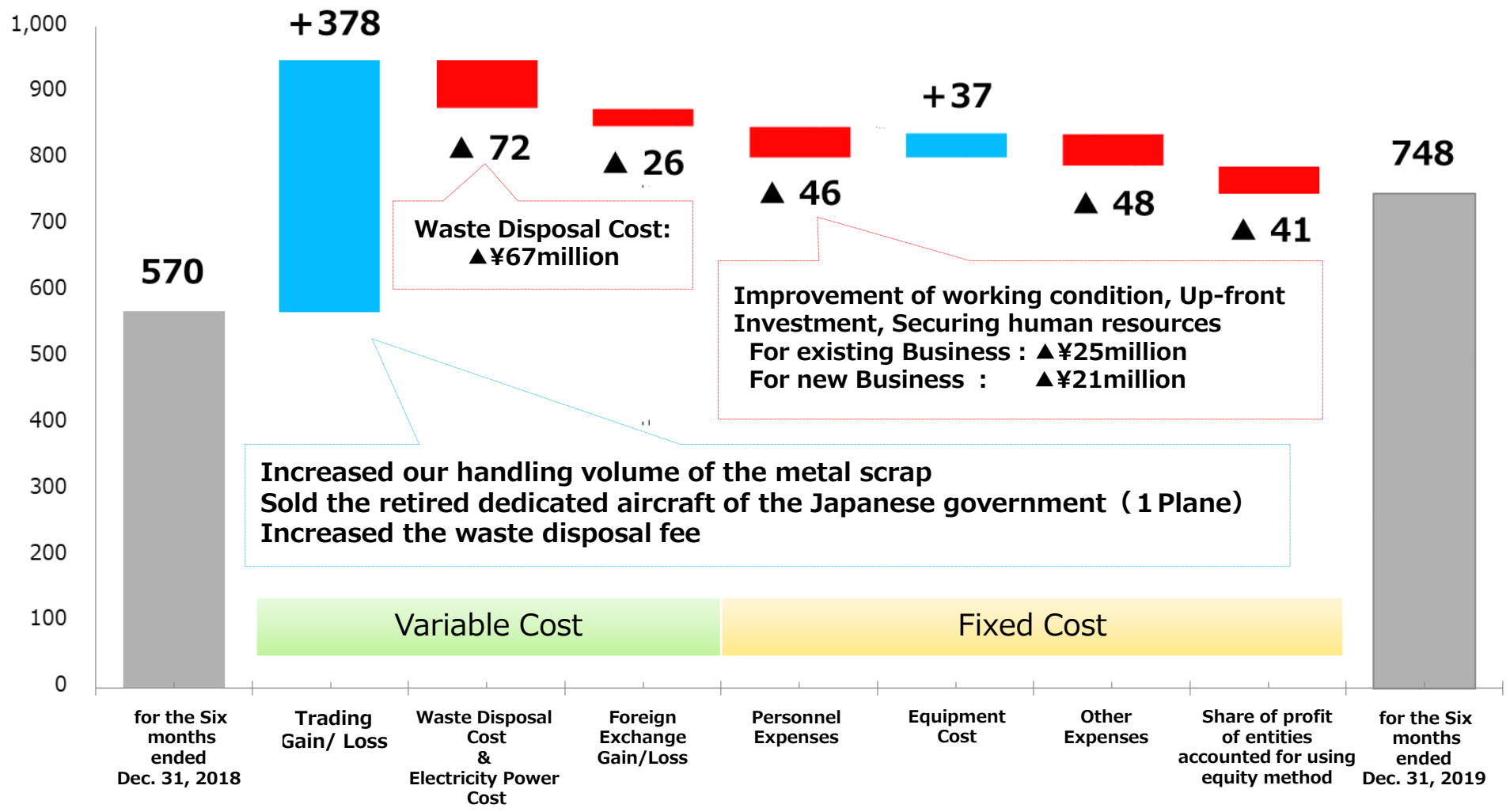
Main Topics

- The ferrous scrap price (Tokyo Steel Tokkyu Grade (Japanese H2 Grade) Seaborne Price) fell below that of the previous fiscal year with an average price of ¥24,302 during the six months (¥35,082 during the same period of the previous year),however, we secured the amount of net sales by increasing our handling sales volume.
- The Group progressed with “further cultivation of existing businesses,” “establishment of a new pillar” and “reinforcement of foundation,” under our mission statement “Contribute to create a sustainable society.”
- Ordinary loss related to new businesses (VOLTA,P2P, etc.) in the resource recycling business became ¥100 million.
- ¥700million in Capital Investment (Payment Base).
- The postponement of operation of recycling facilities for lithium ion rechargeable batteries.

※Profit＝Profit attributable to owners of parent

Analysis of Difference in Ordinary Profit

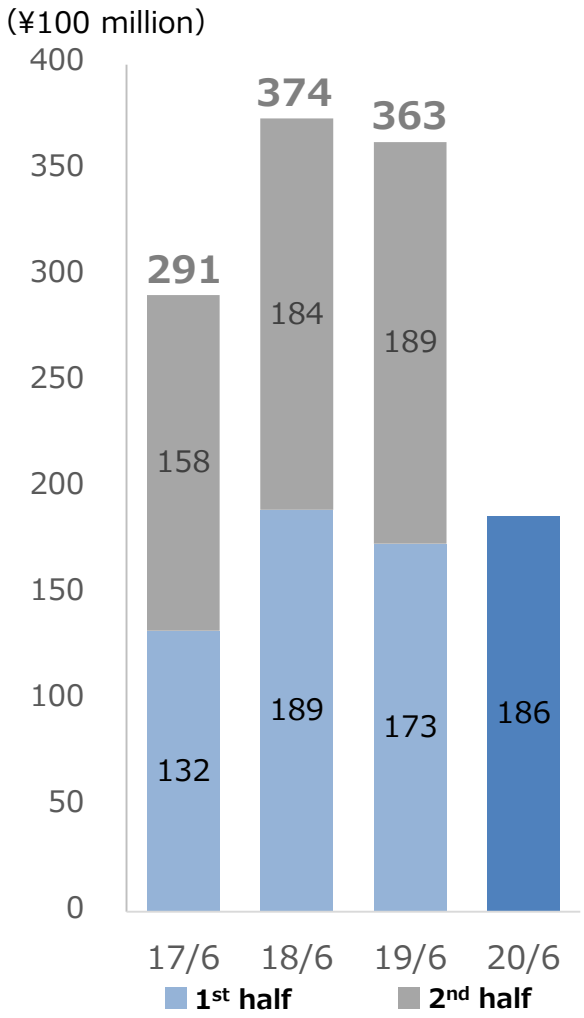
(¥ Million)



Consolidated Financial Results

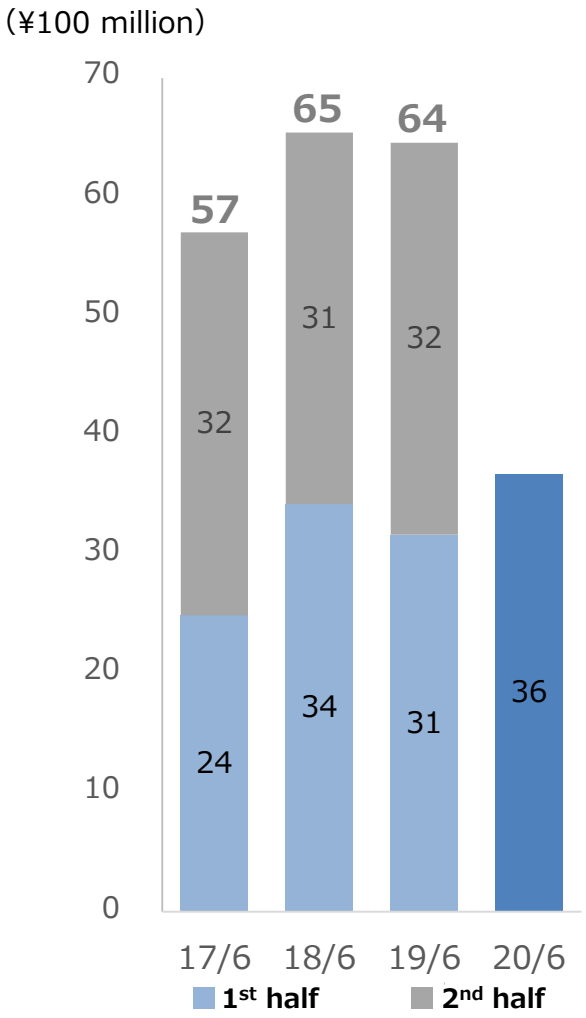
Net Sales

Up 7.6%
Year on year



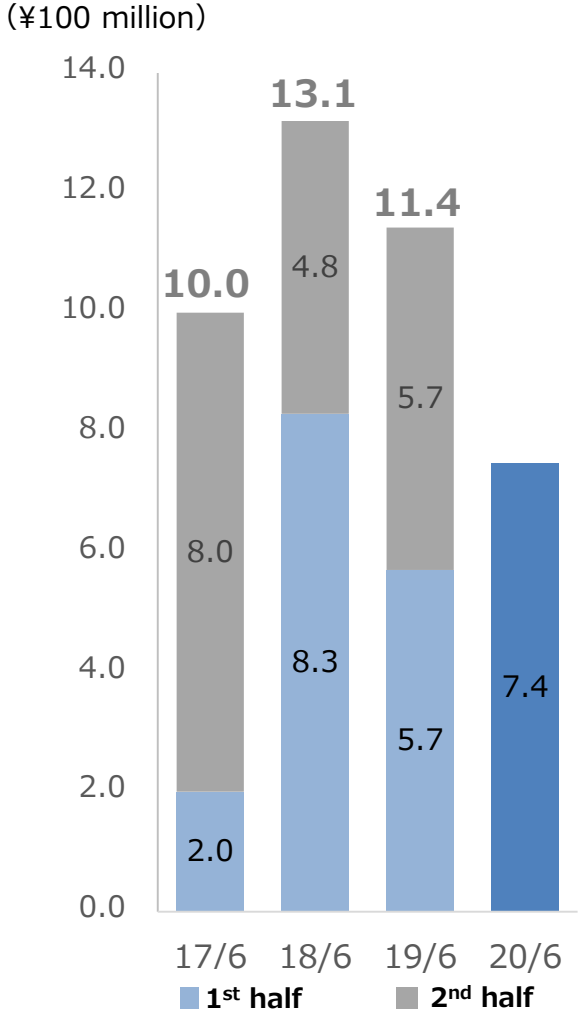
Gross Profit

Up 16.1%
Year on year



Ordinary Profit

Up 31.2%
Year on year



Summary of Business Results by Segment for the Six Months Ended December 31, 2019

(¥ Million)

Net Sales	Six months ended December 31,2018	Six months ended December 31, 2019		Year on year
	Actual	Actual	Composition Ratio	Ratio
Consolidated	17,376	**18,691**	100.0%	7.6%
Resource Circulation Business	6,446	**5,775**	28.5%	▲ 10.4%
Global Resource Circulation Business	10,227	**11,007**	54.3%	7.6%
Used-car-related Business	3,087	**3,333**	16.5%	8.0%
Others※	269	**148**	0.7%	▲ 44.8%
Adjustment	▲ 2,653	**▲ 1,573**	-	-

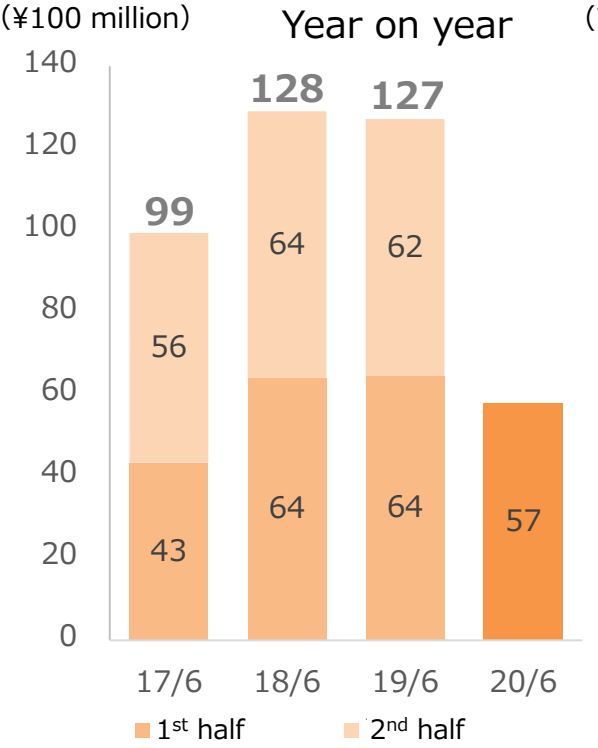
Segment Profit	Six months ended December 31,2018	Six months ended December 31, 2019		Year on year
	Actual	Actual	Composition Ratio	Ratio
Consolidated	570	**748**	100.0%	31.2%
Resource Circulation Business	465	**310**	38.7%	▲ 33.3%
Global Resource Circulation Business	136	**394**	49.1%	188.4%
Used-car-related Business	▲ 0	**80**	10.1%	-
Others※	44	**17**	2.1%	▲ 61.5%
Adjustment	▲ 75	**▲ 53**	-	-

※Others includes the results of E3 Inc. up to December 2018

Business Results by Business Segment 【Resource Circulation】

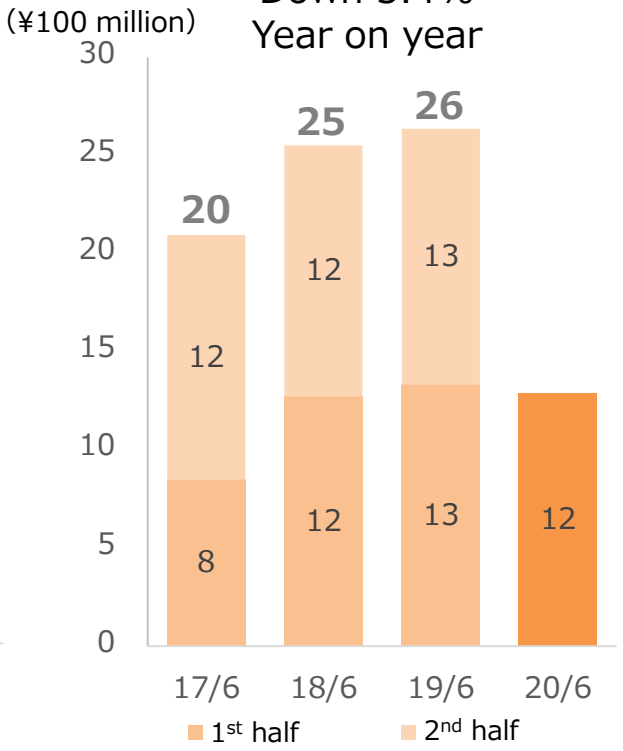
Net Sales

Down 10.4%
Year on year



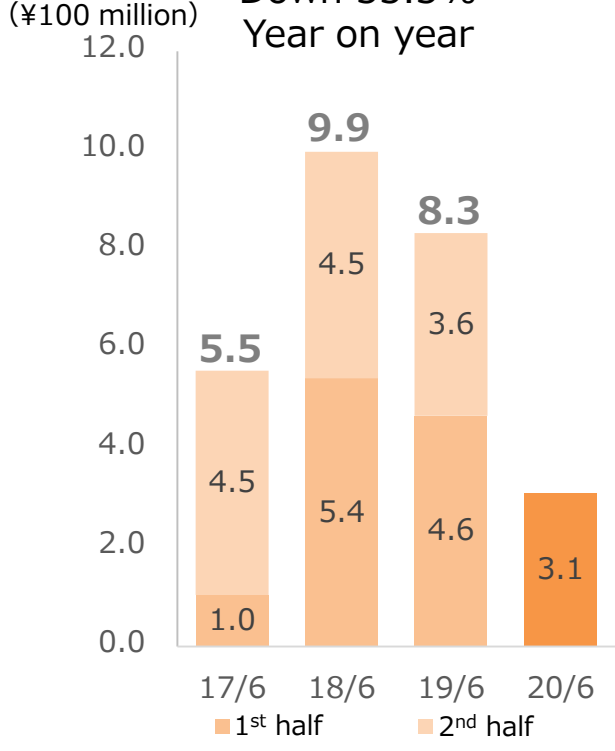
Gross Profit

Down 3.4%
Year on year



Ordinary Profit

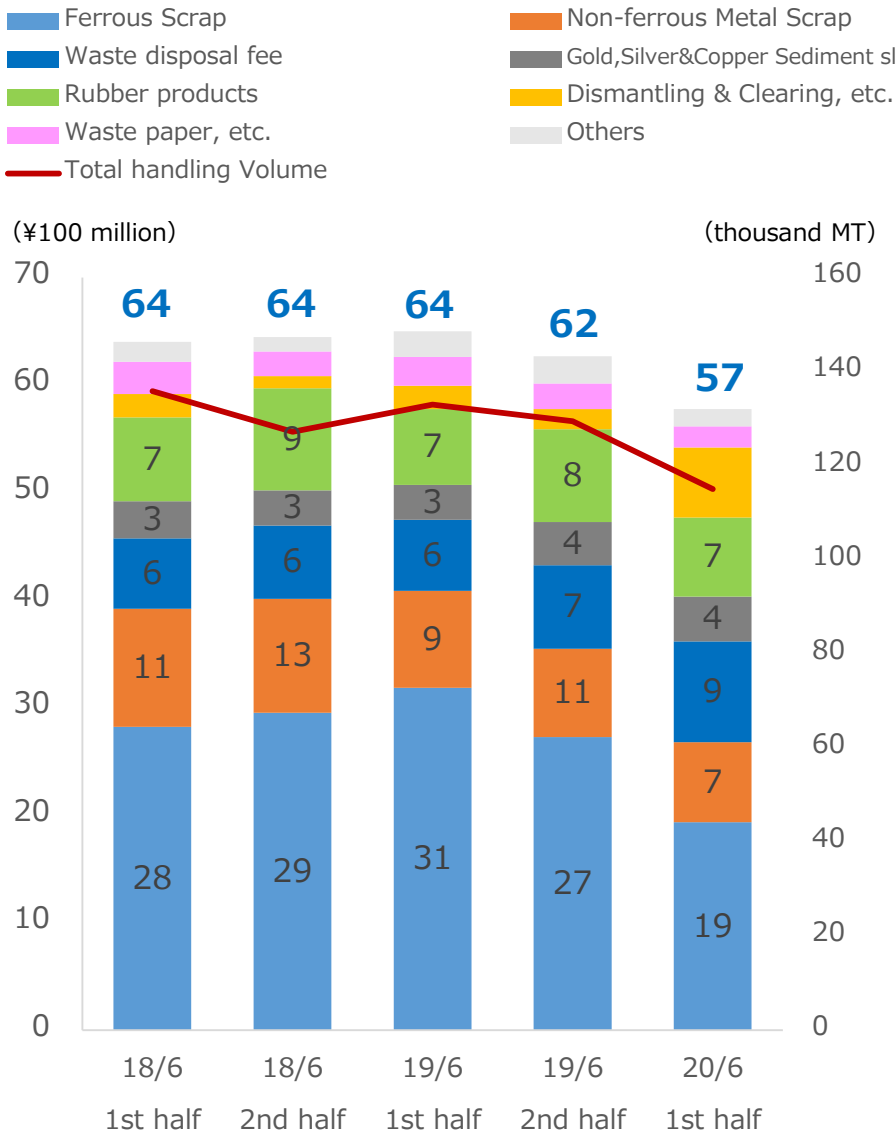
Down 33.3%
Year on year



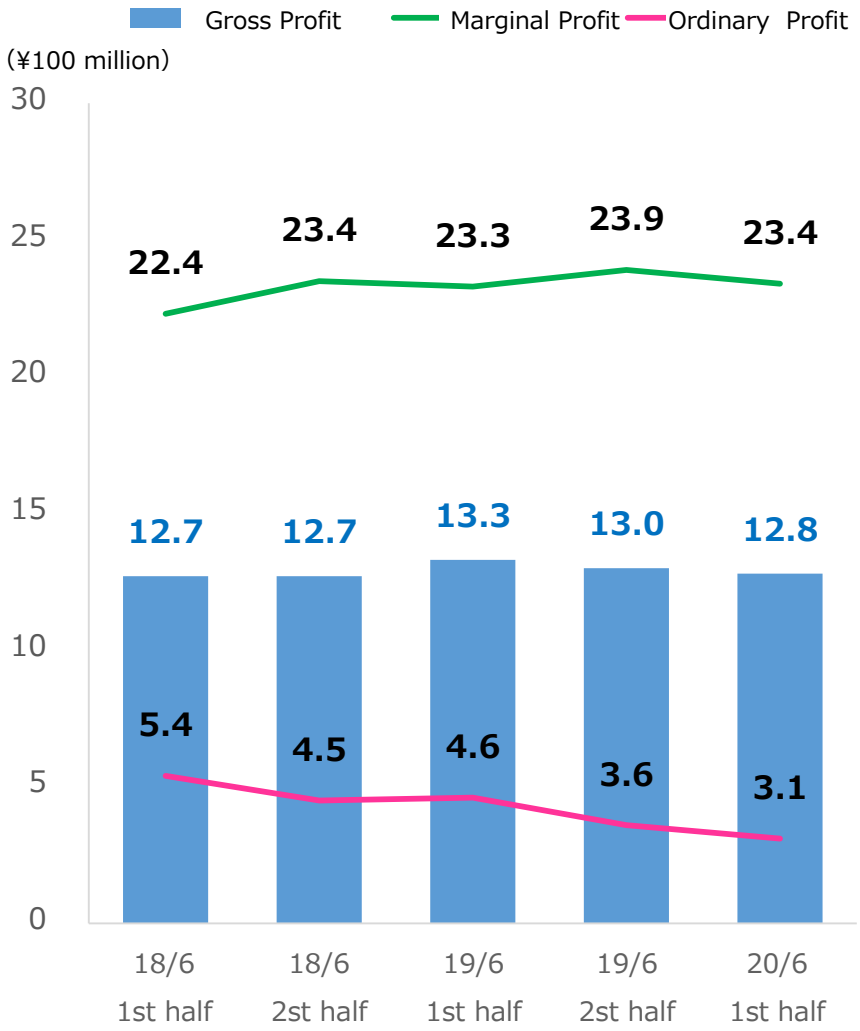
- Ferrous and nonferrous metal scrap prices showed signs of weakness and as a result it placed pressure on revenue.
- Affected by increases in waste disposal cost at final disposal sites and limitations placed on acceptance (also by the occurrence of the disaster waste).
- Secured a gross profit due to the progress of revisions to processing fee, despite a decrease in its handling volume of waste due to our restriction on acceptance.
- Have been postponed the operation of recycling facilities of Black Sand for lithium ion rechargeable batteries to the third quarter of the fiscal year or beyond.
- New business (VOLTA, P2P, etc.) Ordinary Loss 100 million yen (59 million yen during the same period of the previous year).

Business Results by Business Segment 【 Resource Circulation】

Net Sales & Handling Volume by product



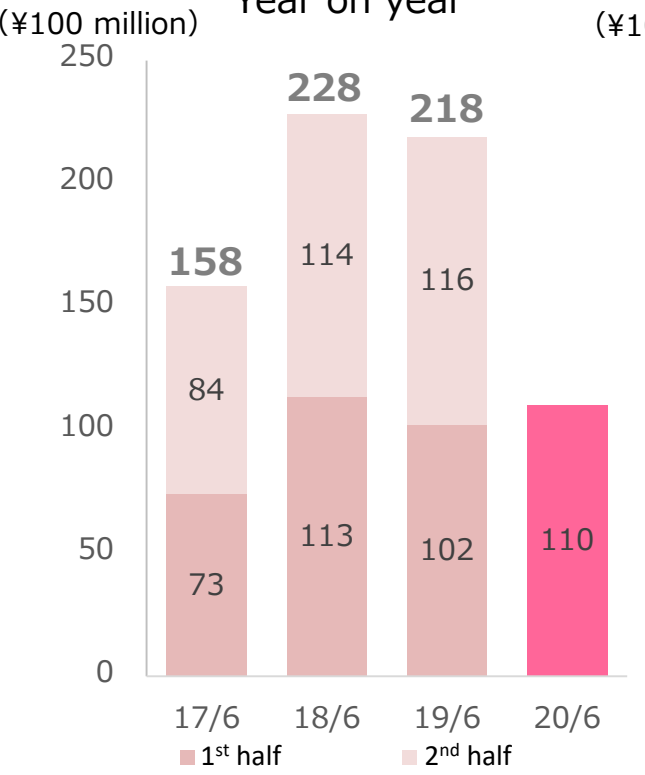
Gross Profit・Marginal Profit・Ordinary Profit



Business Results by Business Segment【Global Resource Circulation】

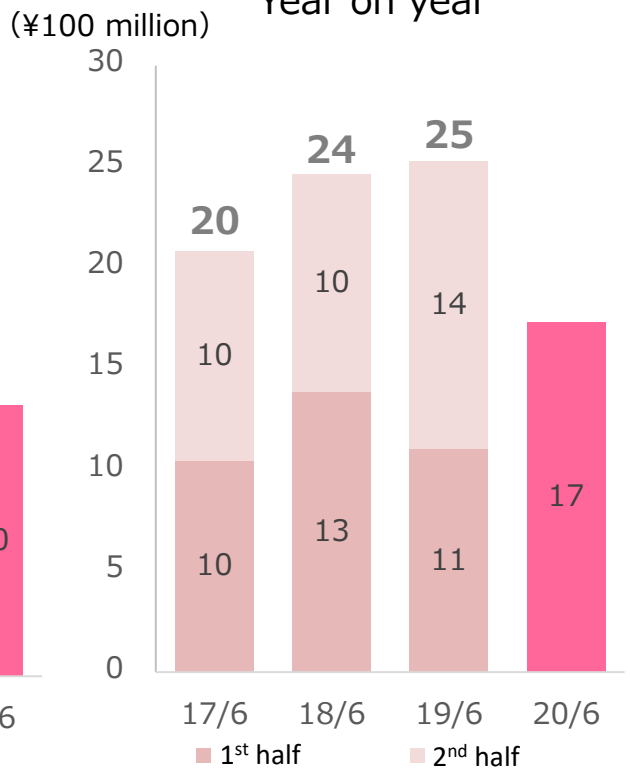
Net Sales

UP 7.6%
Year on year



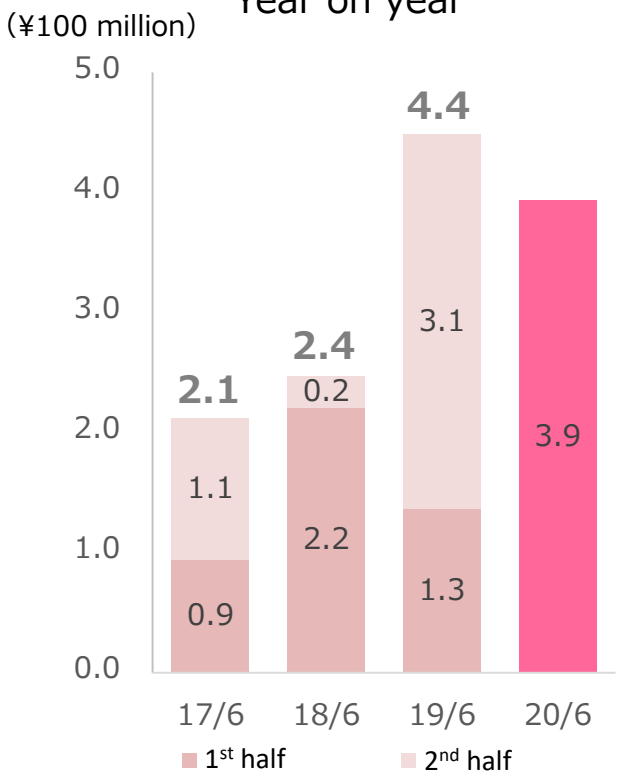
Gross Profit

Up 56.8%
Year on year



Ordinary Profit

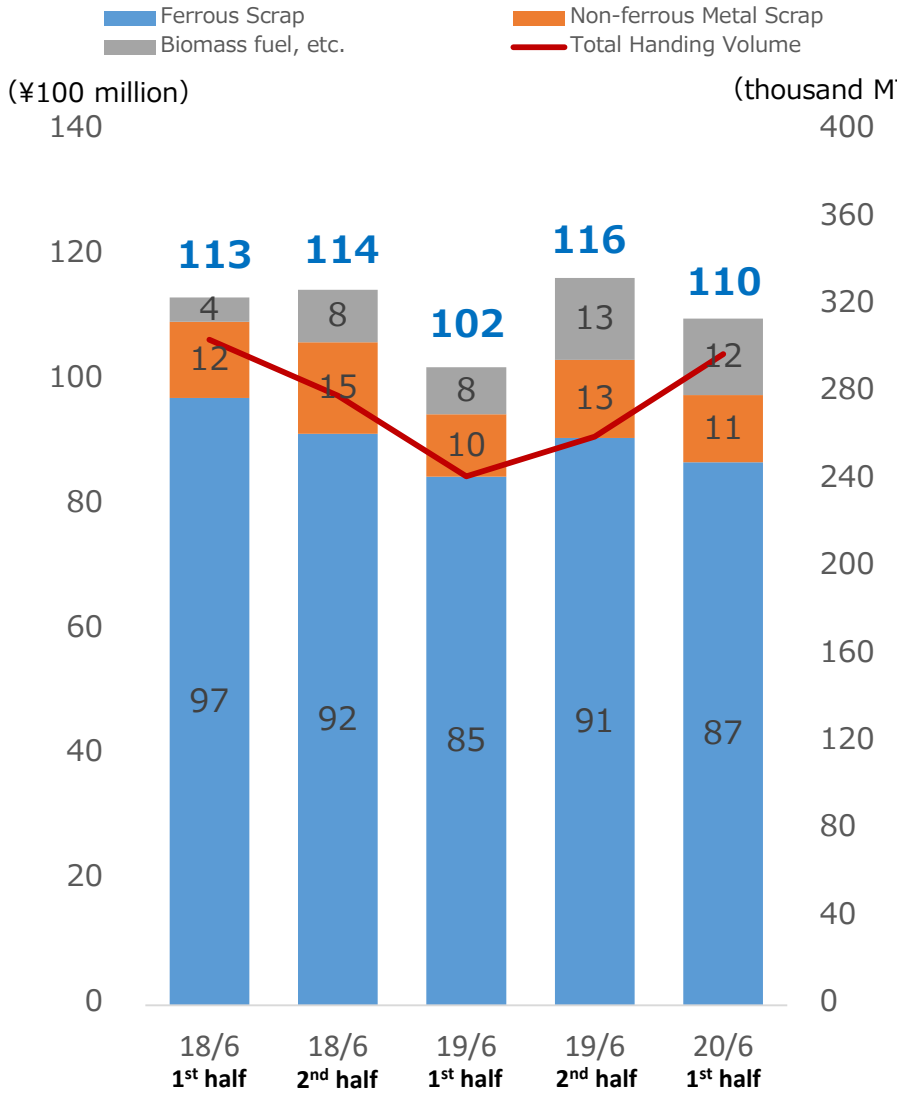
Up 188.4%
Year on year



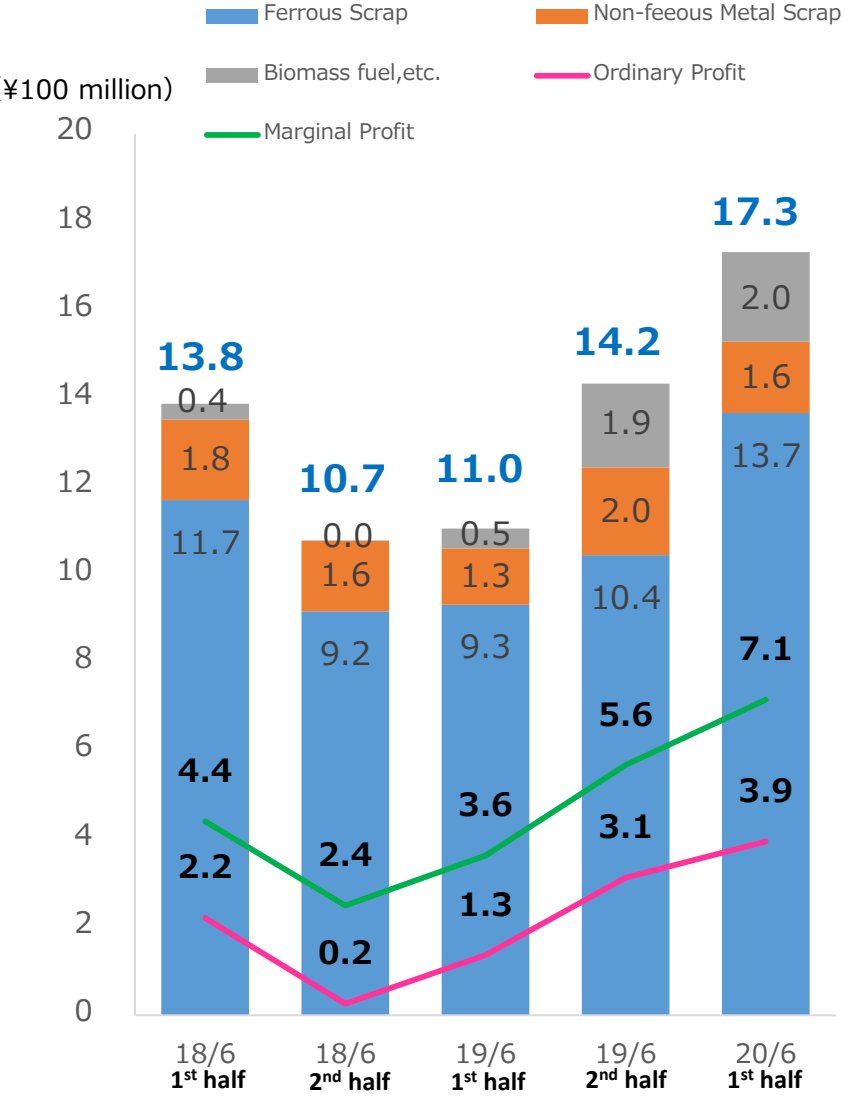
- Ferrous and nonferrous metal scrap prices showed signs of weakness, however, on the other hand, utilized the fluctuation of these market prices.
- Handled the volume of ferrous scrap increased resulting in an increase in net sales, despite the declining market prices for ferrous scrap than the same period of previous year's.
- Sold the remained one of the two retired dedicated aircraft of the Japanese government.
- Achieved successfully the first shipment of wood biomass fuel (PKS) to the Japanese market.
- Established the Representative Office in Europe in October 2019.

Business Results by Business Segment【Global Resource Circulation】

Net Sales & Handling Volume by product



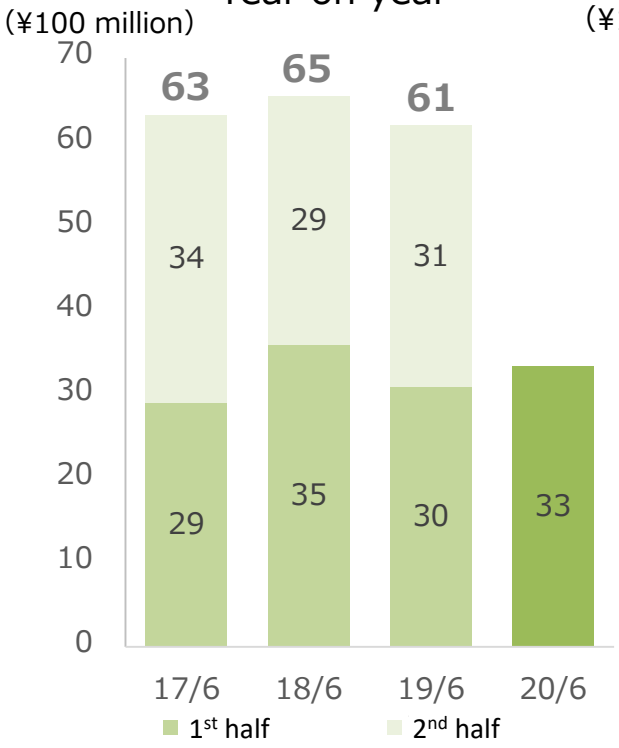
Gross Profit by product/ Total Ordinary Profit・Marginal Profit



Business Results by Business Segment 【Used-car-related Business】

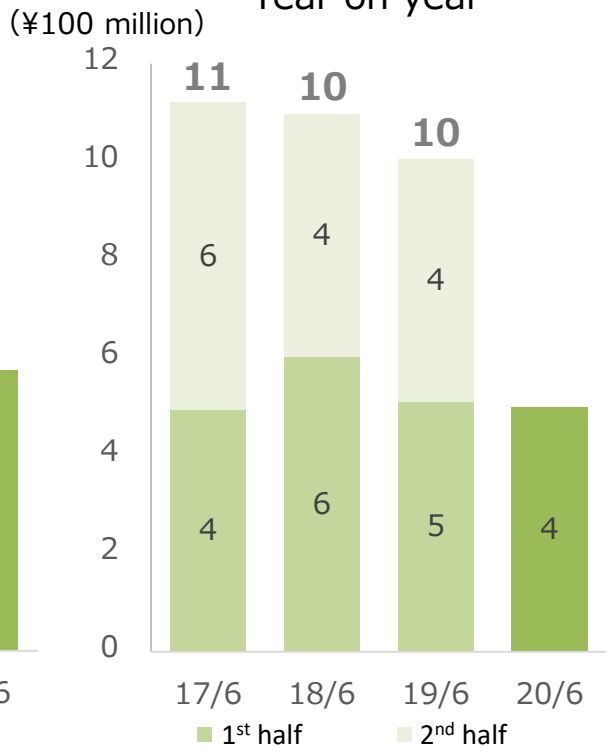
Net Sales

Up 8.0%
Year on year



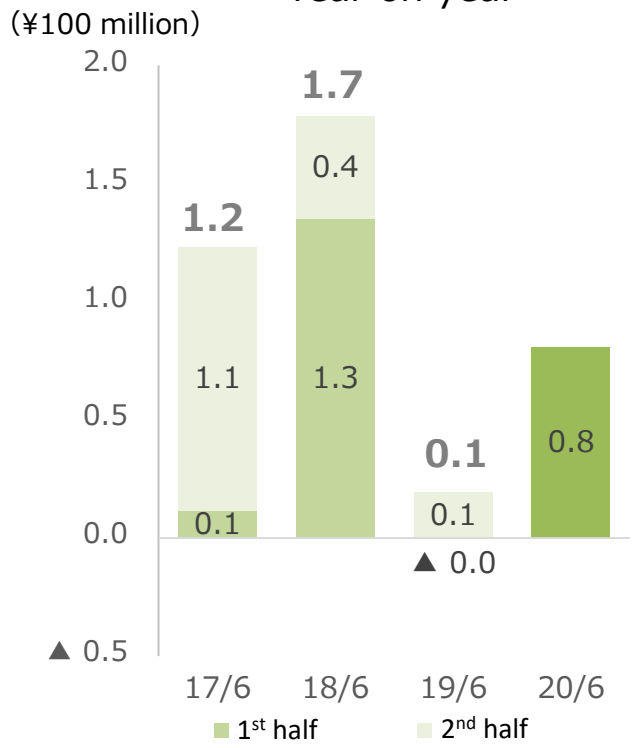
Gross Profit

Down 2.2%
Year on year



Ordinary Profit

Up 80 million
Year on year

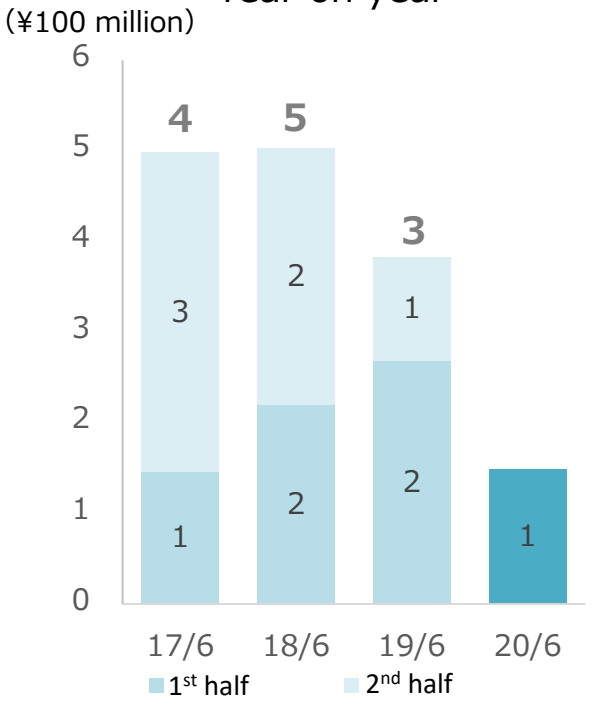


- The demand for used cars in Chile, where is one of our major export destination countries, weakened.
- Sales of used trucks for South East Asia increased.
- Revenue from used car sales and maintenance business in Uganda was improved.
- The volume handled by logistics agency services, which had been sluggish during the same period of the previous fiscal due to effect of restrictions in foreign countries, was recovered.
- Fixed cost was reduced due to the reduction, etc. of yard size for the loading of used cars.

Business Results by Business Segment 【Others】

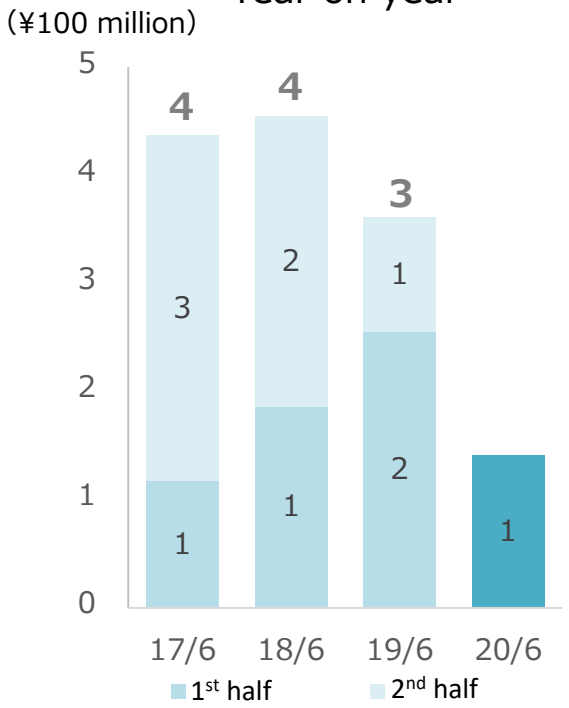
Net Sales

Down 44.8%
Year on year



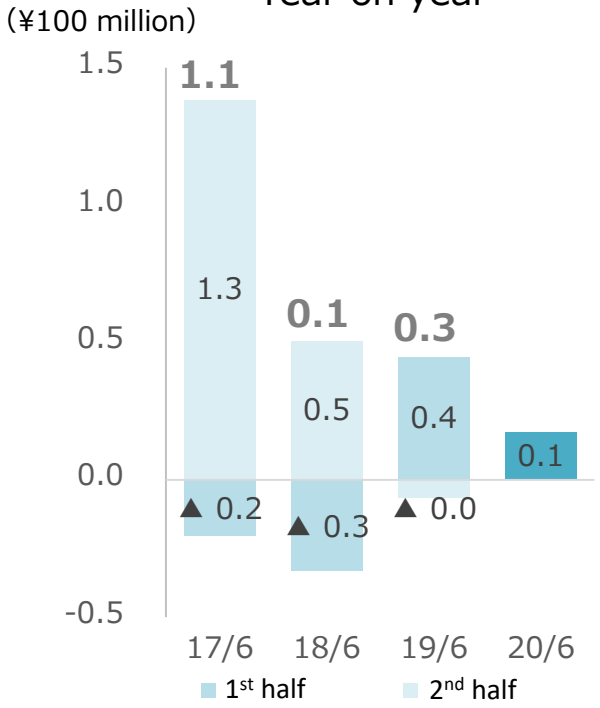
Gross Profit

Down 44.6%
Year on year



Ordinary Profit

Down 61.5%
Year on year



« Environment Management Consulting Business»

- Orders for CDP responses and evaluation improvement support and other services was fared well.
- New services were commenced, such as Task Force on Climate-related Financial Disclosures (TCFD) response support.

« Welfare Service Business for Persons with Disabilities »

- The Type-B Continuous Employment Support Office was newly established in Fujinomiya City, Shizuoka Prefecture in August 2019.

※ Others includes the results of E3 Inc. up to December 2018.

Summary of Consolidated Balance Sheets

(¥ million)

	As of June 30 2019	As of Dec.31 2019	Increase/ Decrease
Current assets	11,152	10,636	▲ 516
Non-current assets	8,607	9,194	586
(Property, plant and equipment)	6,130	6,632	501
(Intangible assets)	89	79	▲ 10
(Investments and other assets)	2,386	2,481	95
Total assets	19,759	19,830	70

	As of June 30 2019	As of Dec.31 2019	Increase/ Decrease
Current liabilities	5,172	5,108	▲ 63
Non-current liabilities	3,025	2,838	▲ 186
Total liabilities	8,197	7,947	▲ 250
Net assets	11,562	11,883	321
(Shareholders' equity)	11,166	11,501	335
Total liabilities and net assets	19,759	19,830	70

Main Topics

- Current assets (Cash and deposits:¥1,802 million, Notes and accounts receivable-trade: ¥▲1,183 million Merchandise and finished goods: ¥▲889 million, Other current assets: ¥▲303 million)
- Non-current assets (Construction in progress: ¥459 million, Investment securities: ¥66 million)
- Current liabilities (Short-term borrowings: ¥420 million, Income taxes payable: ¥107 million Other current liabilities: ¥▲427 million, Notes and accounts payable-trade: ¥▲113 million)
- Non-current liabilities(Long-term borrowings: ¥▲174 million)
- Equity ratio 58.1% (up 1.4% year on year)

Summary of Consolidated Statements of Cash Flow

(¥ million)

Items	For the Six months Ended December 31, 2018	For the Six months Ended December 31, 2019	Increase / Decrease
Cash flows from operating activities	▲ 283	2,625	2,908
Cash flows from investing activities	▲ 36	▲ 758	▲ 722
Cash flows from financing activities	▲ 854	▲ 63	791
Effect of exchange rate change on cash and cash equivalents	▲ 4	0	3
Net increase (decrease) in cash and cash equivalents	▲ 1,178	1,802	2,980
Cash and cash equivalents at beginning of period	4,856	2,714	▲ 2,142
Cash and cash equivalents at end of period	3,678	4,516	837

Main Topics

- Cash flows from operating activities : (Inflows) ¥1,183 million in decrease in Notes and accounts receivable-trade
  ¥833 million in decrease in Inventories
  ¥807 million in Profit before income taxes
  (Outflows) ¥185 million in Income taxes paid
- Cash flows from investing activities : (Inflows) ¥15 million from sale of Property, plant and equipment
  (Outflows) ¥774 million in purchase of Property, plant and equipment
- Cash flows from financing activities : (Inflows) ¥420 million in increase in Short-term borrowings
  (Outflows) ¥234 million in Dividends paid, ¥221 million in repayments of Long-term borrowings

2．Forecast for the Fiscal Year Ending June 30, 2020

Present Business Environment and Initiatives

Business Environment

- The spread of coronavirus infection is already affecting to the Japanese economy, and it will give an adverse impact on our group business activities in near future. At present, the ferrous and non-ferrous metal scrap prices shows weakness.

  Precondition for earning forecast: Ferrous Scrap Market Price 25,000yen/MT (20,500yen), Copper Market Price 600,000yen/MT (680,000 yen), Exchange Rate 105yen/USD (109yen range)　　※（ ）price on February 18, 2020

Major initiatives in the 2nd half year

① Increase the handling volume of ferrous scrap, non-ferrous metal scrap, minor metals and precious metals (Gold, Silver sediment sludge)

→Expand the scrap yard (We will expand the scrap yard in Kawasaki-city in this April and furthermore have a plan to expand the scrap yard in Western Japan.)

② Increase the handling volume of the business domain which are not easily affected by the metal market price

・Increase the handling volume of waste disposal that receives waste disposal fees.

→ Net sales amount of full fiscal year: 1,900million yen（up 600million yen year on year)

- Increase the recycling rate of plastics made from waste materials

→ Initiatives using with the high filling high speed-melting machine

- Increase collaborative business models with industries close to information sources through plant dismantling business, etc.

→ Have a plan to start collaboration with “Japanese Society of Independent Appraisers” in April

③ Increase new import and export destinations, import and export merchandise, and trilateral trade

- Increase the handling volume of import and trilateral trade of PKS, Wood Pellet

→ Handling Volume of PKS to Japan: 1st half year 10,000MT, full-year forecast 30,000MT

- Increase the handling volume of Gold, Silver Sediment Sludge imported from Europe

→Actual Previous FY 2019/6(June): 90MT, Actual 1st half of FY 2020/6: 226MT, Full-year forecast 350MT(target: 500MT)

- Increase new trade items(Plastic Pellet, Metal Products, etc.) → LIB was added and Billet is under consideration as additional item

④ Operate LIB Recycling Plant stably and study the next stage →Implement Full-scale demonstration test at the end of February 2020

⑤ Strengthen management base and growth foundation from the long term point of view

- Improve the productivity so as to compensate for rising personnel expenses
- Make foundation for long-term growth with aggressive governance activities
- Employ the new human resources positively and while strengthen the development of the abilities of existing human resources

Forecast for the Consolidated Results for the Fiscal Year Ending June 30, 2020

(¥ million)

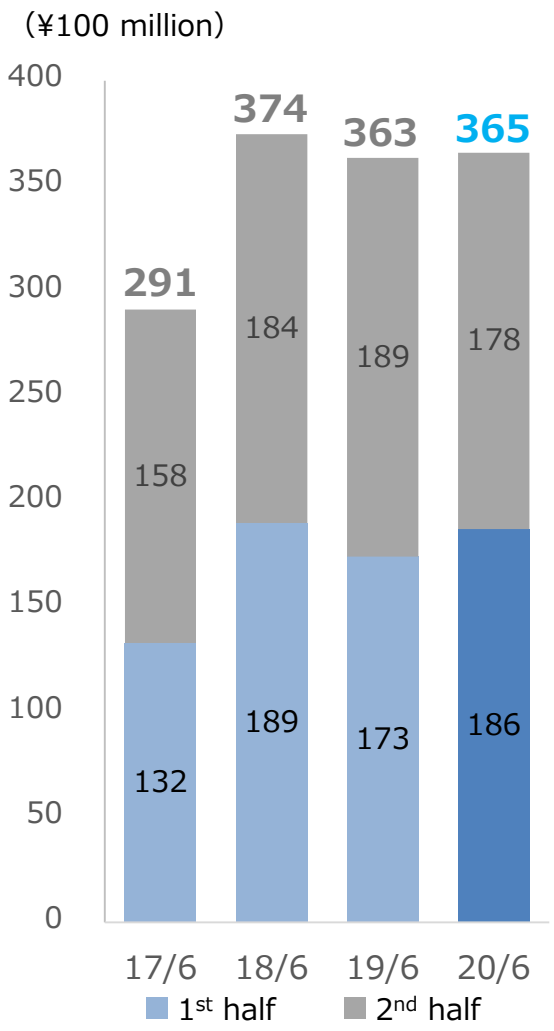
	Fiscal year ended June 30,2019			Fiscal year ending June 30,2020				
	1st half (Actual)	2nd half (Actual)	Full year (Actual)	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Year on year Amount	Year on year Ratio
Net sales	17,376	18,960	**36,336**	18,691	17,879	**36,571**	234	0.6%
Gross profit	3,165	3,288	**6,454**	3,674	3,766	**7,440**	985	15.3%
Operating profit	418	420	**839**	660	320	**981**	141	16.9%
Ordinary profit	570	571	**1,141**	748	502	**1,251**	109	9.6%
Profit before income taxes	526	611	**1,138**	807	451	**1,258**	119	10.5%
Profit ※	314	472	**787**	549	342	**892**	105	13.4%
Marginal profit	3,276	3,405	**6,681**	3,554	3,629	**7,184**	502	7.5%
EBITDA※	693	789	**1,482**	925	708	**1,634**	151	10.2%
Fixed cost※	2,834	2,952	**5,786**	2,892	3,221	**6,114**	327	5.7%
ROE	—	—	**7.1%**	—	—	**7.7%**	0.6%	8.4%

※Profit＝Profit attributable to owners of parent
※EBITDA＝Operating Profit + Depreciation + Amortization of goodwill
※Fixed cost＝【Cost of sales・Selling, General & administrative expenses・fixed cost equivalency of Non-operating expense】
－【Foreign exchange gains・non-operating income except equity method profit】

Forecast for the Consolidated Results for the Fiscal Year Ending June 30, 2020

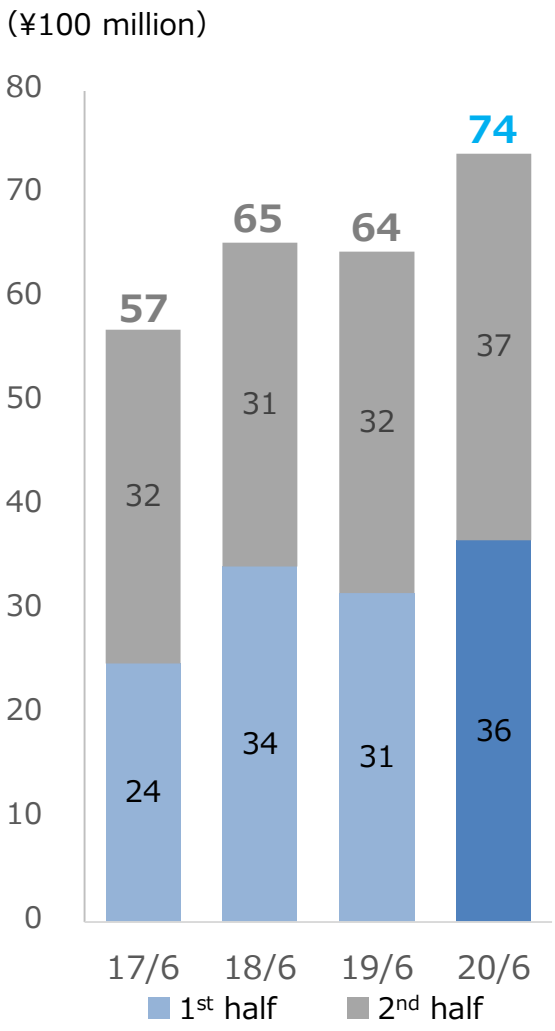
Net Sales

Up 0.6% Year on year



Gross Profit

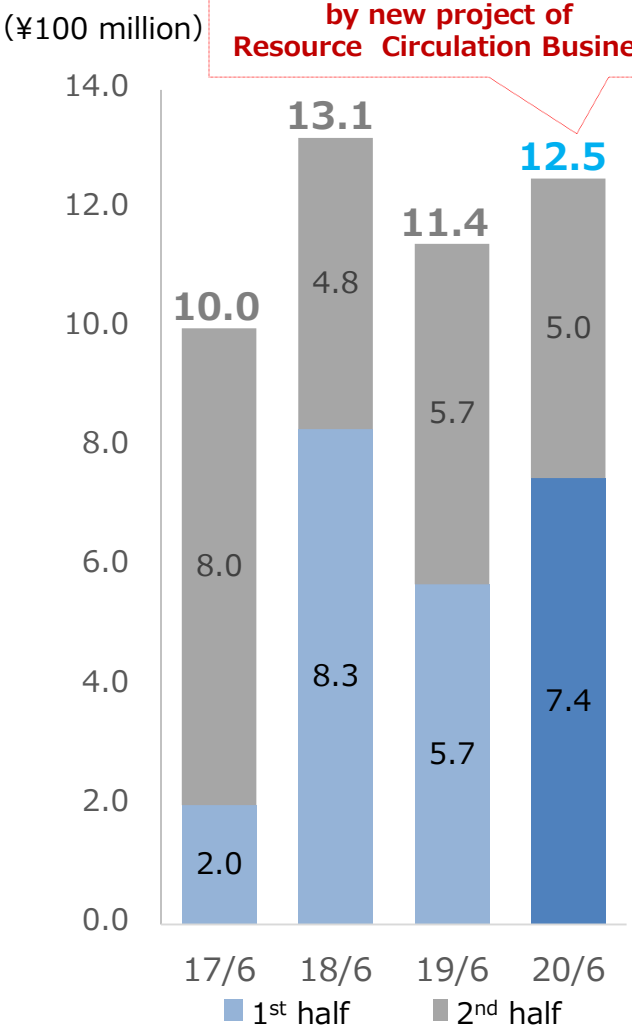
Up 15.3% Year on year



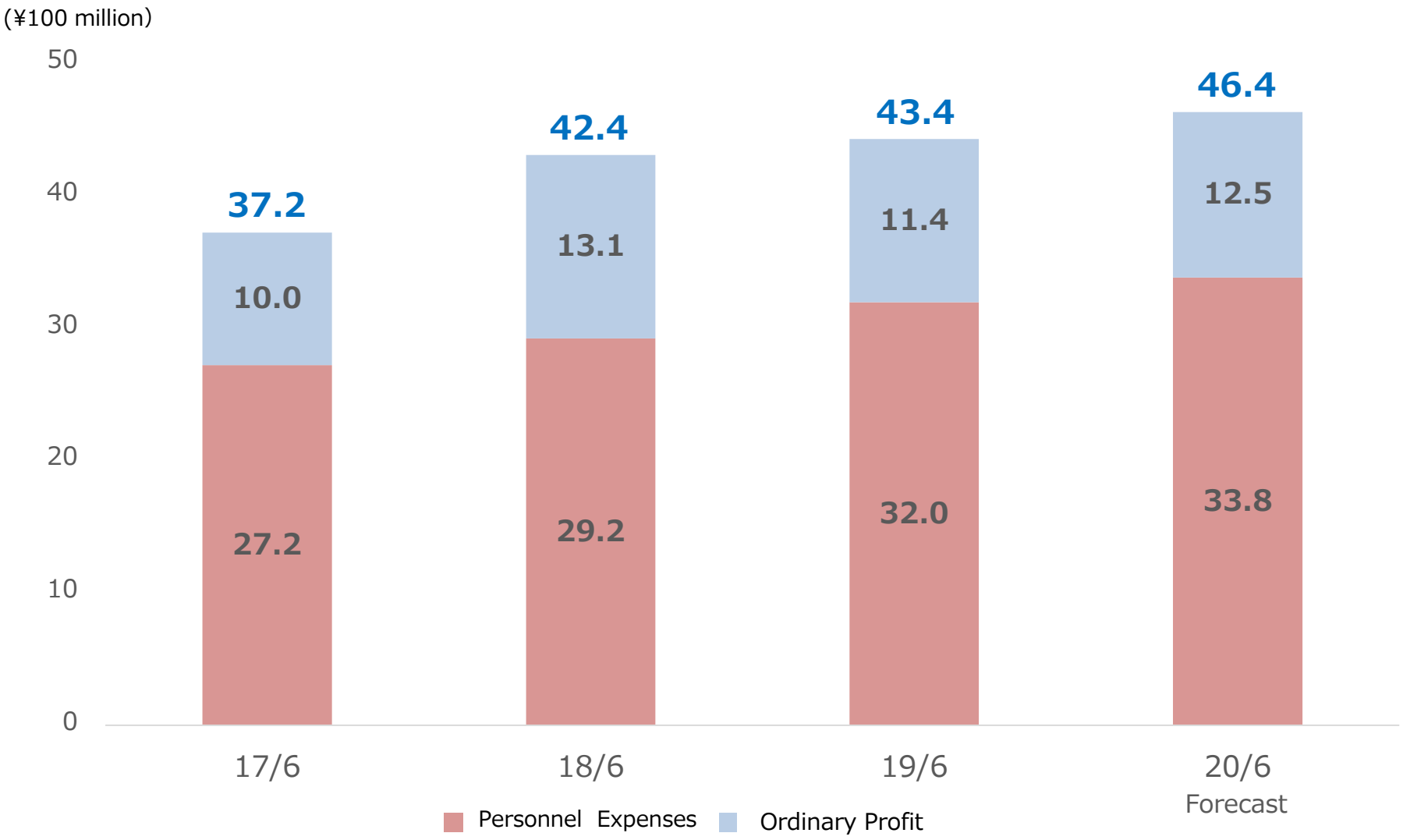
Ordinary Profit

Up 9.6% Year on year

Ordinary Loss 200 million yen by new project of Resource Circulation Business



Personnel Expenses & Ordinary Profit



Medium- to long-term Initiatives

① The Current Situation of our LIB Recycling Business and its Second-Phase

② Expansion of Collection Business of Gold, Silver Sediment Sludge

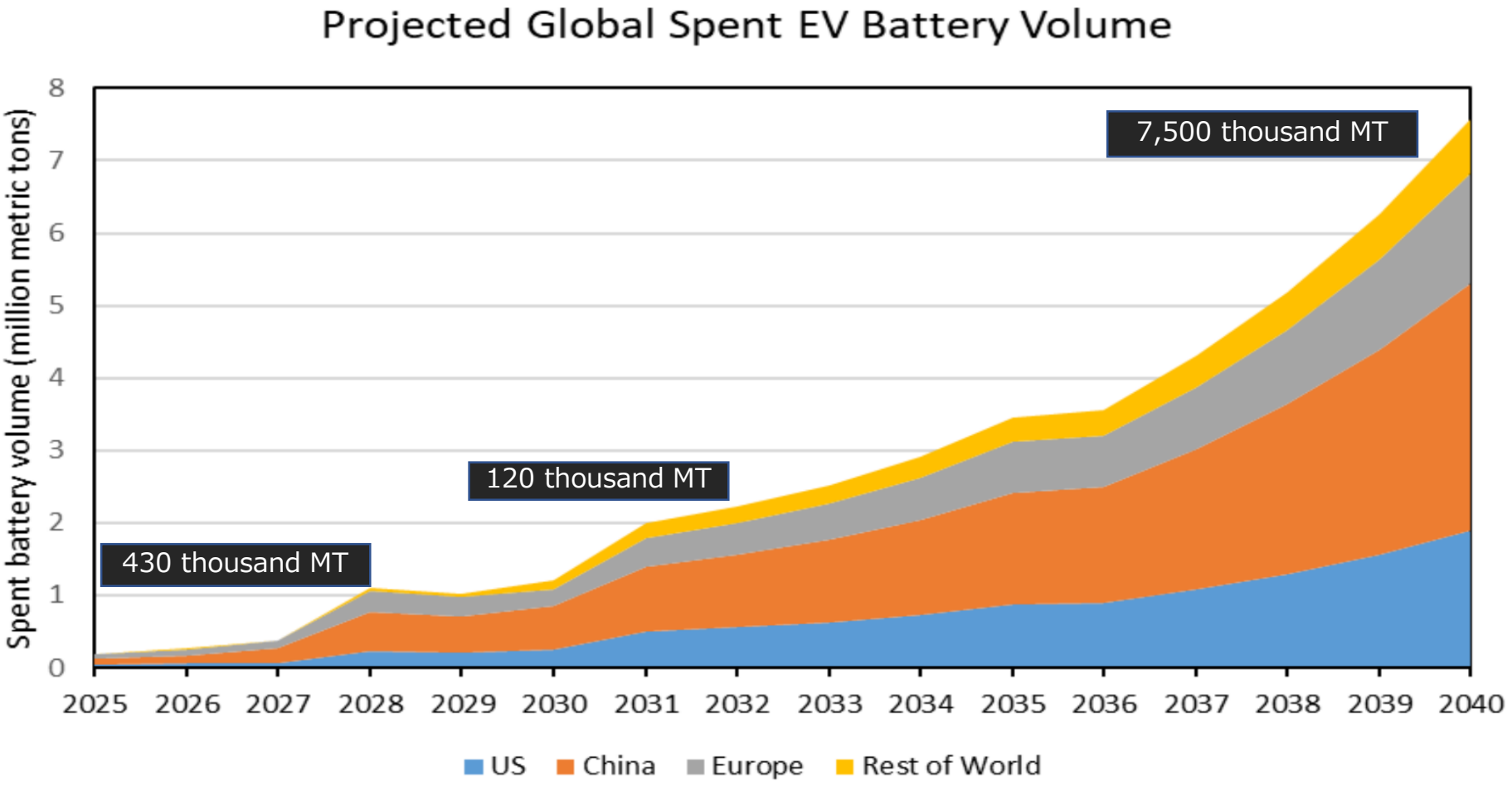
③ Expansion of Handling Volume of Wood Biomass Fuel

④ New initiative toward waste plastic recycling

⑤ Image of the improvement of the corporate value

① LIB Recycling Business : EV Battery Demand Forecast

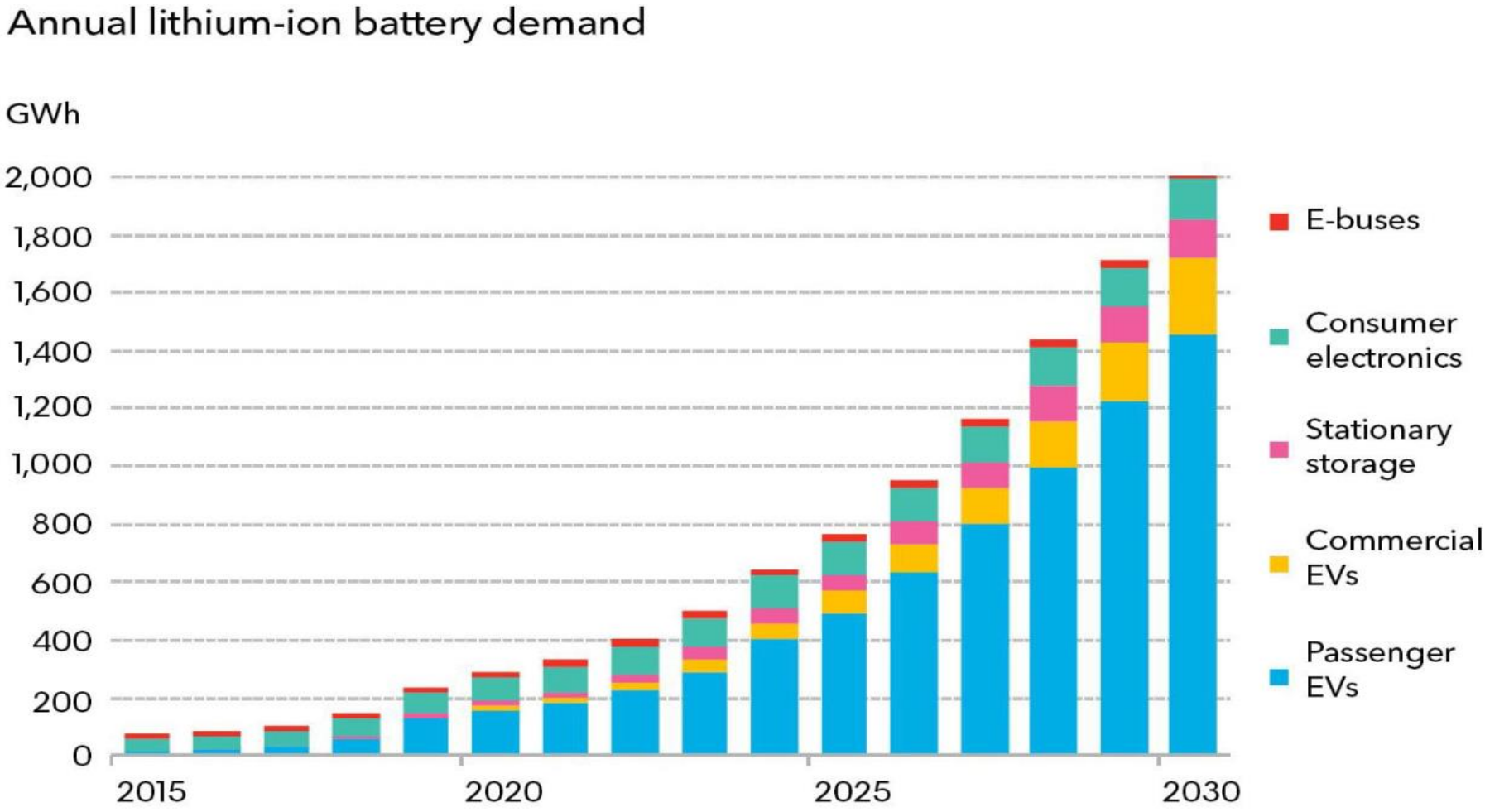
170,000MT (projected) in 2019



(ANL projection based on IEA global PEV projection)

※The above Image chart is edited partially by Envipro Holdings Inc.

① LIB Recycling Business : LIB Demand Forecast



① LIB Recycling Business : Current Situation and Second Phase

To cope with ”Rechargeable batteries Market” of which is rapidly expanding, our group will put our management resources intensively into “Business to collect minor metals (nickel, cobalt, etc.) from spent rechargeable batteries “, and will make a full-scale entry into this business.

Current Stituation of VOLTA

The LIB recycling facilities were installed completely in the first-quarter and will start up production operation at the third-quarter in 2020.

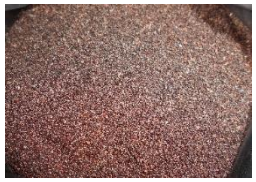
Sept., 2018 Started operation of Electrode Materials Recycling Line of / Started production of Negative Electrode Plate



Negative Electrode Plate



Electrode Materials Recycling Line



Copper



Carbone, etc.

Feb., 2020 Start Operating of the black sand production facility



LIB



Black Sand Production Facility



Co, Ni Concentrate Sludge (Black Sand)

by wet smelting

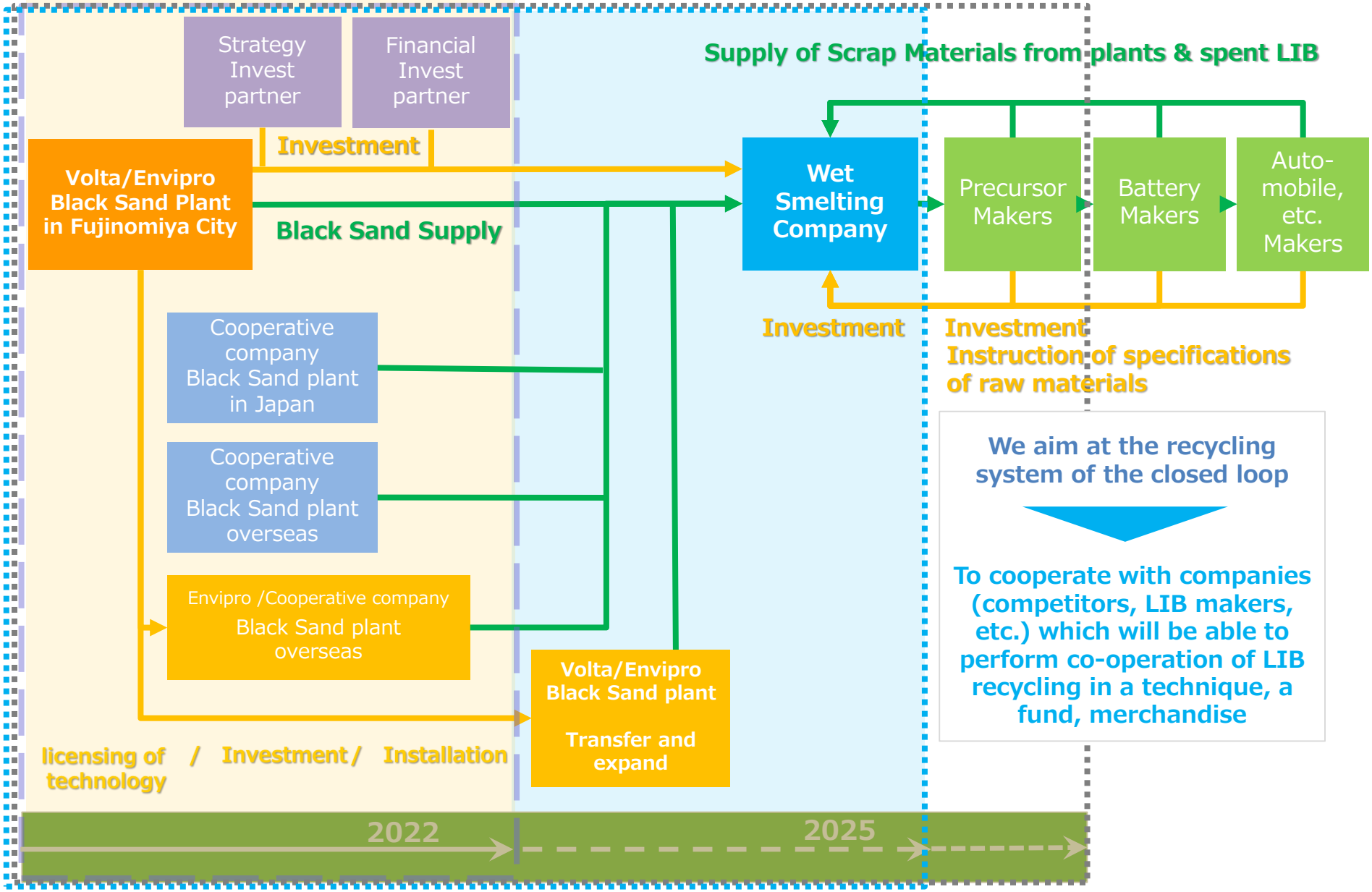
- cobalt sulfate $CoSO_4$
- nickel sulfate $NiSO_4$
- lithium carbonate Li_2CO_3

etc.

Collection of the useful metals

Start studying a processing system after the Black Sand production

① LIB Recycling Business : Second Phase



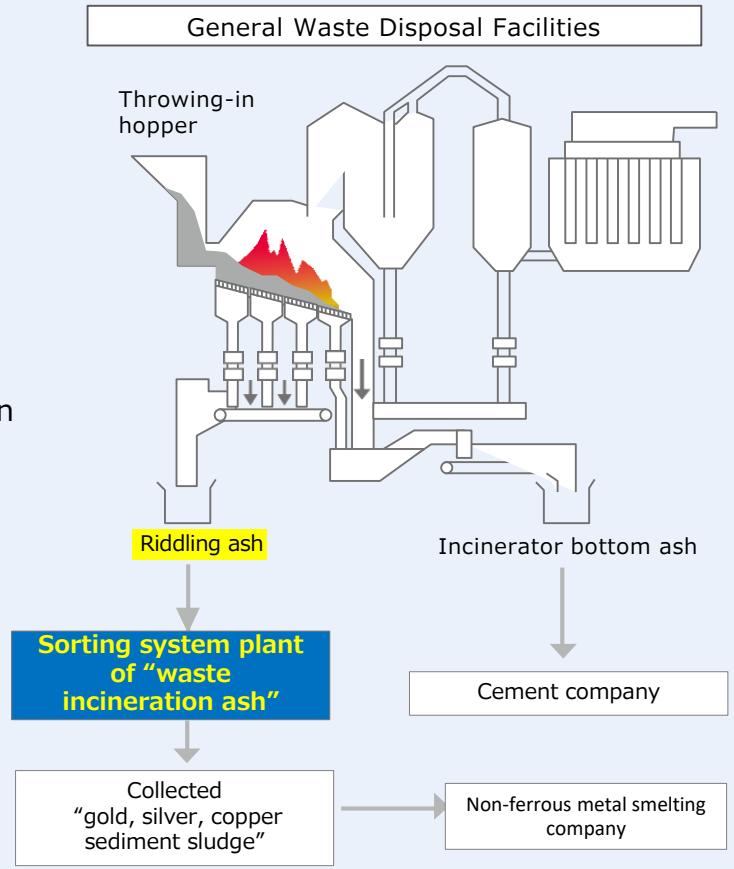
※Black Sand: Co, Ni Concentrated Sediment Sludge

② Collection Business of Gold, Silver Sediment Sludge：Current Situation

We intend to make business to collect "gold, silver sediment sludge (Cu, Au, Ag, Pt, Pd)" taken out of "waste incineration ash", "automobile shredder residue," etc. as one of pillars of our business.

Forecast of FY2020/6
Net sales of gold, silver sediment sludge: ¥900 million
(FY2019/6 ¥700 million)
Collection volume of gold: 80Kg (FY2019/6 61kg)
Collection volume of silver: 1,000Kg (FY2019/6 845kg)

- The number of trades with local government treating the riddling ash from existing waste incineration facilities is increasing.
  ⇒At present, we have contracted with 8 local governments and 20 local governments is considering to start this business with us.
- Two facilities, that is, the cleaning center in city A and the cleaning union in city B have a plan to adopt a system for sorting riddling ash by using with new incinerators.
- Collection of "gold, silver sediment sludge" from small home appliances and mix metal.
- Demonstration Project with Ofunato Plant, Taiheiyo Cement Corporation.
- Expansion of processing orders from the major smelting company (electronic circuit boards, etc.).
- We have started import business of "gold, silver sediment sludge" from Europe. (Established Econecol Europe Reps. Office in October 2019) We will carry out the trial shipment from Poland and U.K. in this March.



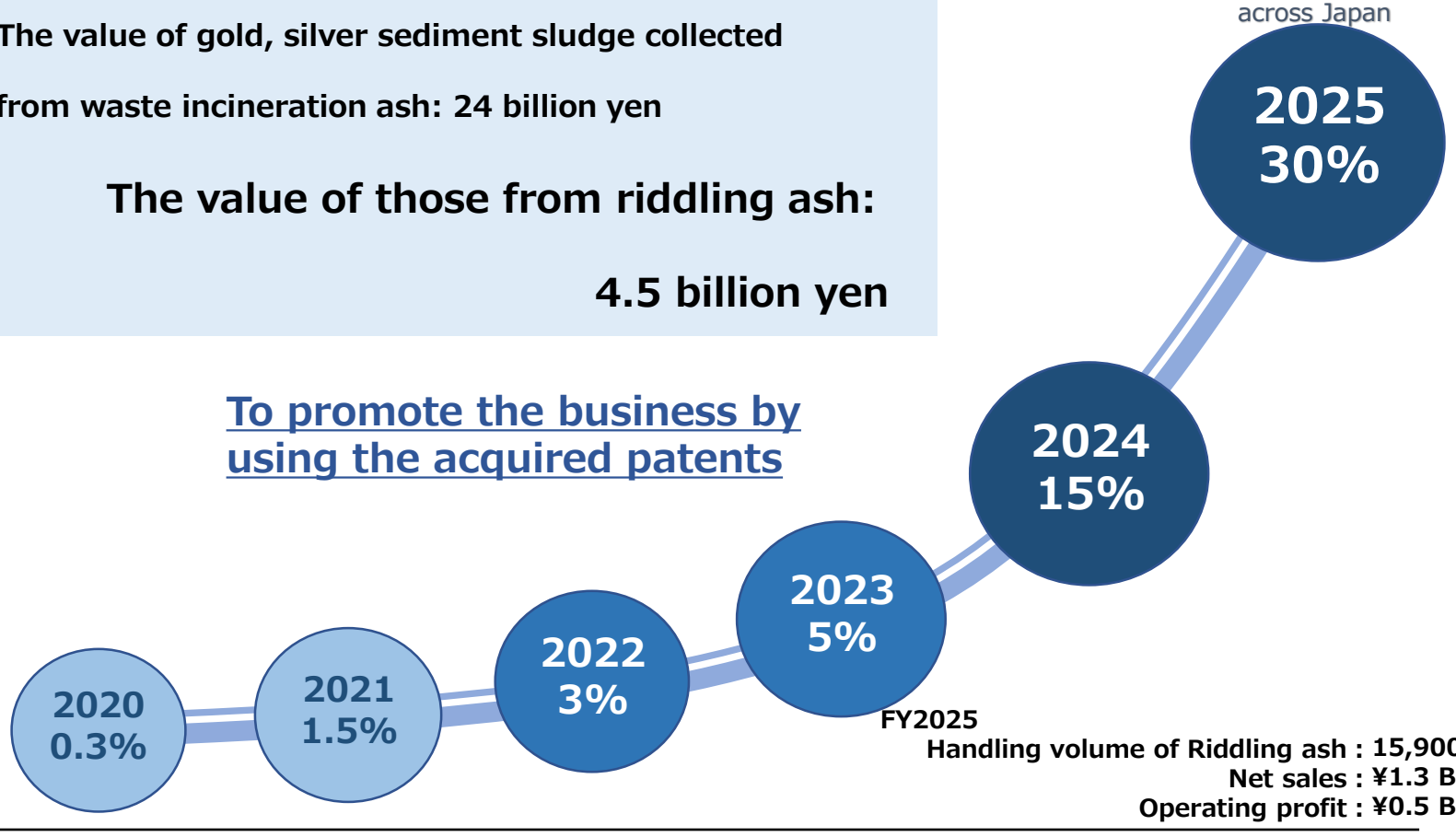
② Collection Business of “Gold,Silver Sediment Sludge”: Strategy to expand the collection of Riddling Ash

Contract with 240 of 800 Facilities with Stoker type Waste Incinerators across Japan

The value of gold, silver sediment sludge collected from waste incineration ash: 24 billion yen

The value of those from riddling ash: 4.5 billion yen

Market Share



To promote the business by using the acquired patents

FY2025
Handling volume of Riddling ash : 15,900ton
Net sales : ¥1.3 Billion
Operating profit : ¥0.5 Billion

Enlightenment period

- Steady promotion to local governments
- Enlightenment activities to JWMA, etc.
- Cooperation with Incinerator maker

Spread period

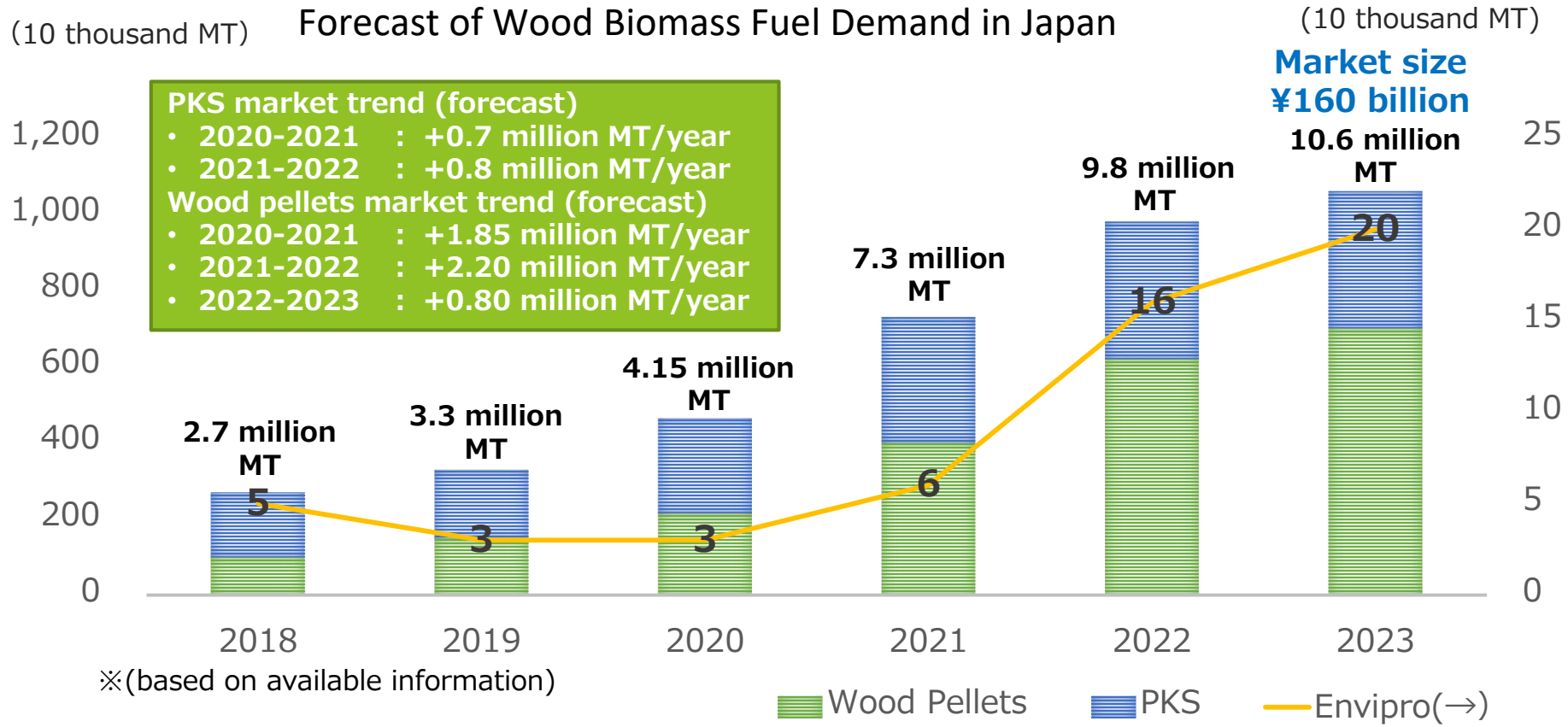
- Founding of separation remodeling subsidy system for separation of riddling ash
- Cooperation with local recycler
- Development of the further sorting technology

Growth period

- Adoption in the design guideline of waste disposal facility for separation of riddling ash
- 100% achievement of separate collection of riddling ash in new Incinerators

③ Expansion of Handling volume of Wood Biomass Fuel

To supply wood pellet (zero carbon fuel) that meets the requirement (high quality and long-term stable supply) of biomass power plants for the Japanese wood biomass fuel market, which will further expand in the future.



For Business Expansion

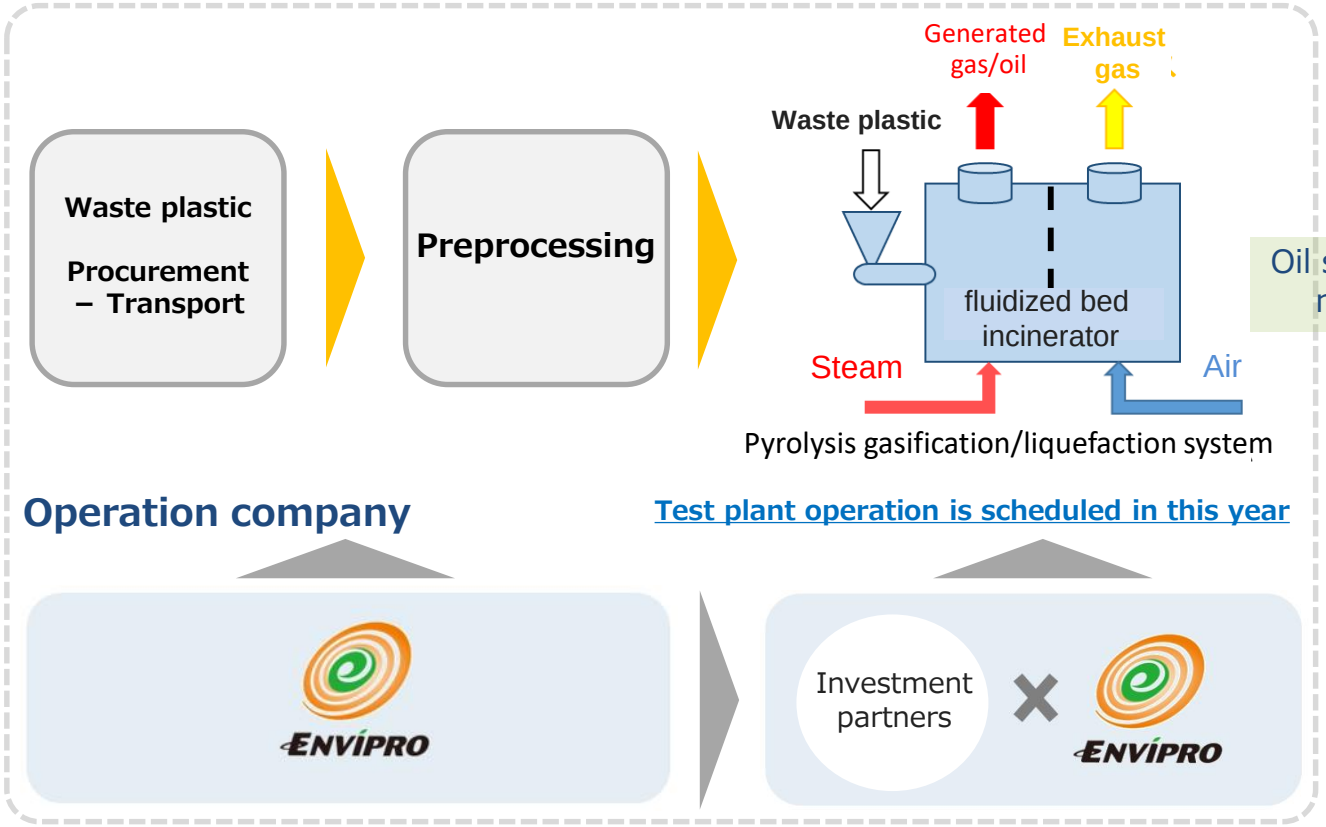
- Study of expansion of collection bases for PKS & wood Pellet
- Study of wood pellet manufacturing plant to be built overseas

④ New Initiative toward Waste Plastic Recycling

To study manufacturing of fossil fuel substitution material with incinerator makers and oil refinery companies

Study on Chemical Recycling ～ Dig up “Urban Oil Field” ～

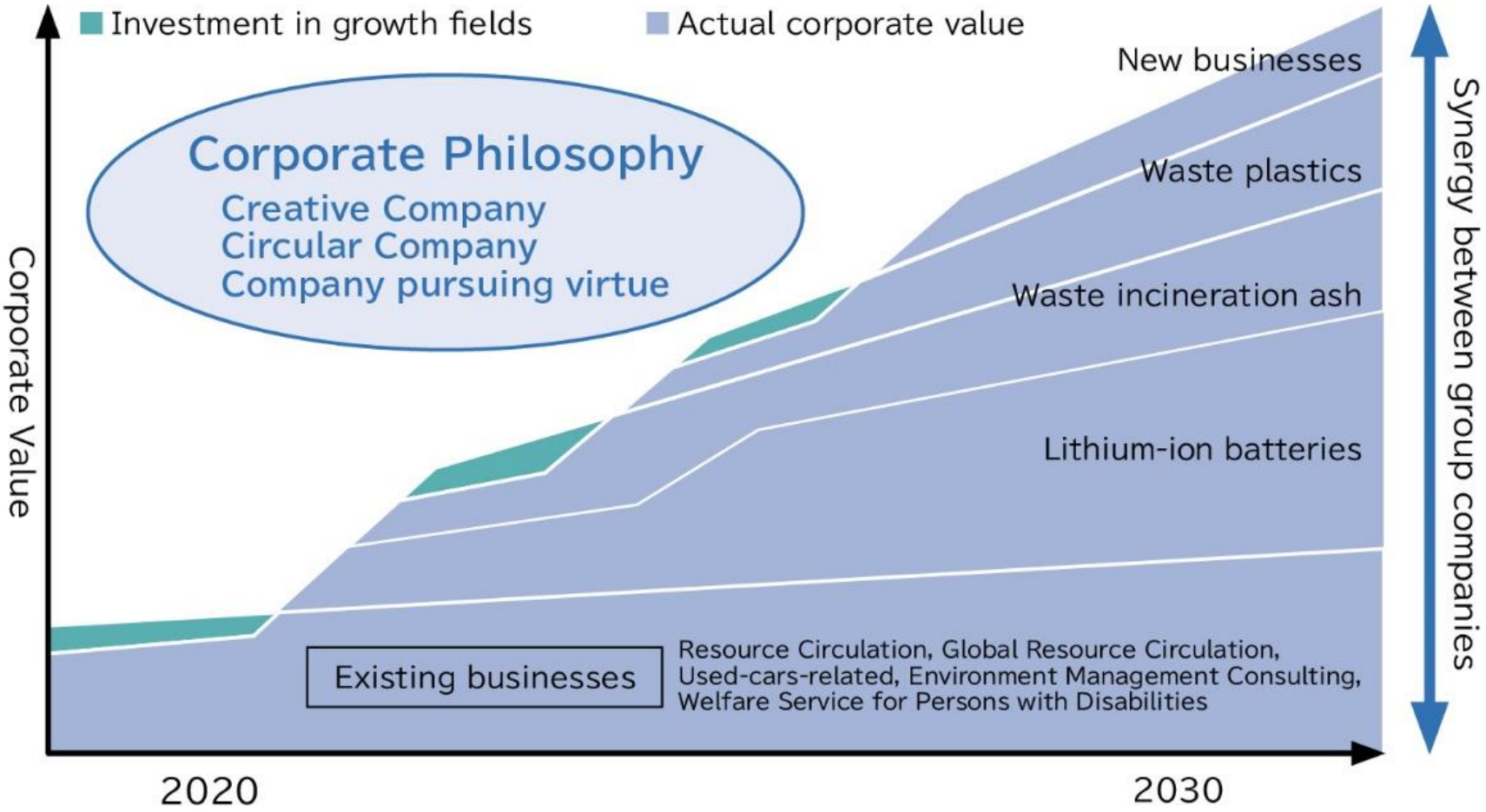
Summary of Assumed Business Model



Even if all waste plastic disposed in Japan (estimated as 9 million ton) is recycled into oil, the volume is equivalent to only 1-3 % of the entire volume of oil refined in Japan.

⑤ Image of the improvement of the corporate value

Profit distribution	
Investment in growth fields	30%
Research and development	10%
Return to shareholders	20~30%
Internal reserves	30~40%



Until a business is stabilized, the increase in corporate value will slow down because it cannot match the initial investment. Green areas indicate a negative balance caused by this condition.

3. Company Profile

Outline of Group

Head Office	87-1 Tanaka-cho, Fujinomiya-shi, Shizuoka Pref. JAPAN
Representative Director	President/CEO Tomikazu Sano
Established	May 2010
Group Companies	Twelve consolidated subsidiaries (including second-generation subsidiaries), two equity method affiliates
Number of Employees	Envipro Holdings 30 persons（consolidated 418 persons） ※ As of the end of June 2019

Business Segment	Business Companies and Departments
Resource Circulation Business	Econecol Inc./ Processing Dept. Kuroda Recycling Co., Ltd., Syn eco Inc., Toyo Rubber Chip Co., Ltd., Pla 2 Pla Inc., Volta Inc., Equity method affiliates:Arbiz Corporation, Fuji Eco Cycle Co., Ltd.
Global Resource Circulation Business	Econecol Inc./ Foreign Trading Dept.
Used-car-related Business	3WM Co., Ltd. (Including 3 overseas subsidiaries)
Others	Environment Management Business: Bright Innovation Co., Ltd. Welfare Service Business for Persons with Disabilities: Astoco Inc.
Adjustment	Econecol Inc./common　Envipro Holdings Inc.

※ The number of employees includes only the regular employees

Domestic Bases & Offices in Japan

■ Consolidated subsidiaries
(including overseas companies)

12 companies

■ Domestic yards

12 yards

■ Domestic processing sites

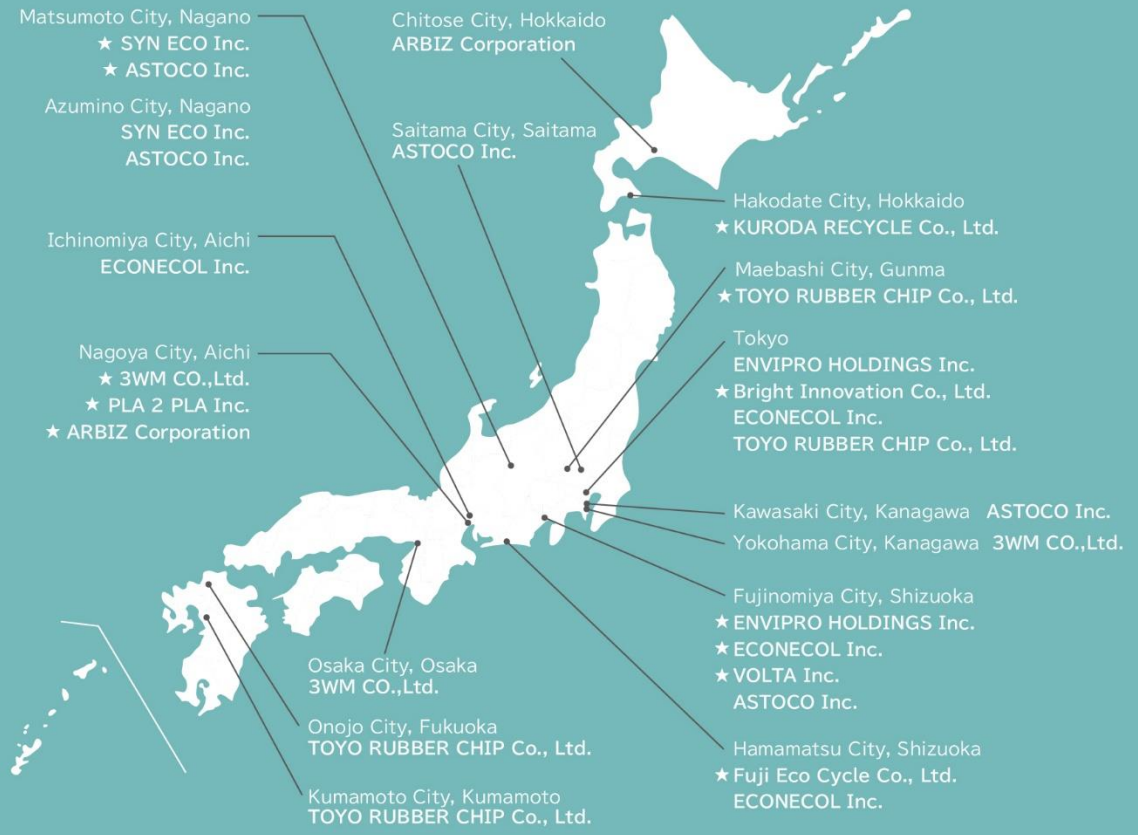
10 sites

Shipping ports

Locations	Yards
Hakodate Port, Hokkaido	Ferrous scrapyard
Naoetsu Port, Niigata	Ferrous scrapyard
Funabashi Port, Chiba	Ferrous scrapyard, Nonferrous scrapyard
Sakura City, Chiba	Used car yard
Kawasaki Port, Kanagawa	Ferrous scrapyard, Nonferrous scrapyard
Yokohama Port, Kanagawa	Used car yard
Tagonoura Port, Shizuoka	Ferrous scrapyard
Shimizu Port, Shizuoka	Ferrous scrapyard, Nonferrous scrapyard
Tobishima New Port, Aichi	Used car yard
Nagoya Port, Aichi	Ferrous scrapyard
Minami Port, Osaka	Nonferrous scrapyard
Amagasaki Port, Hyogo	Ferrous scrapyard

Domestic sites

Head Office=★



Overseas Bases & Offices



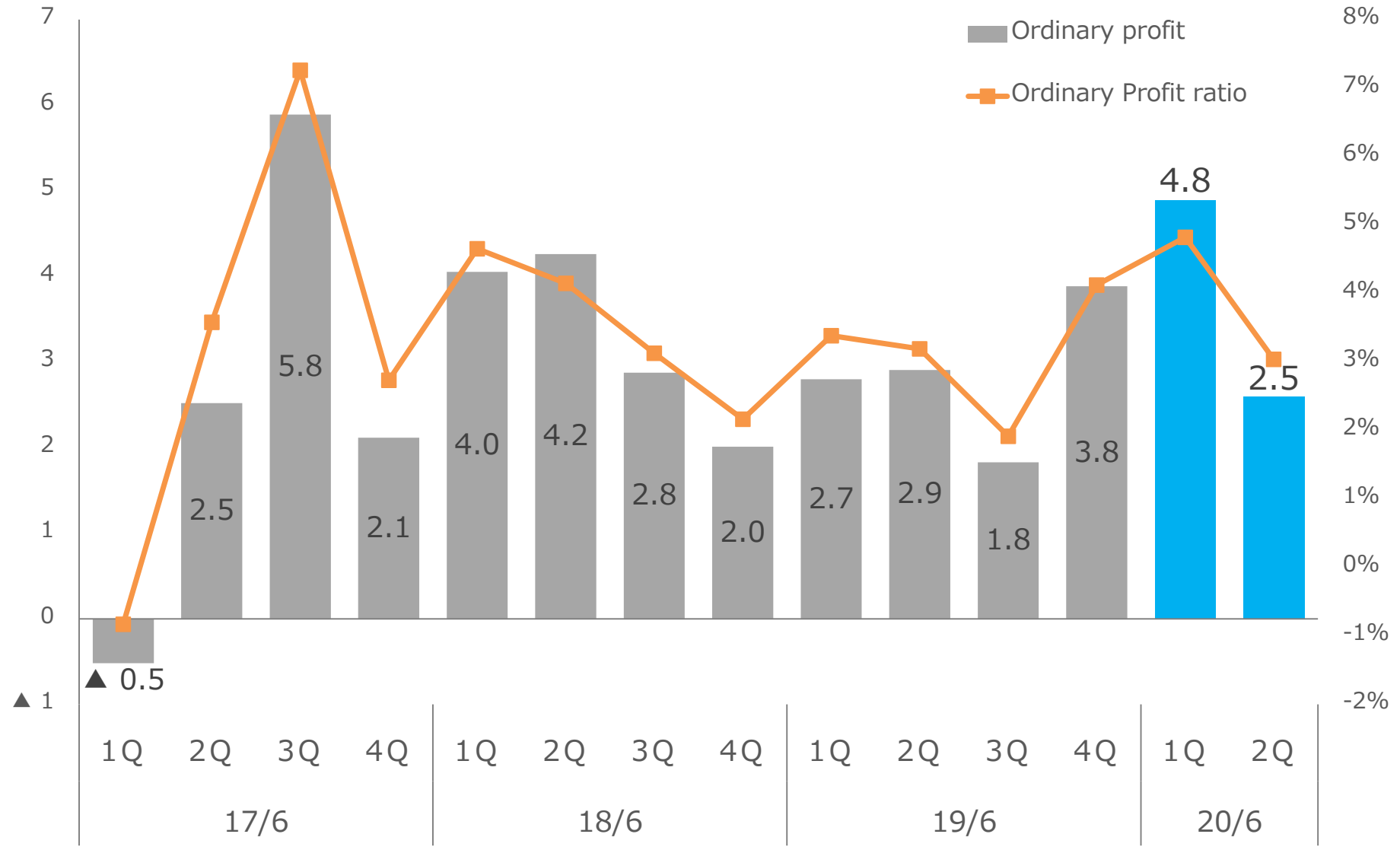
History of Group

2019 Opened Econecol Europe Reps. Office in U.K.
2018 Established Volta
2018 Listed on the First section of Tokyo Stock Exchange
2017 Established Pla 2 Pla as a joint venture
2017 Established Mine Biomass Synergies as a joint venture
2016 Established Bright Innovation
2015 M&A Toyo Rubber Chip
2015 Opened Econecol H.C.M.C. Office in Vietnam
2014 Established E3
2013 Established ECOMMIT(Present ASTOCO)
2013 Listed on the Second section of Tokyo Stock Exchange
2013 Opened Tokyo Office
2012 Established 3WM Uganda in Uganda
2011 M&A Syneco
2010 Established Econecol Holdings (Present Envipro Holdings)
2008 M&A Kuroda Recycle
2008 Established 3WM's Overseas subsidiaries (3WM Chile &3WM Japan Coast in Chile & UAE)
2006 Opened Nagoya Branch (Established 3WM in next year)
2003 Established Arbiz as a Joint venture
2000 Established Fuji Eco Recycle as a joint venture
1992 Launched a trading business
1950 Established Sano Maruka Shoten

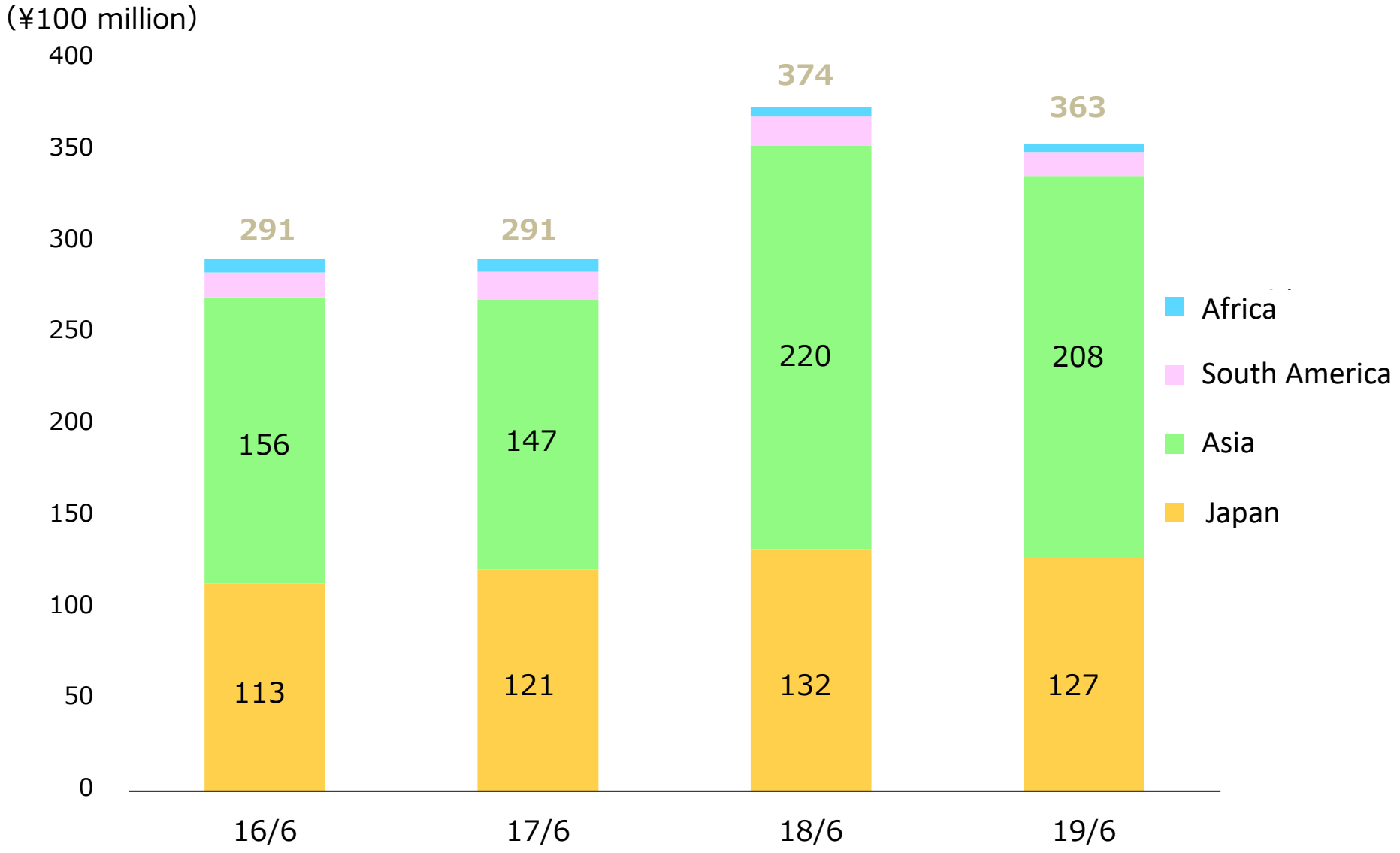
4. Reference Data

Quarterly Financial Results: Ordinary Profit

(¥100 million)

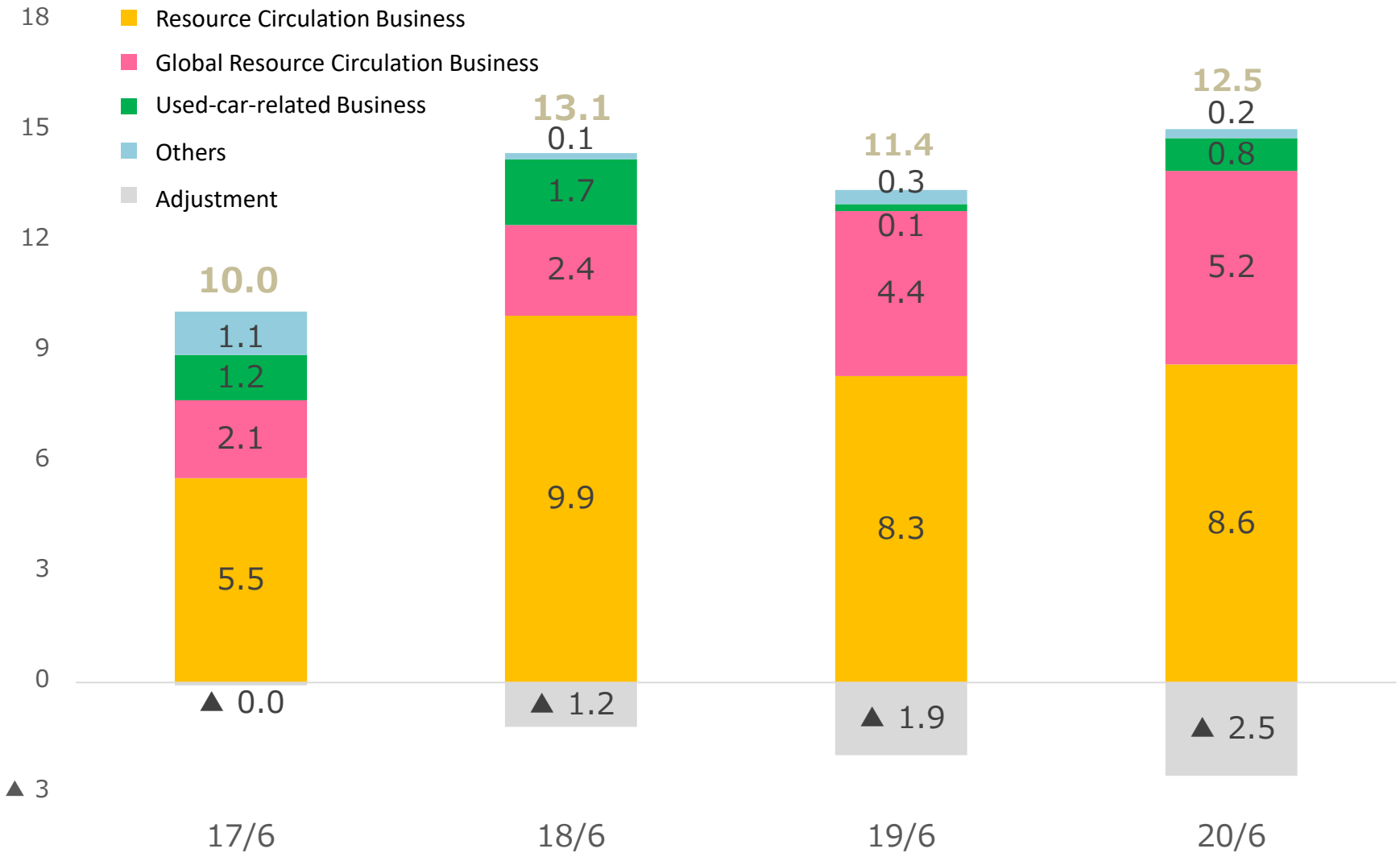


Sales amount by geographic area

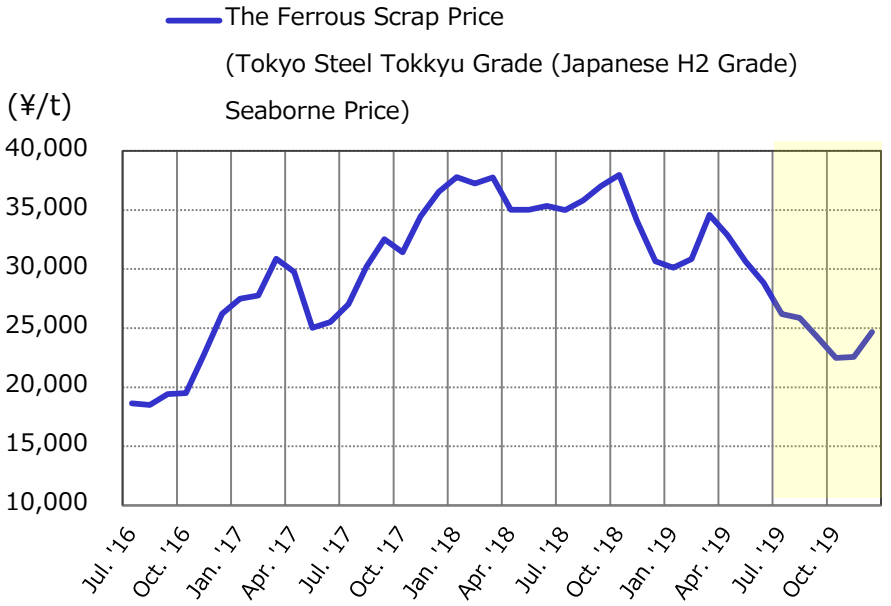


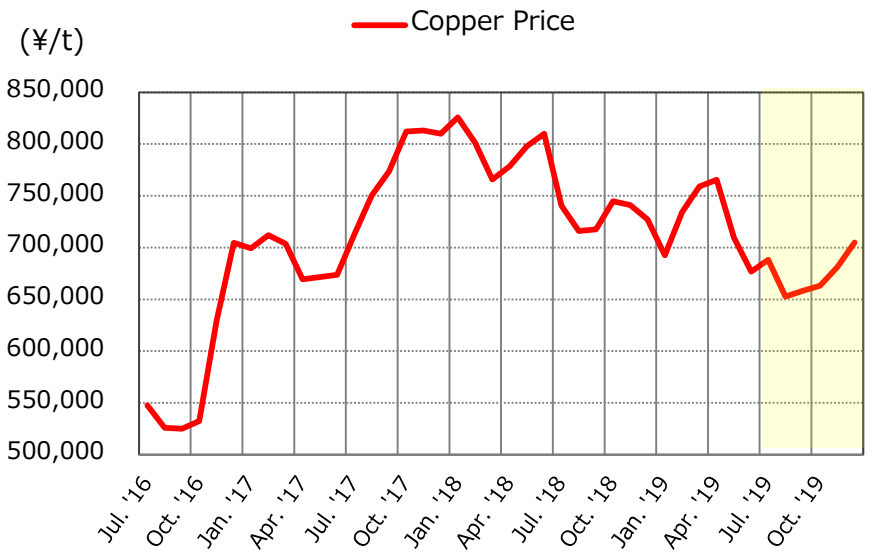
Profit & its forecast by Business Segment

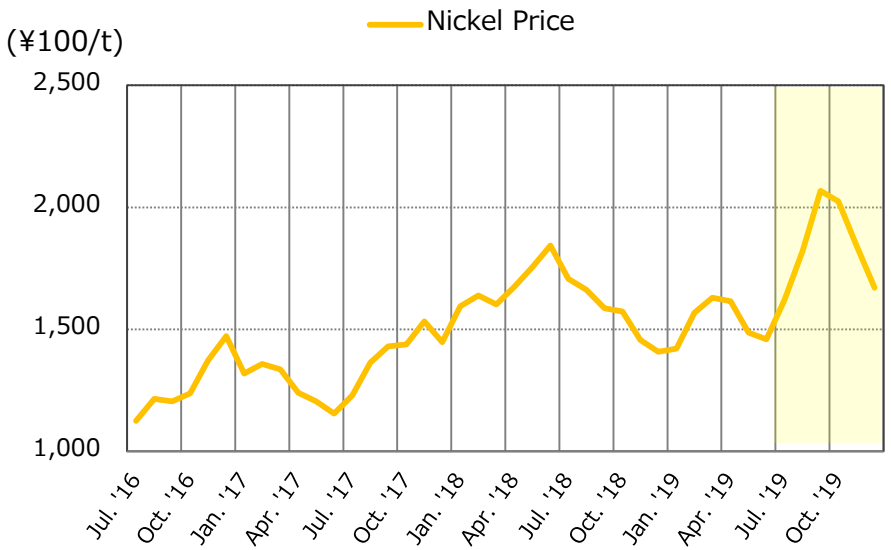
(¥100 million)



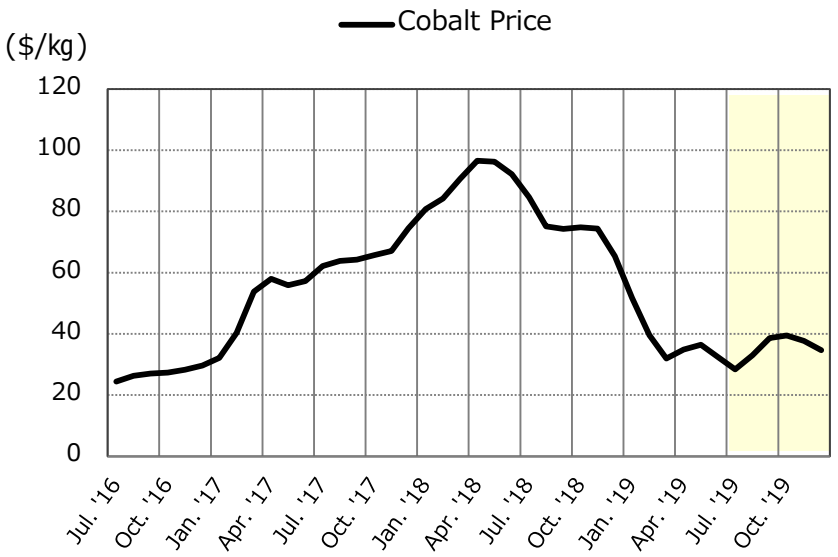
Market Price ①





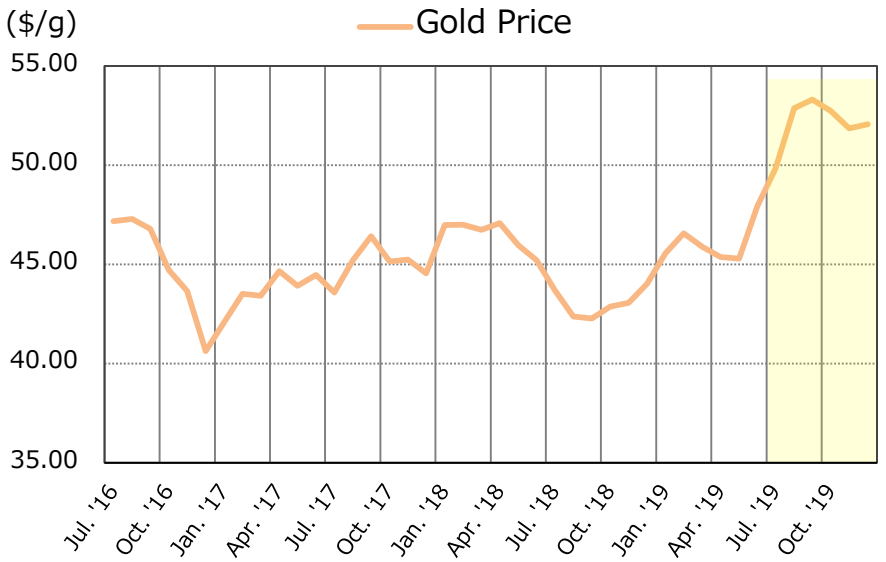


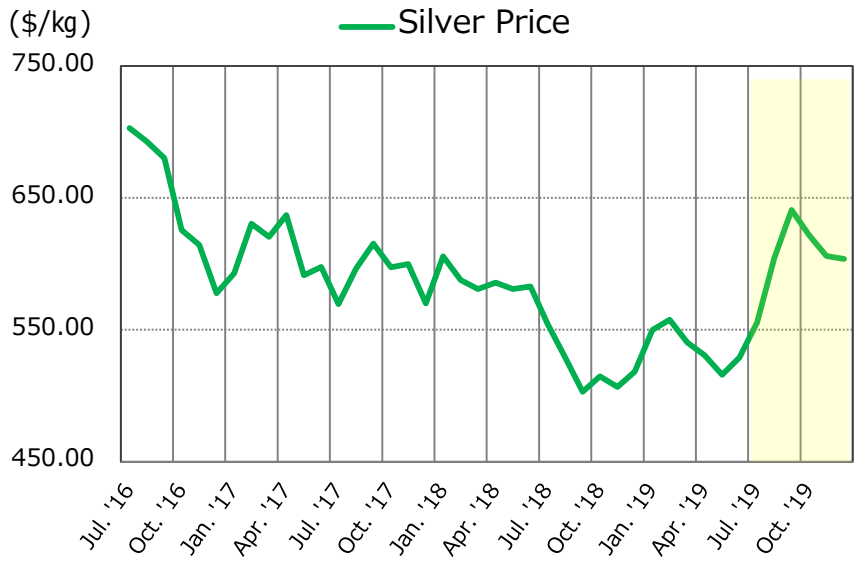
Source: Tokyo Steel manufacturing Co., Ltd., Nikkei Inc.

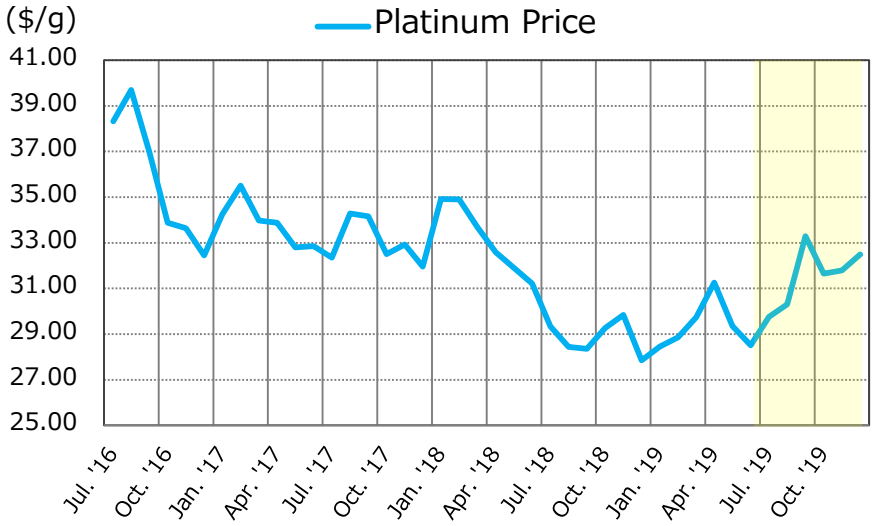


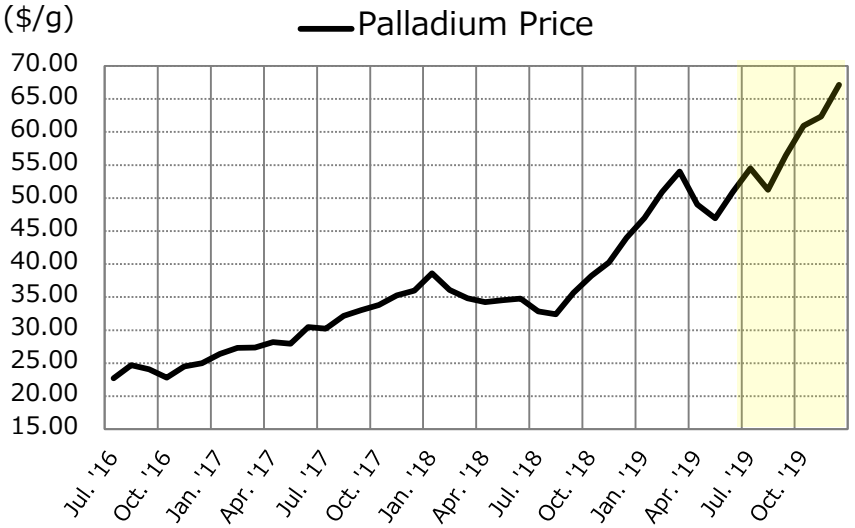
Source: The Japan Electric Wire & Cable Makers' Association, IRuniverse Corporation

Market Price ②





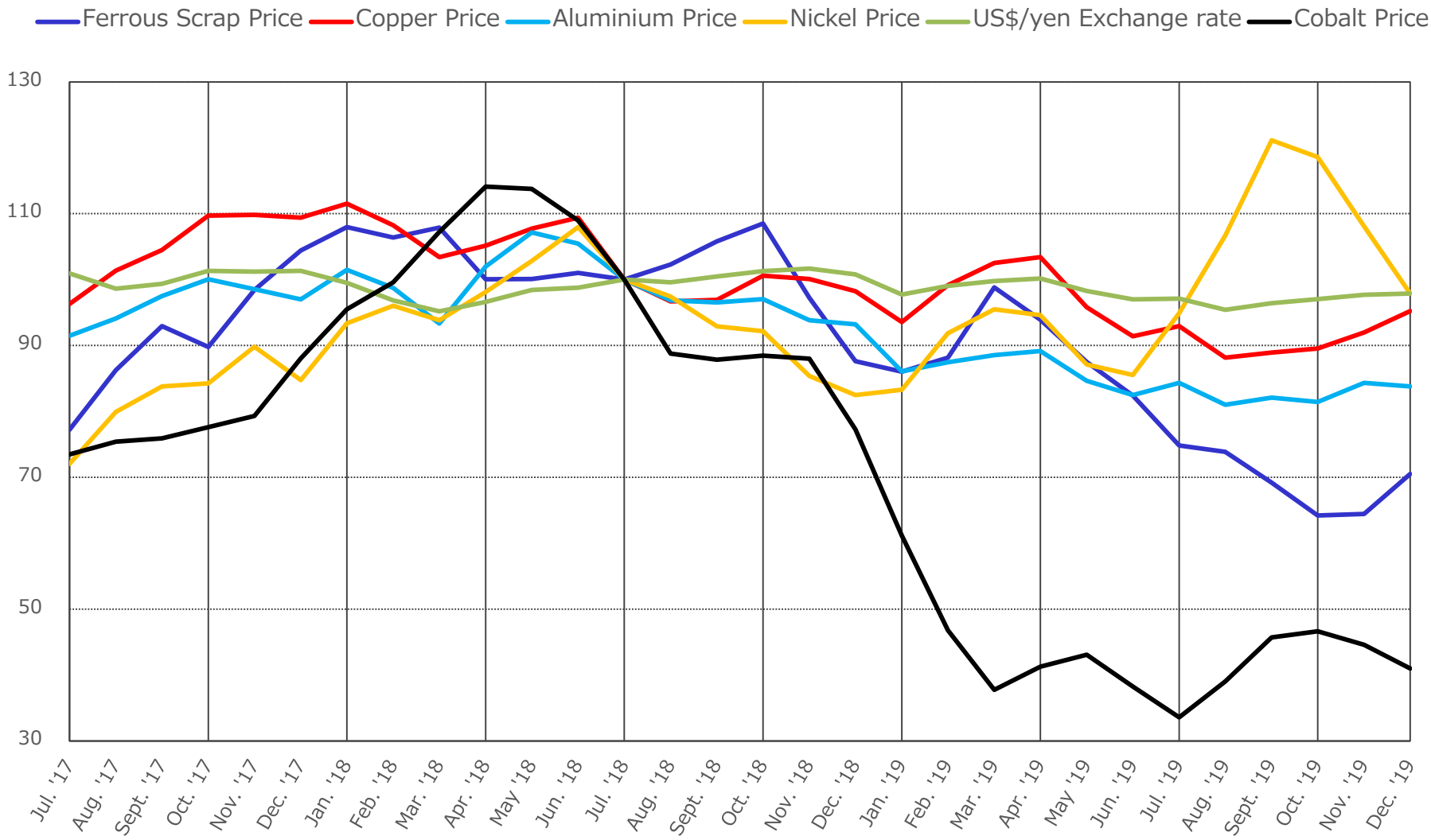




source: Kitco Metals Inc

Market Price ③

Market Price of Metals（INDEX　Set July 2018 as 100）



Source: Tokyo Steel manufacturing Co., Ltd., Nikkei Inc., The Japan Electric Wire & Cable Makers' Association, Sangyo Press Co., Ltd., IRuniverse Corporation

- This material is intended to provide investors with information to understand the current status of Envipro Holdings Inc.
- Althogh the contents in this material are described based on generally recognized socio-economic situations etc., and certain assumptions that our company regarded as reasonable, they may change without prior notice of any kind because of the change in the business environment.

【Inquiry desk about this material and IR】
Corporate Planning Department, Envipro Holdings Inc.
TEL　+81-544 -21-3160
URL　https://www.envipro.jp/