Financial Results Briefing Materials for the Fiscal Year Ended June 30, 2020

Envipro Holdings Inc.
August 21, 2020

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1 .Financial Overview for the Fiscal Year Ended June 30, 2020

Business Segment

Business Segment		Description	Company
Resource Circulation	Reuse	To supply the used products and parts to the market while maintaining their functions and values of them.	ECONECOL Inc. Kuroda Recycle Co., Ltd. SYNECO Inc. Toyo Rubber Chip Co., Ltd. VOLTA Inc. Equity method affiliates Arbiz Corporation Fuji Eco Cycle Co., Ltd.
	Recycling (Resource recovery)	To shred the metal scrap and waste, and to sort and recycle these materials by difference of material properties.	
	Remanufacturing	To take recycling technology one step further and to re-manufacture the recycled raw materials and products from waste, scrap, etc.	
Global Resource Circulation		To promote optimal international resource circulation through import and export and trilateral trade of various resources such as metal, plastic scrap and biomass fuel, etc.	NEWSCON Inc. ※Carried on the business of foreign trading division of ECONECOL Inc. to NEWSCON on July 1, 2020.
Used-car-related		To purchase the high quality used Japanese cars and heavy machinery, as well as used automobile parts, such as engines, and to conduct exports abroad as well as trilateral trade.	3WM Co., Ltd.
Others		To provide consulting services specialized in environmental management, such as support for corporate environmental strategy planning and CO2 reduction planning. To provide employment support for people with disabilities.	Bright Innovation Co., Ltd. ASTOCO Inc.

Highlights for the Fiscal Year Ended June 30 2020

Financial Results

Net sales	¥33,879million	（down 6.8%	Year on year）
Operating profit	¥790million	（down 5.9%	Year on year）
Ordinary profit	¥934million	（down18.1%	Year on year）
※Profit	¥602million	（down23.5%	Year on year）

Main Topics

- The average ferrous scrap market price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) was ¥22,943 during the fiscal year under review (the average price of ¥33,219 in the same period of the previous fiscal year), however, we secured the amount of net sales by increasing our handling volume.
- Ordinary loss of ¥90 million in the 4th quarter accounting period.
- Ordinary loss of ¥230 million related to new business (VOLTA and Pla2Pla, etc.).
- Extraordinary loss of ¥30 million due to reorganization of the plastics material recycling business.
- ¥1,200 million in Capital Investment (Payment Base).
- Changed the depreciation method from the declining-balance method to the straight-line method, resulting in a reduction of 190 million yen in expenses.
- Sales of BS started in the LIB recycling business.

※Profit = Profit attributable to owners of parent
※LIB：Lithium-ion rechargeable battery
※BS ：Black sand（Cobalt, Nickel concentrated slag）
（Amounts and quantities are rounded down. The percentages are rounded off.）

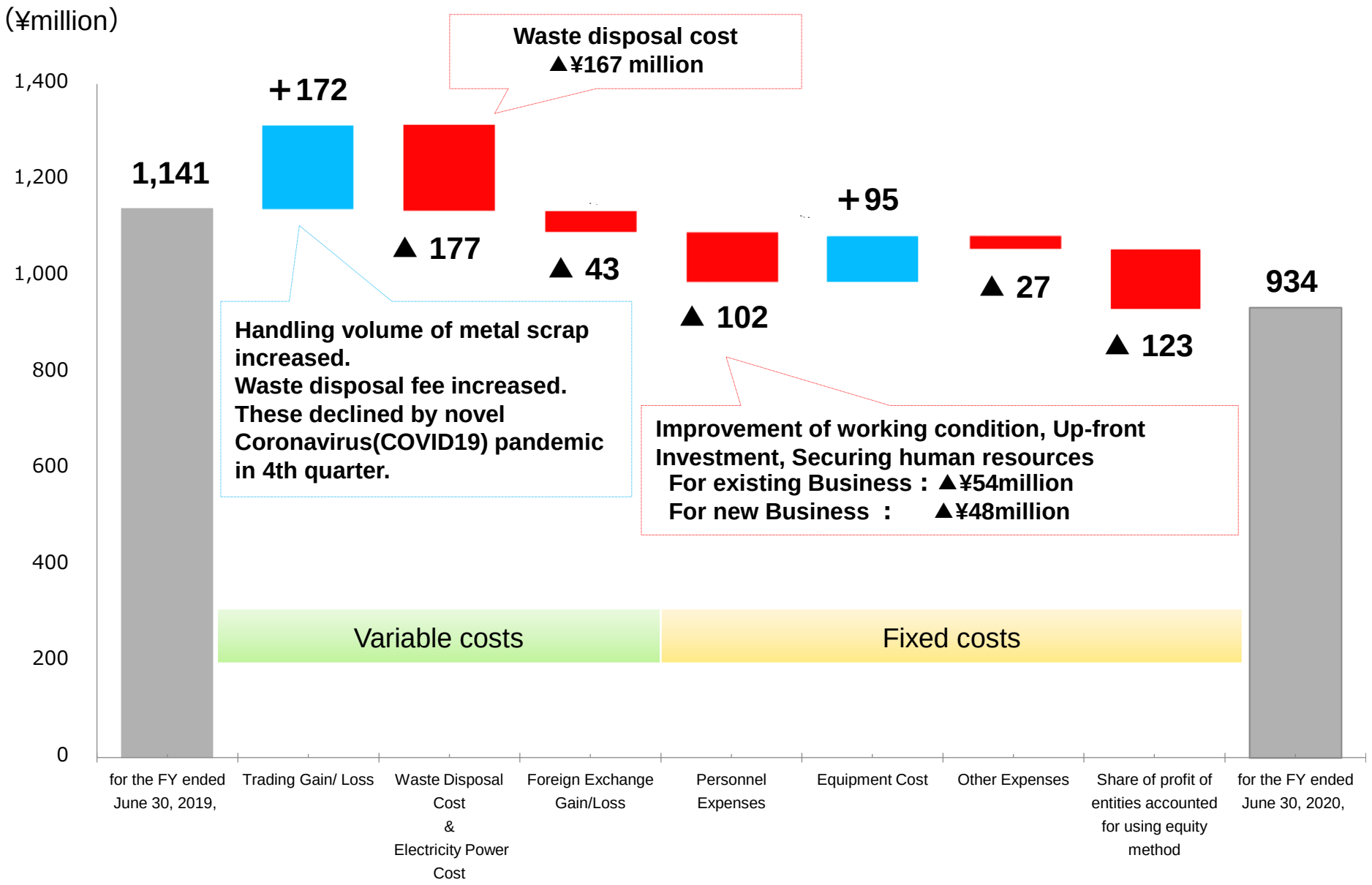
Summary of Consolidated Statements of Income for the Fiscal Year Ended June 30, 2020

（¥ million）

	For fiscal year ended June 30, 2019	For fiscal year ended June 30, 2020	YoY change		For fiscal year ended June 30, 2020	Compared with forecast announced on June 12, 2020	
	Actual	Actual	Increase/ Decrease	Ratio	Forecast announced on June 12, 2020	Increase/ Decrease	Ratio
Net sales	36,336	**33,879**	▲ 2,457	▲6.8%	34,041	▲ 162	▲0.5%
Gross profit	6,454	**6,861**	407	6.3%	–	–	–
Operating profit	839	**790**	▲ 49	▲5.9%	807	▲ 16	▲2.1%
Ordinary profit	1,141	**934**	▲ 206	▲18.1%	912	22	2.5%
Profit before income taxes	1,138	**918**	▲ 219	▲19.3%	–	–	–
Profit※	787	**602**	▲ 185	▲23.5%	621	▲ 19	▲3.1%
Marginal profit※	6,681	**6,632**	▲ 48	▲0.7%	–	–	–
EBITDA※	1,482	**1,389**	▲ 93	▲6.3%	–	–	–
Fixed costs※	5,786	**5,821**	34	0.6%	–	–	–
ROE	7.1%	**5.3%**	▲1.8%	▲25.4%	–	–	–

※ Profit= Profit attributable to owners of the parent
※ Marginal profit=Net sales - Variable costs
※ EBITDA = Operating profit + Depreciation + Amortization of goodwill
※ Fixed costs = [Cost of sales・Selling, General & administrative expenses ・fixed cost equivalency of Non-operating expenses] – [Foreign exchange gains ・non-operating income except equity method profit]

Analysis of Difference in Ordinary Profit（Year on year）



Consolidated Financial Results

Net sales(Handling volume)

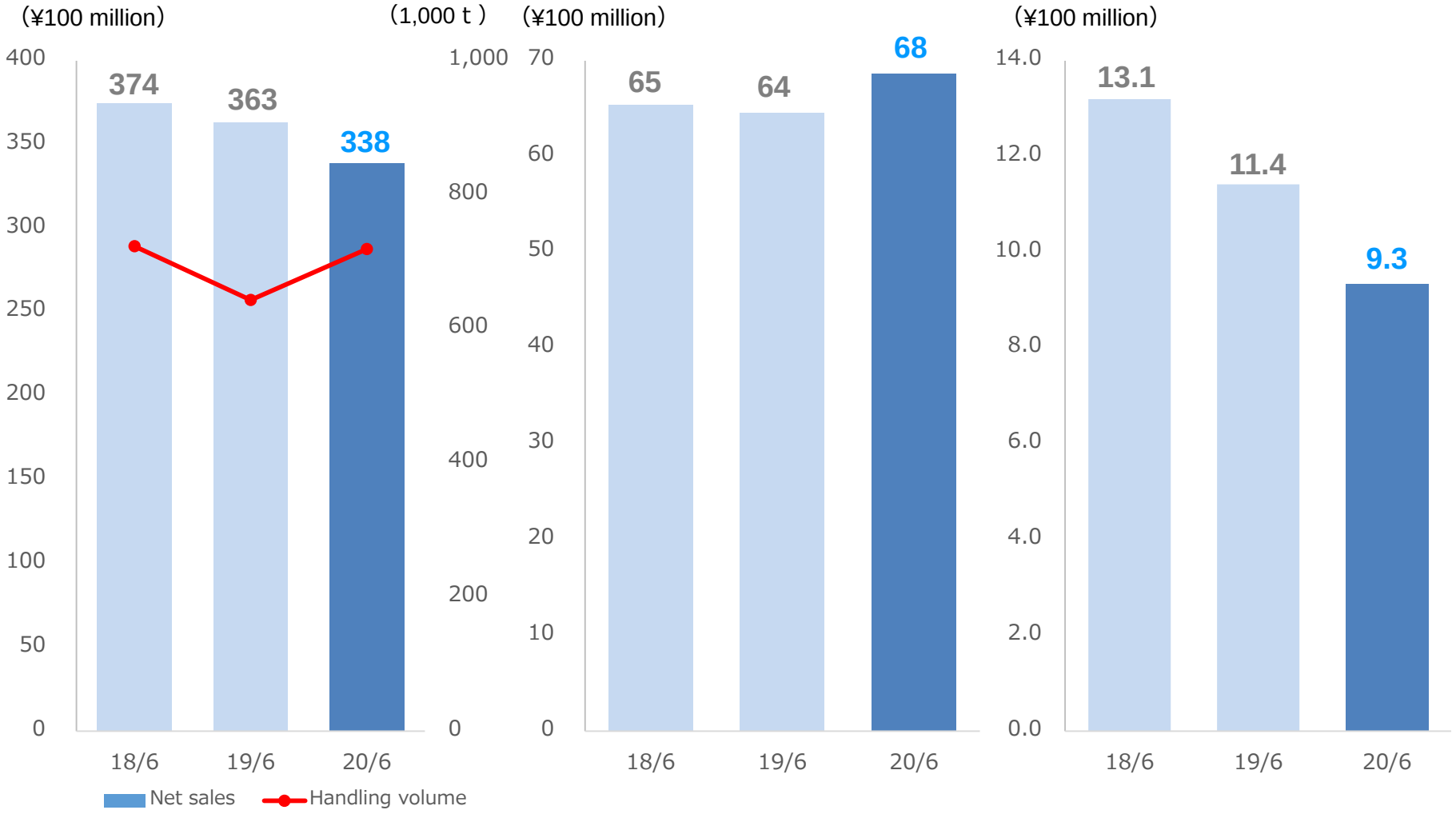
Down 6.8%
Year on year

Gross profit

Up 6.3%
Year on year

Ordinary profit

Down 18.1%
Year on year



Summary of Business Results by Segment for the Fiscal Year Ended June 30, 2020

(¥million)

Net sales	For fiscal year ended June 30, 2019	For fiscal year ended June 30, 2020		YoY
	Actual	Actual	Composition Ratio	Ratio
Consolidated	36,336	**33,879**	100.0%	▲ 6.8%
Resource Circulation Business	12,712	**10,786**	29.3%	▲ 15.2%
Global Resource Circulation Business	21,870	**20,108**	54.5%	▲ 8.1%
Used-car-related Business	6,195	**5,683**	15.4%	▲ 8.3%
Others※	382	**295**	0.8%	▲ 22.9%
Adjustment	▲ 4,824	**▲ 2,994**	-	-

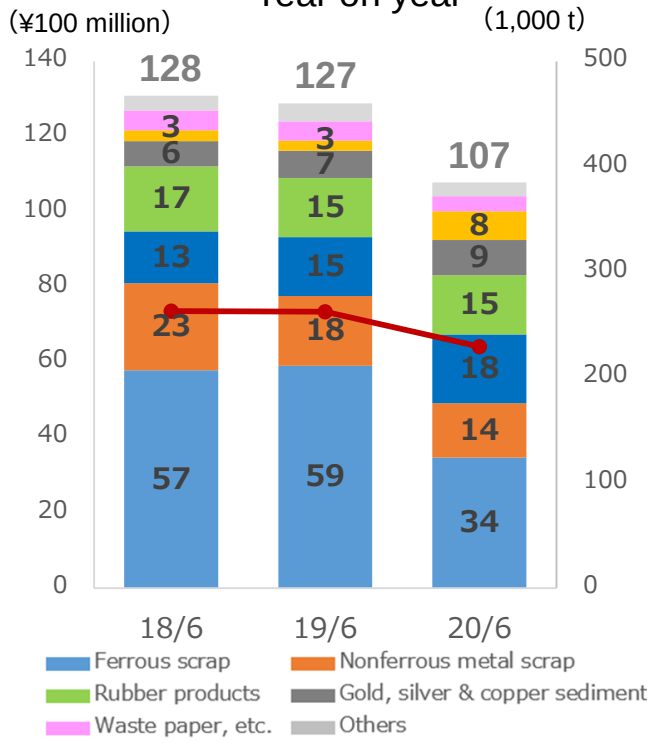
Segment profit	For fiscal year ended June 30, 2019	For fiscal year ended June 30, 2020		YoY
	Actual	Actual	Composition Ratio	Ratio
Consolidated	1,141	**934**	100.0%	▲ 18.1%
Resource Circulation Business	833	**420**	38.6%	▲ 49.6%
Global Resource Circulation Business	448	**600**	55.1%	33.8%
Used-car-related Business	18	**38**	3.5%	104.1%
Others※	38	**30**	2.8%	▲ 19.9%
Adjustment	▲ 197	**▲ 155**	-	-

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

Business Results by Business Segment 【Resource Circulation】

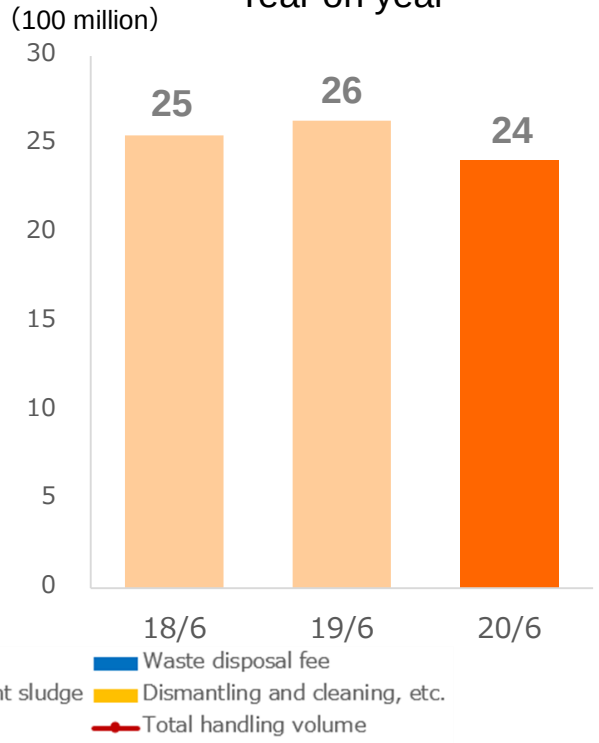
Net sales (Handling volume)

Down15.2%
Year on year



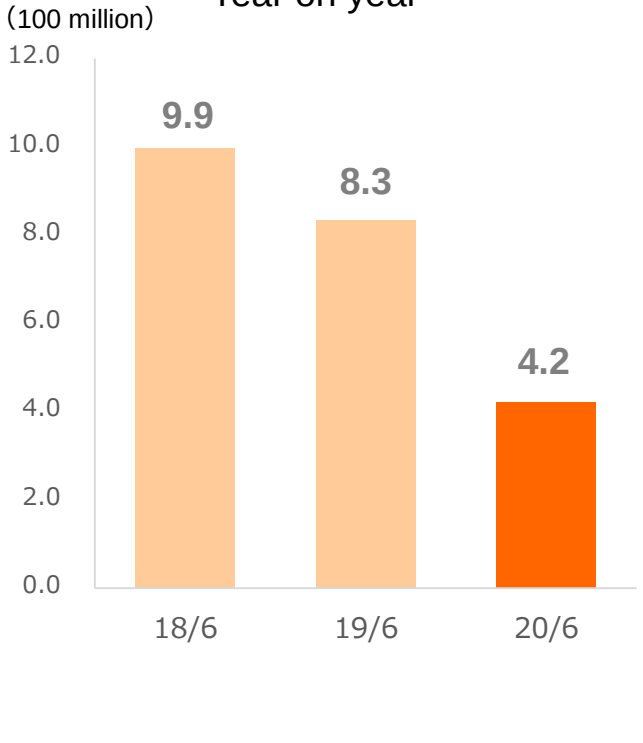
Gross profit

Down 8.6%
Year on year



Ordinary profit

Down 49.6%
Year on year



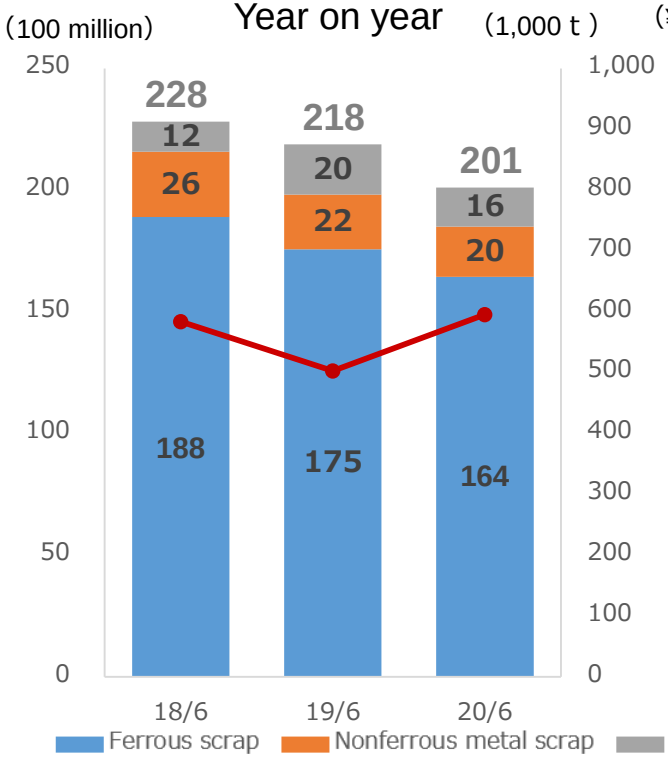
Ferrous scrap
Nonferrous metal scrap
Waste disposal fee
Rubber products
Gold, silver & copper sediment sludge
Dismantling and cleaning, etc.
Waste paper, etc.
Others
Total handling volume

- Ferrous and nonferrous metal scrap prices showed signs of weakness and as a result it placed pressure on revenue.
- Growth in sales of “waste disposal fee” and sales of “gold, silver & copper sediment sludge” maintain and support our profitability.
- Since the impact of novel coronavirus (COVID-19) began in the latter half of March, earnings declined due to a decrease in the handling volume of materials.
- LIB recycling facility started operation and the sales of BS started.
- Merged the plastic materials recycling business (Pla2Pla) with ECONECOL.
- New Businesses (VOLTA, Pla2Pla, etc.) Ordinary loss: ¥220 million (¥110 million in the same period of the previous fiscal year).

Business Results by Business Segment 【Global Resource Circulation】

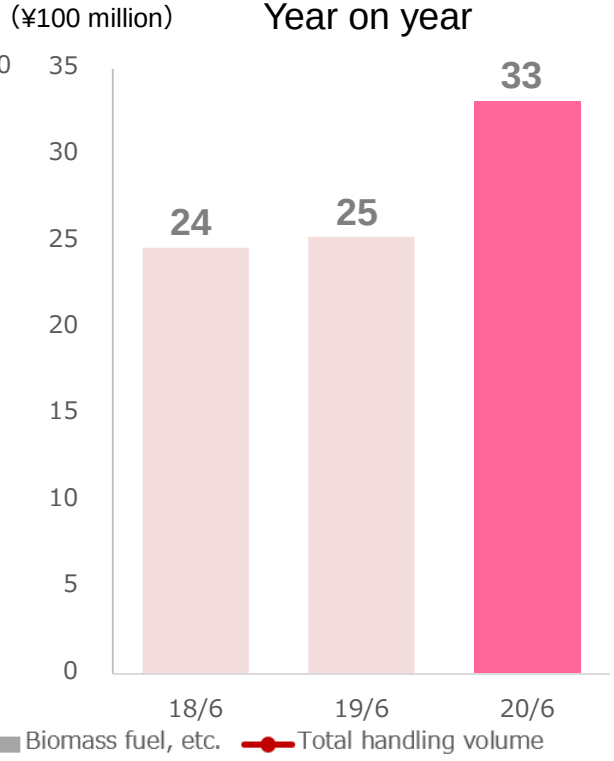
Net sales（Handling volume）

Down 8.1%
Year on year



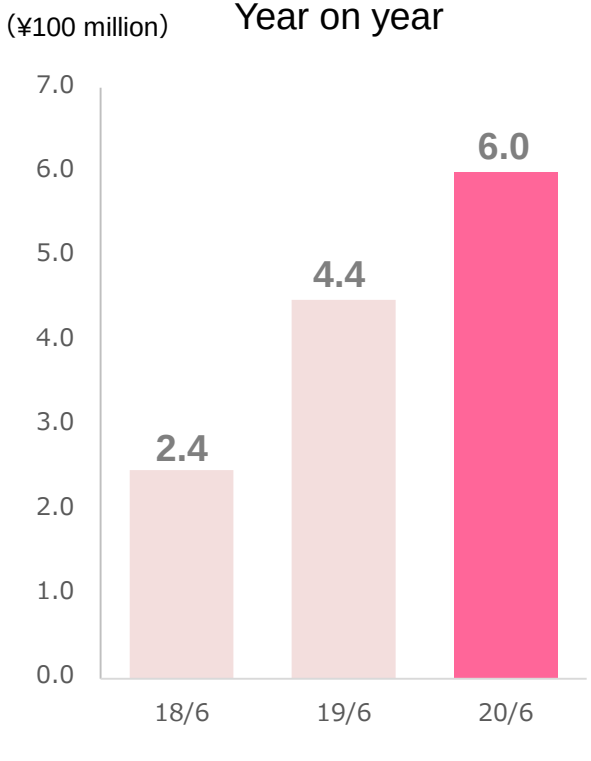
Gross profit

Up 31.0%
Year on year



Ordinary profit

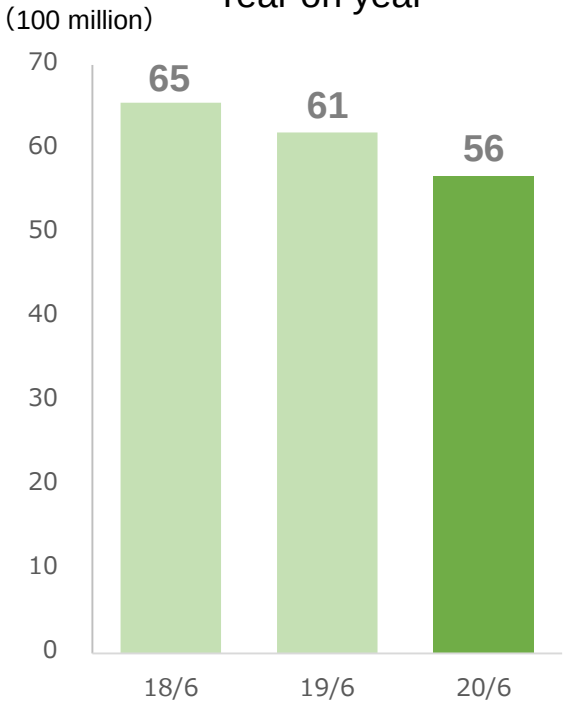
Up 33.8%
Year on year



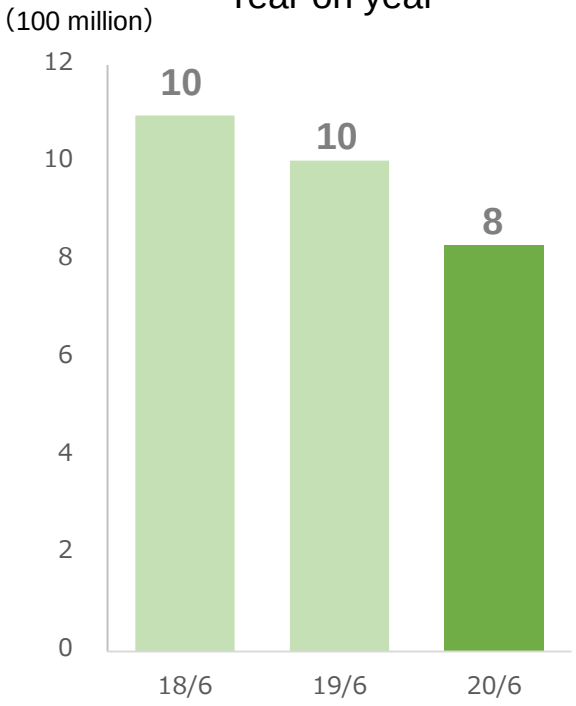
- Despite the decline in domestic steel production, Japan, the world's third largest exporter of ferrous scrap, has increased the export volume of ferrous scrap from the previous year.
- As the sales volume of ferrous scrap and nonferrous metal scrap to Vietnam increased significantly over the previous year, the overall handling volume increased.
- The company opened a new collection yard in Amagasaki in May ′19 and expanded its collection yards in Kawasaki in April ′20, resulting in an increase in the volume handled.
- Sold the remained one of the two retired dedicated aircraft of the Japanese government.
- In the biomass fuel (PKS) business, the first shipment to the Japanese market was achieved in July ‘19.
- Established a representative office in Europe in October’19, and started the trading business in Europe to Japan and Southeast Asia.

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

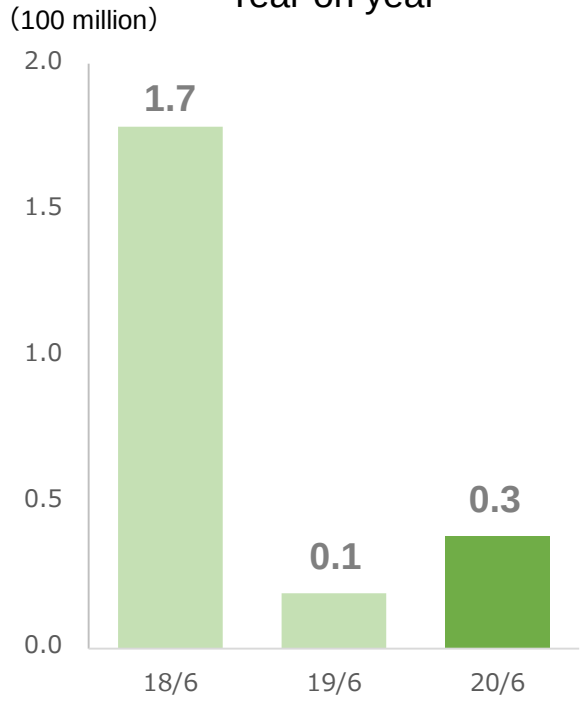
Net sales
Down 8.3%
Year on year



Gross profit
Down 17.3%
Year on year



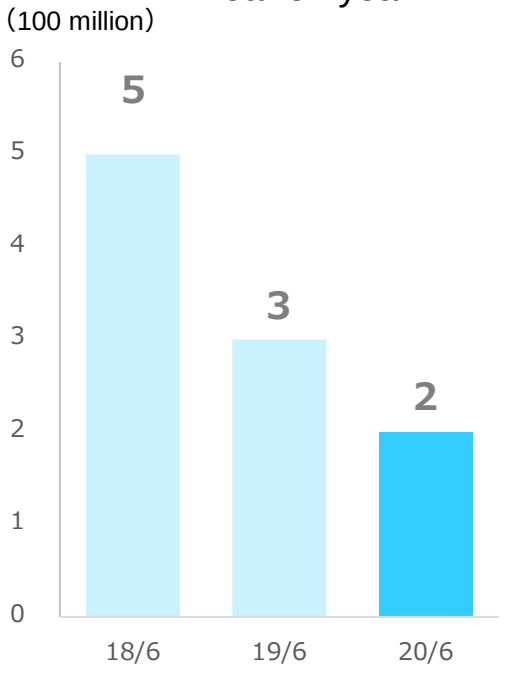
Ordinary profit
Up 104.1%
Year on year



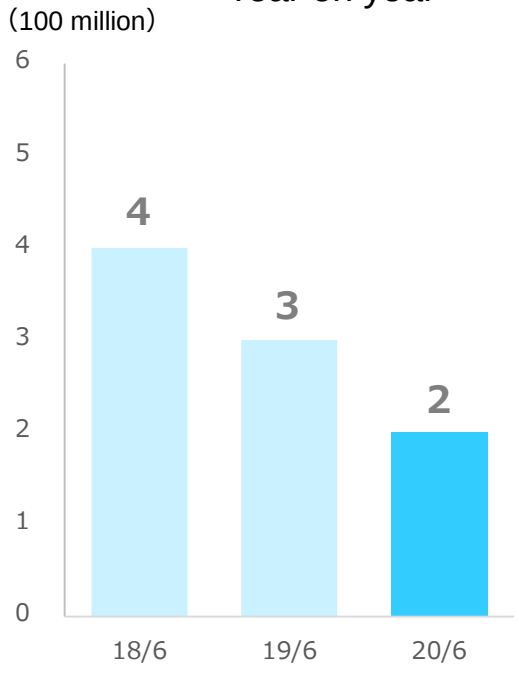
- Situation through February
  - ・Demand for used cars in South America, where is one of our major export destinations, has shown the weakness.
  - ・Sales of used truck parts for South East Asia Parts increased.
  - ・Revenue from used car sales and maintenance business in Uganda was improved.
  - ・Volume of logistics agency services recovered, which was sluggish in the same period of the previous fiscal year, due to the impact of overseas regulations.
  - ・A reduction in fixed costs due partly to the reduction of yard size for the loading of exported cars.
- Sales were firm until February, but the market for used vehicles and used engines has been sluggish since March due to the impact of the novel coronavirus (COVID-19).
  Revenues from overseas subsidiaries declined sharply due to the downsizing and suspension of operations as a result of the impact of lockdowns and other factors.

Business Results by Business Segment 【Others】

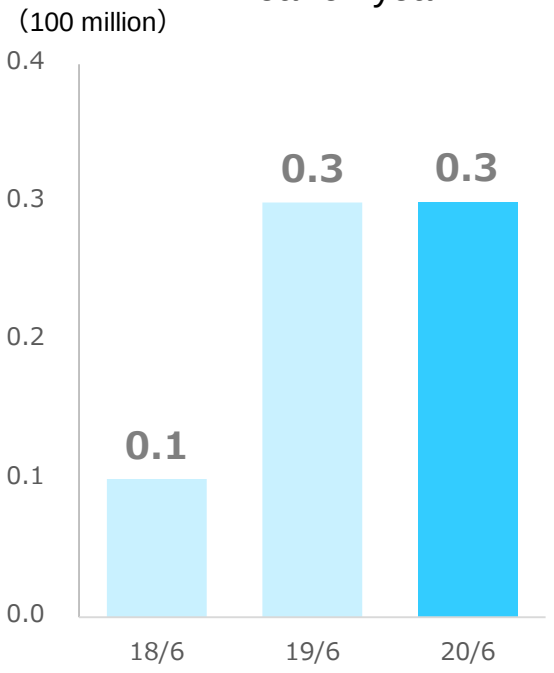
Net sales
Down 22.9%
Year on year



Gross profit
Down 22.5%
Year on year



Ordinary profit
Down 19.9%
Year on year



≪ Environment Management Consulting Business ≫
- The continued orders for CDP responses, evaluation improvement support and other services was fared well.
- Task Force on Climate-related Financial Disclosures (TCFD) response support, consulting services related to the Circular Economy and etc. were started as new services.

≪ Welfare Service Business for Persons with Disabilities ≫
- The Type-B Continuous Employment Support Office was newly established in Fujinomiya City, Shizuoka Prefecture in August ’19.
- Full year profitability achieved due to an increase in the number of users resulting from increased recognition.

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

Summary of Consolidated Balance Sheets

(¥ million)

	As of June 30 2019	As of June 30 2020	Increase/ Decrease
Current assets	11,152	16,529	5,377
Non-current assets	8,607	9,383	776
(Property, plant and equipment)	6,130	6,729	598
(Intangible assets)	89	70	▲ 19
(Investments and other assets)	2,386	2,584	197
Total assets	19,759	25,913	6,153

	As of June 30 2019	As of June 30 2020	Increase/ Decrease
Current liabilities	5,172	7,499	2,327
Non-current liabilities	3,025	6,401	3,375
Total liabilities	8,197	13,900	5,702
Net assets	11,562	12,012	450
(Shareholders' equity)	11,166	11,577	411
Total liabilities and net assets	19,759	25,913	6,153

Main Topics

- Current assets (Cash and deposits:¥7,528 million, Notes and accounts receivable-trade: ¥▲449 million, Merchandise and finished goods: ¥▲1,340 million)
- Non-current assets (Buildings and structures: ¥199 million, Machinery, equipment and vehicles: ¥649 million, Construction in progress: ¥▲268 million)
- Current liabilities (Short-term borrowings: ¥1,660 million, Current portion of long-term borrowings: ¥1,155 million)
- Non-current liabilities (Long-term borrowings: ¥3,353 million)
- Equity ratio 45.0% (down 11.7% year on year)

Summary of Consolidated Statements of Cash Flow

(¥ million)

Items	For fiscal year ended June 30, 2019	For fiscal year ended June 30, 2020	Increase / Decrease
Cash flows from operating activities	▲87	2,632	2,720
Cash flows from investing activities	▲601	▲1,001	▲399
Cash flows from financing activities	▲1,440	5,897	7,337
Effect of exchange rate change on cash and cash equivalents	▲12	▲0	12
Net increase (decrease) in cash and cash equivalents	▲2,142	7,528	9,670
Cash and cash equivalents at beginning of period	4,856	2,714	▲ 2,142
Cash and cash equivalents at end of period	2,714	10,242	7,528

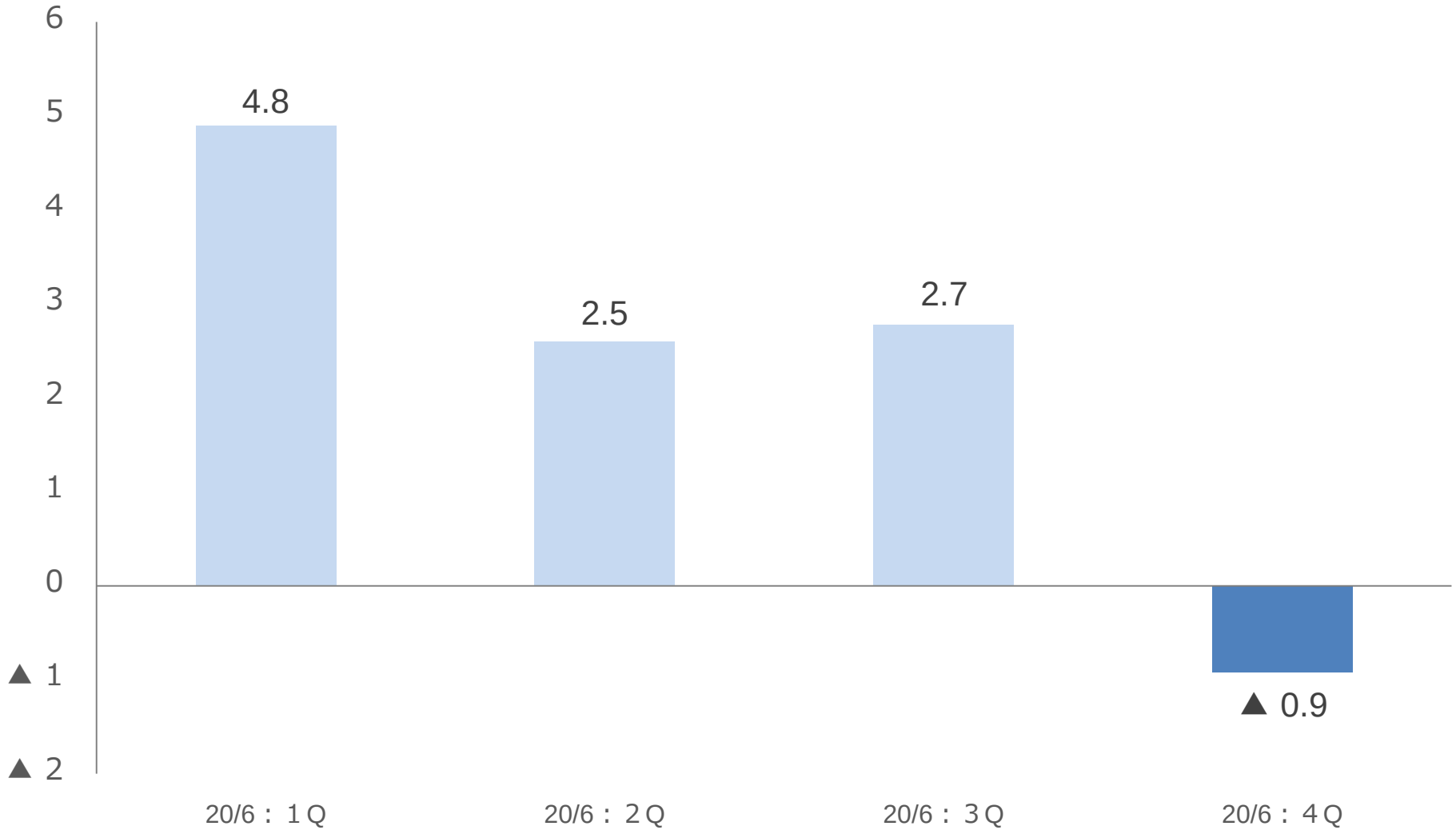
Main Topics

- Cash flows from operating activities： (Inflows) ¥449 million in decrease trade receivables
  ¥918 million in profit before income taxes
  ¥1,350 million in decrease in inventories
  (Outflows) ¥411 million in income taxes paid
- Cash flows from investing activities： (Inflows) ¥237 million in proceeds from national subsidies
  (Outflows) ¥1,249 million in purchase of property, plant and equipment
- Cash flows from financing activities： (Inflows) ¥4,995 million in proceeds from long-term borrowings
  ¥1,660 million in proceeds from short-term borrowings
  (Outflows) ¥485 million in repayments of long-term borrowings
  ¥234 million in dividends paid

2. Impact of the Spread of Novel Coronavirus (COVID-19) on Our Business and Our Countermeasure

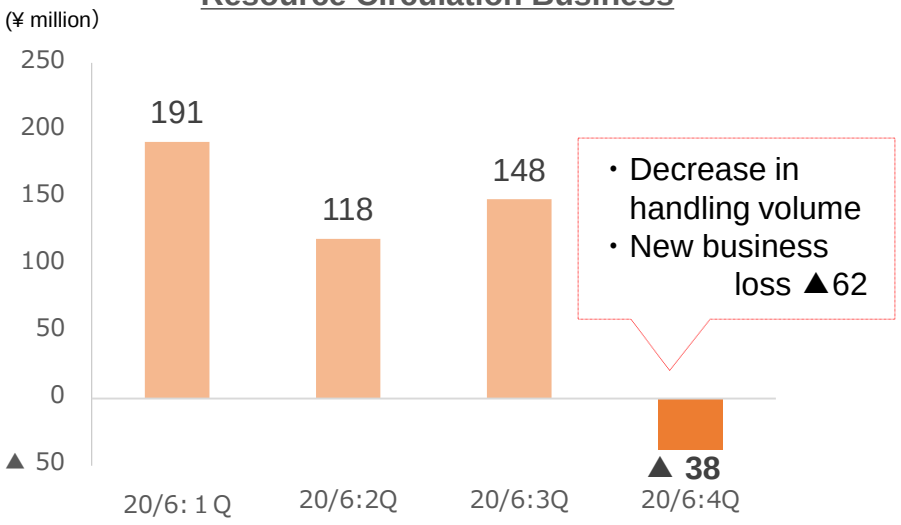
Quarterly Consolidated Ordinary Profit for the Fiscal Year Ended June 2020

(¥100 million)

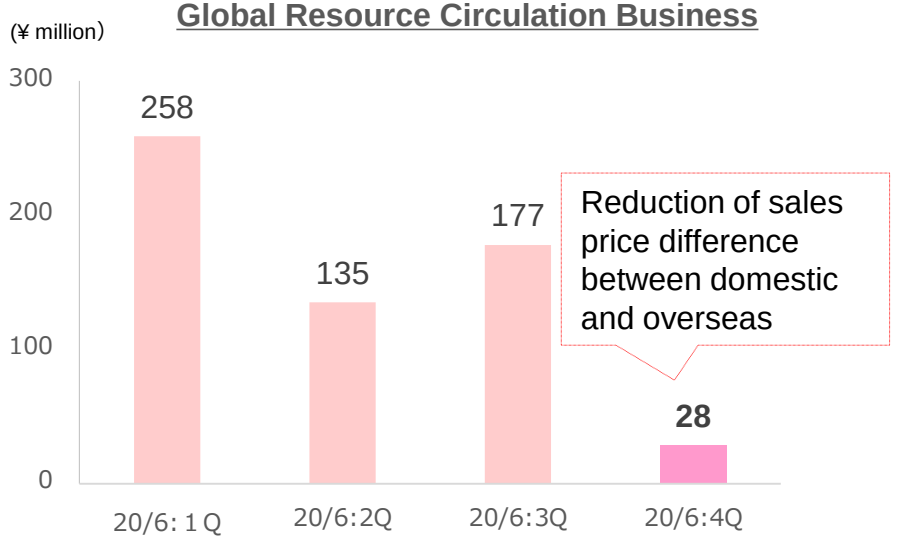


Quarterly Ordinary Profit by Segment for the Fiscal Year Ended June 2020

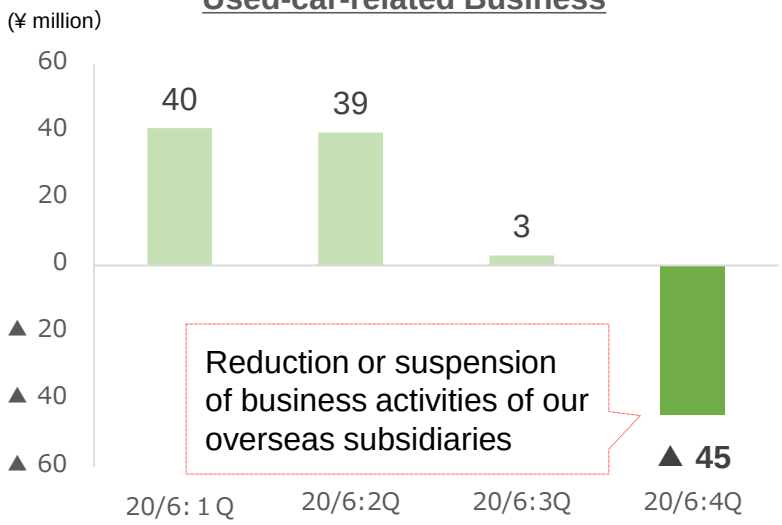
Resource Circulation Business



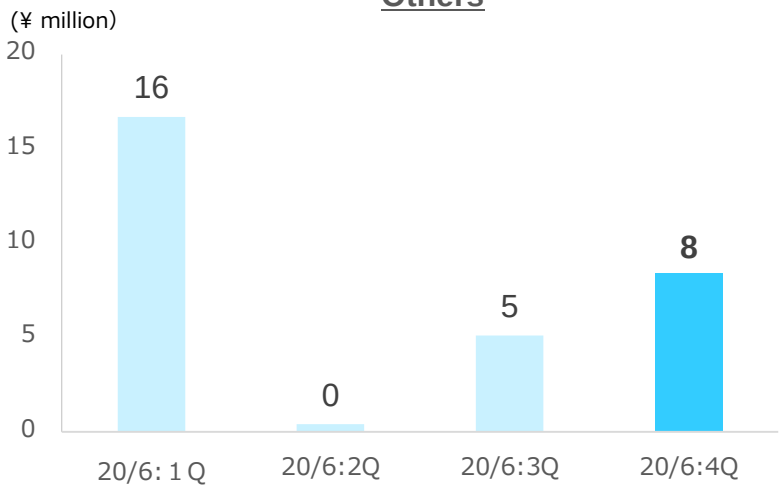
Global Resource Circulation Business



Used-car-related Business



Others



Measures to the Spread of Novel Coronavirus (COVID-19) infection

Initiatives to prevention of the spread of COVID-19 infection

Established the Action Standards of measures to COVID-19, revised them one by one as situation changed , and disseminated to our employees and the related parties.

CASH IS KING / Restructuring of work / Reaffirming the raison d'etre

“CHASH IS KING”（Initiatives from a short-term perspective）

Ensure cash management in all departments of the company, including sales, administration, and production.

- Strengthen management of “personnel expenses and expenses”
- Review unprofitable businesses and their business formats
- Strengthen the occupational safety system to prevent the outflow of funds due to accidents and work-related injuries

Restructuring of work (Initiatives from a Mid-Term perspective)

Triggered by COVID-19 disaster, we fundamentally revise our previous work practices and make the company transformation dramatically.

- Implement remote work, web meetings, and flextime systems
- Conduct research on remote management of facilities using IoT and robots
- Shifting from a membership-based approach to a job-based approach, and seeking to create a mechanism for evaluating work practices

Reaffirming the raison d'etre (Initiatives from a fundamental and long-term perspective)

Become a company that is strongly needed by society for the realization of a sustainable society.

- Realizing the circular economy as a manufacturer of recycled raw materials
- Enhance resource recovery efficiency by strengthening the role of the company as a platform through “resource circulation x digital”
- Establishing a recycling system that makes full use of chemical technologies and aims to achieve 100% recycling

Secure liquidity on hand (starting from April 2020)

Secure new ¥6.5 billion through long-term borrowings and commitment line agreements

We anticipate that the forecast for the economy will become worse rapidly in near future owing to expansion of COVID-19, so we will increase the liquidity on hand as a measure against the greatest risk.

→ **in April: Long term borrowings ¥1.5 billion**
in May : Long term borrowings ¥3.0 billion and Commitment line ¥2.0 billion

3. Forecast for the Consolidated Results for the Fiscal Year Ending June 30, 2021

Present Business Environment and Prerequisite for Earnings Forecast

Business Environment

- Resource Circulation Business
  - ・The amount of metal scrap and waste generated in the market trends to decrease.
  - ・The number of orders for dismantling work tends to recover. There is also a large-scale project, and its progress is being made in the direction of implementation.
  - ・The prices of precious metals are rising, and the profitability of gold and silver slag is improving
- Global Resource Circulation Business
  - ・In the markets of South Korea, Taiwan, and Vietnam, which are our major export destinations of ferrous scrap, the COVID-19 infection has not affected sales of ferrous scrap at this time.
  - ・As for nonferrous metal scrap, inquiries from China, where the market recovered early from COVID-19 pandemic, are still strong. Inquiries in the Southeast Asian region also tend to gradually recover. Although the spread of the COVID-19 infection in India has not ended yet, the number of inquiries from India is increasing due to the movement to restart economic activity.
  - ・The spread of COVID-19 infections is still continuing in various countries of the world, and it is necessary to pay close attention continuously to the future.
- Used-car-related Business
  - ・In the UAE, the operation of the local airport has started to operate from the late June, and after August, the market there is gradually recovering with the movement of local buyers.
  - ・ In Chile, the lockdown is continuing due to a series of extensions, but market conditions in neighboring countries are gradually recovering.
  - ・ In Uganda, the market for commercial vehicles is gradually recovering. In the local maintenance business, maintenance requests from corporate customers recovered. In addition, Orders for vehicle inspections by sole proprietors using taxi dispatch services are robust.

Prerequisite for Earnings Forecast

- Impact of spread of COVID-19 infection

  1st half：Estimated trend of approximately 80% in handling volume due to sluggish economic activity.

  2nd half：The economic activity is expected to improve gradually from 80% handling volume.

Prerequisite for Earnings Forecast ：Ferrous scrap market price ¥20,000 /t (¥24,000), copper market price ¥550,000/t (¥710,000)
exchange rate ¥105/USD (¥106 level)　※prices in ( ) are as of August 17,2020.

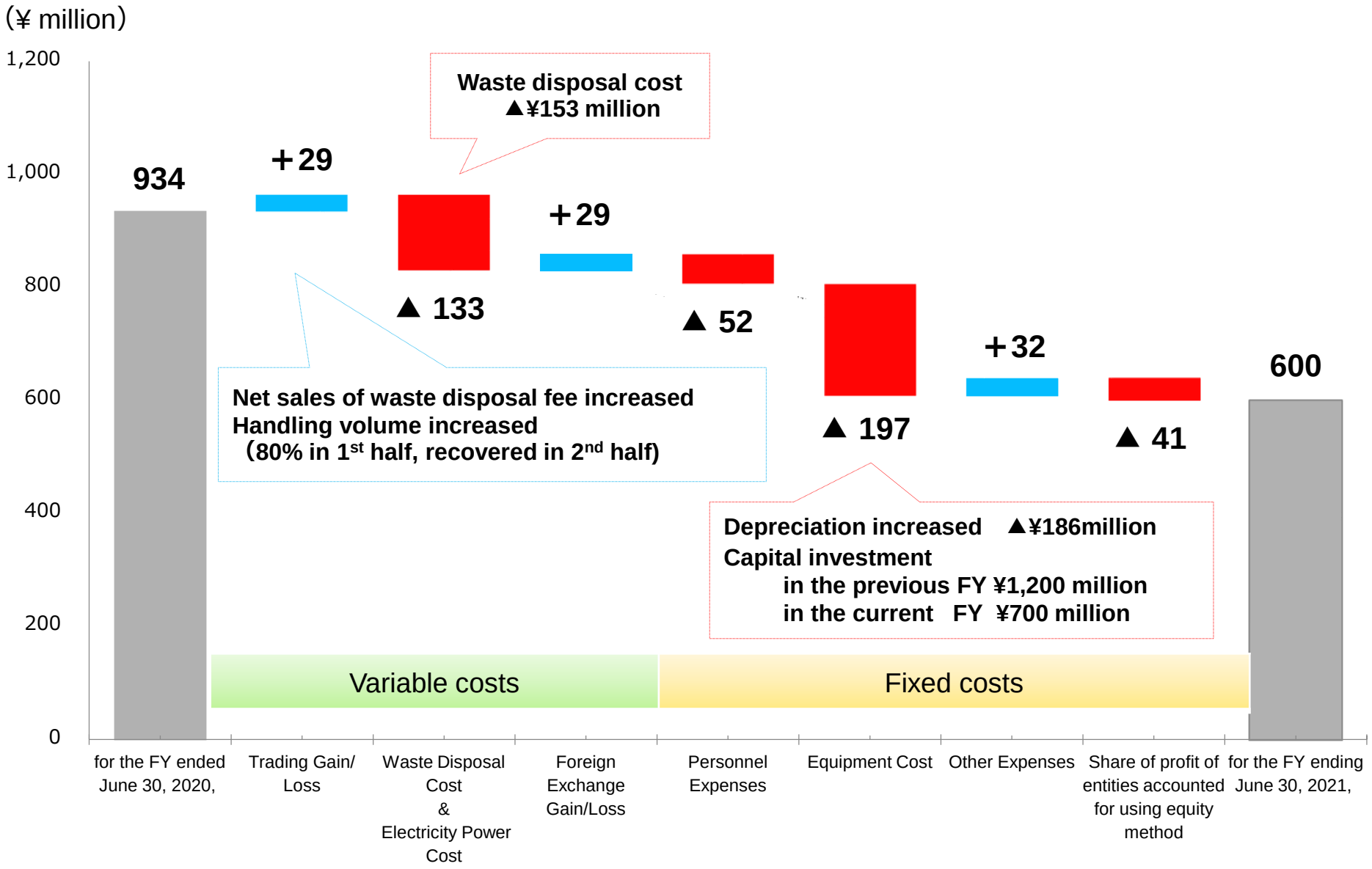
Forecast for the Consolidated Results for the Fiscal Year Ending June 30, 2021

(¥million)

	For fiscal year ended June 30, 2019	For fiscal year ended June 30, 2020	For fiscal year ending June 30, 2021		
	Actual	Actual	Forecast	Increase/ decrease	YoY Ratio
Net sales	36,336	33,879	**28,860**	▲ 5,019	▲14.8%
Gross profit	6,454	6,861	**6,726**	▲ 135	▲2.0%
Operating profit	839	790	**510**	▲ 280	▲35.5%
Ordinary profit	1,141	934	**600**	▲ 334	▲35.8%
Profit before income taxes	1,138	918	**614**	▲ 303	▲33.1%
Profit※	787	602	**410**	▲ 192	▲31.9%
Marginal profit※	6,681	6,632	**6,557**	▲ 75	▲1.1%
EBITDA※	1,482	1,389	**1,295**	▲ 93	▲6.7%
Fixed costs※	5,786	5,821	**6,038**	217	3.7%
ROE	7.1%	5.3%	**3.6%**	▲1.7%	▲32.1%

※ Profit= Profit attributable to owners of the parent
※ Marginal profit=Net sales - Variable costs
※ EBITDA = Operating profit + Depreciation + Amortization of goodwill
※ Fixed costs = [Cost of sales・Selling, General & administrative expenses ・fixed cost equivalency of Non-operating expenses] – [Foreign exchange gains ・non-operating income except equity method profit]

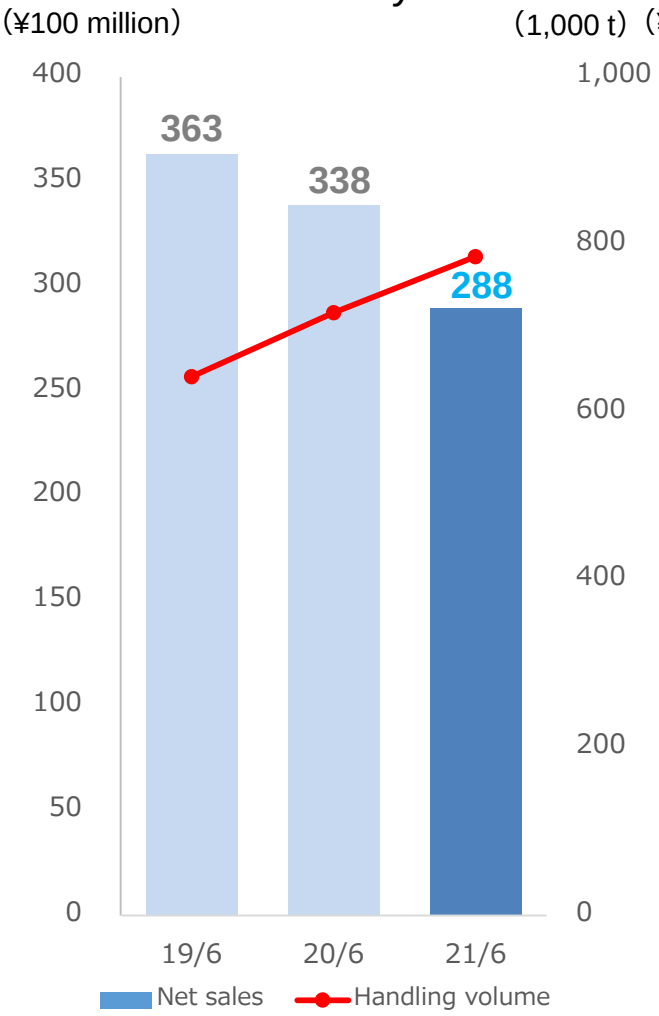
Analysis of Difference in Ordinary Profit（Year on year）



Consolidated Financial Results and Forecast for the Fiscal Year Ending June 30, 2021

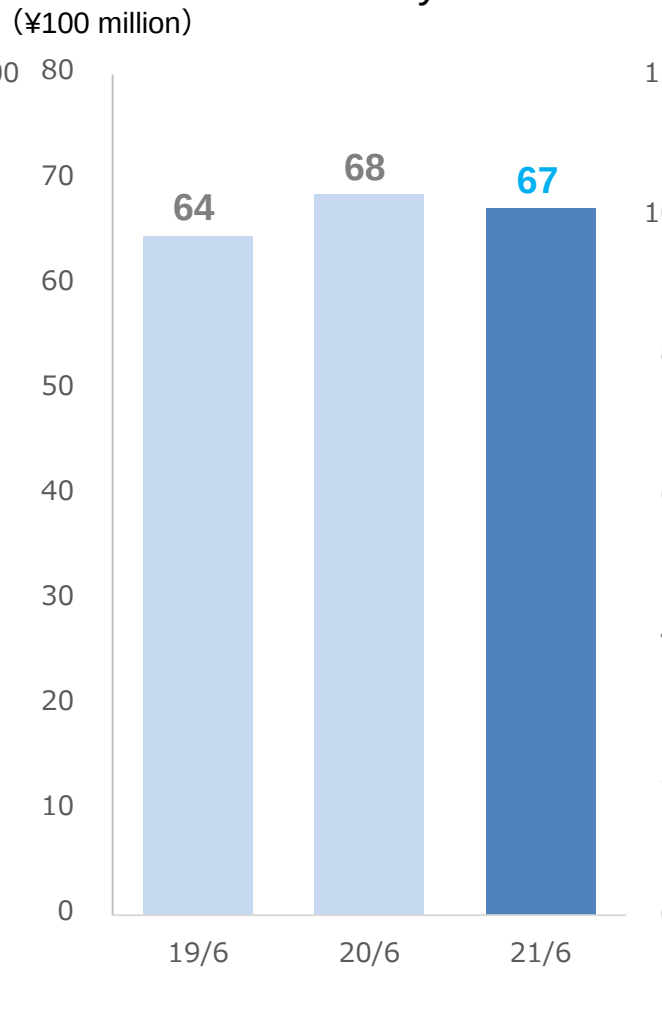
Net sales（Handling volume）

Down 14.8%
Year on year



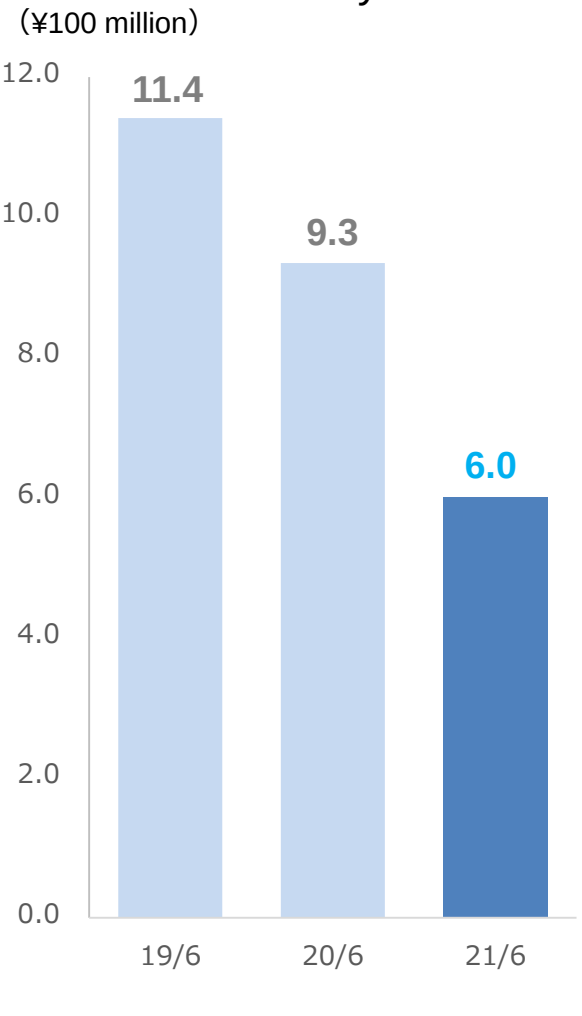
Gross profit

Down 2.0%
Year on year



Ordinary profit

Down35.8%
Year on year



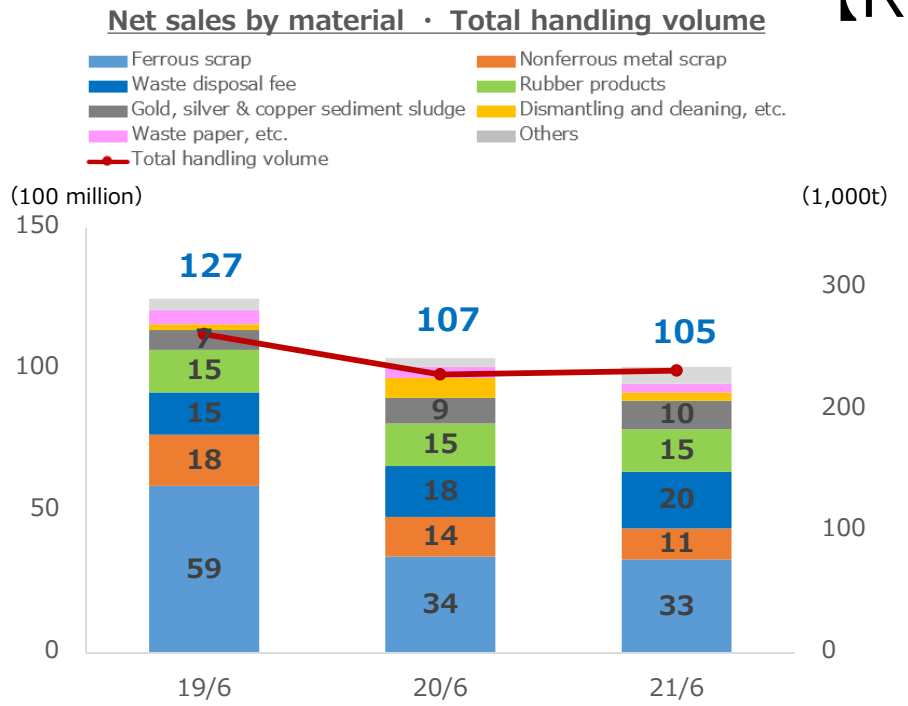
Summary of Business Results by Segment for the Fiscal Year Ending June 30, 2021

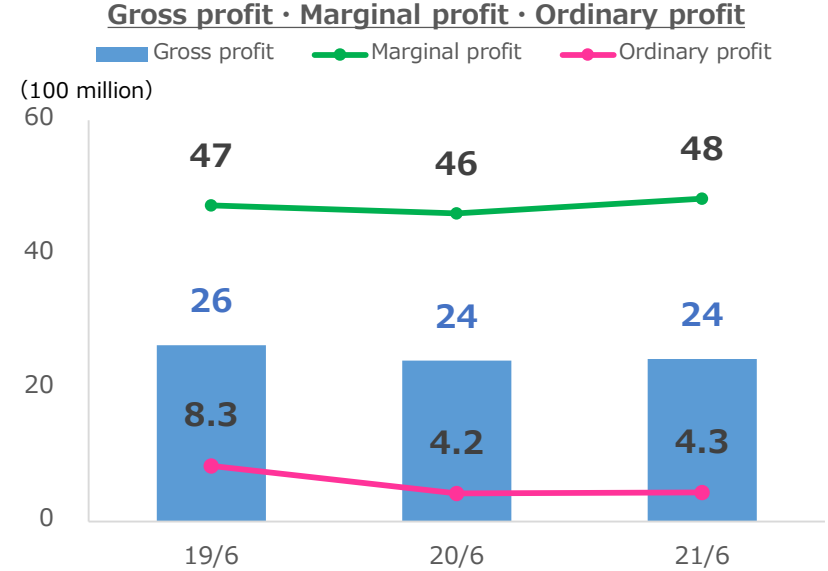
（¥ million）

Net sales	For fiscal year ended June 30, 2019	For fiscal year ended June 30, 2020	For fiscal year ending June 30, 2021		
	Actual	Actual	Forecast	Composition Ratio	YoY Ratio
Consolidated	36,336	33,879	**28,860**	100.0%	▲ 14.8%
Resource Circulation Business	12,712	10,786	**10,533**	33.4%	▲ 2.3%
Global Resource Circulation Business	21,870	20,108	**15,809**	50.2%	▲ 21.4%
Used-car-related Business	6,195	5,683	**4,840**	15.4%	▲ 14.8%
Others	382	295	**301**	1.0%	2.0%
Adjustment	▲ 4,824	▲ 2,994	**▲ 2,625**	-	-

Segment profit	For fiscal year ended June 30, 2019	For fiscal year ended June 30, 2020	For fiscal year ending June 30, 2021		
	Actual	Actual	Forecast	Composition Ratio	YoY Ratio
Consolidated	1,141	934	**600**	100.0%	▲ 35.8%
Resource Circulation Business	833	420	**433**	49.8%	3.1%
Global Resource Circulation Business	448	600	**382**	43.9%	▲ 36.3%
Used-car-related Business	18	38	**16**	1.8%	▲ 57.9%
Others	38	30	**39**	4.5%	30.0%
Adjustment	▲ 197	▲ 155	**▲ 272**	-	-

Business Results by Business Segment
【Resource Circulation 】





Greatly affected by price changes of metal scrap
- **The higher the price, the more profitable**
- **Profit is likely to be generated when the price is rising**

(Tactics) Utilize price changes and at the same time increase business fields that are not easily affected by price changes

Factors that generate profit

Improvement of added value by processing

Greatly affected by the market prices

① Handling volume of ferrous scrap and nonferrous metal scrap (162,000t → 160,000t)
② Minor metals (BS containing nickel and cobalt) BS handling volume 17t → 400t
③ Net sales of gold, silver & copper sediment sludge (¥ 0.9 billion → ¥ 1 billion)

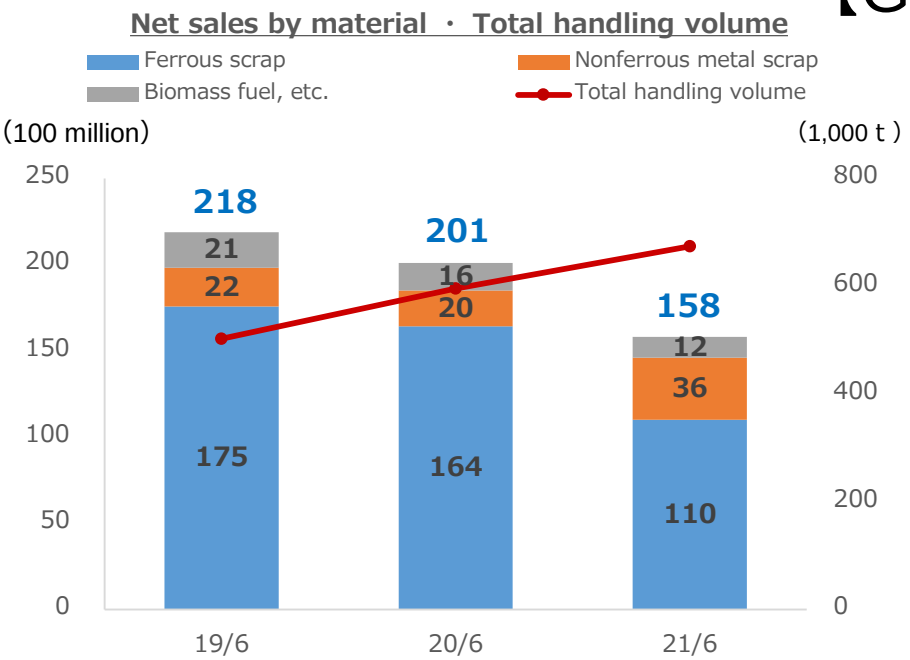
Not easily affected by market prices

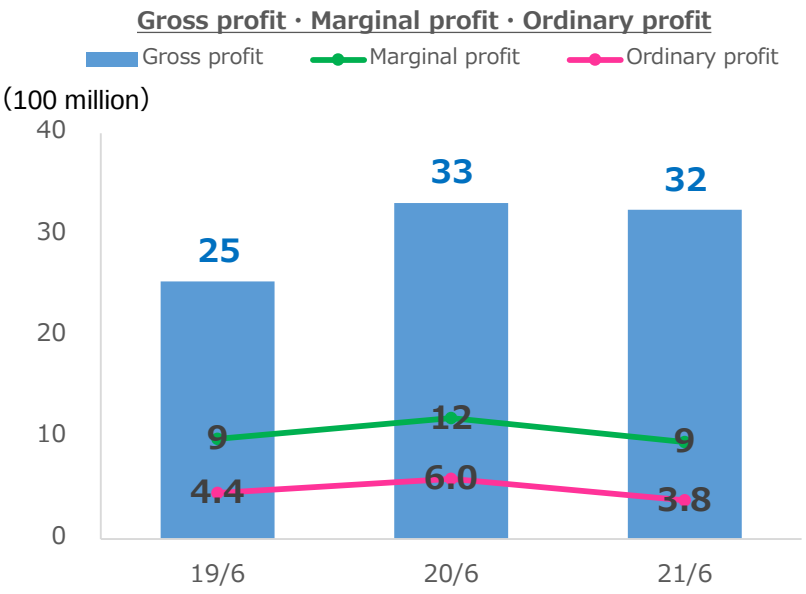
④ Waste disposal fee (industrial waste, low-quality LIB, etc.)
⑤ Dismantling/cleaning/soil purification
⑥ Sale of used facilities and used products

Main initiatives

① Increase the handling volume of waste disposal fee
② Increase the handling volume of LIB recycling
③ Increase in the handling volume of riddling ash recycling
④ Strengthen of dismantling/ cleaning business
⑤ New initiatives for waste product plastics generated by local governments
⑥ Creating a mechanism for aircraft recycling
⑦ Penetration of new products in the market (Toyo Rubber Chips)
⑧ Strengthen preventive maintenance at production sites

Business Results by Business Segment
【Global Resource Circulation】





Impact of price change of metal scrap is relatively small. Expect an increase in the handling volume, as the tendency for further exports will intensify due to the decrease in steel production in Japan.

Factors that generate profit

Handling Volume × Margin

① Use the difference between overseas and domestic prices during the lead time

② Handling volume

③ Utilization of price fluctuation

Main initiatives

① Increase in handling volume of metal scrap
- Ferrous scrap (530,000 t → 550,000 t)
- Nonferrous metal scrap (25,000 t → 40,000 t)

② Expansion of domestic collection yard, newly open

③ Increase in the handling volume of imported raw materials (20,000t → 60,000t)
- Malaysia, an overseas subsidiary of PKS collection Utilization of Indonesia yard (2 places)
- Import of substrates, gold, silver & copper sediment sludge and LIB from Europe.

④ Increase in handling items
- Ferrous, nonferrous semi-finished products, etc.

⑤ Promotion of trilateral trade
- Sales from Europe to Southeast Asia

4 . Medium- to long-term Initiatives

Medium- to long-term Initiatives

① Strengthen of the Initiatives to LIB Recycling Business

② Expansion of Collection Business of Gold, Silver & Copper Sediment Sludge

③ Expansion of Handling Volume of Biomass Fuel

④ New Initiative toward Waste Plastic Recycling

⑤ Others

- Circular Economy Consulting
- The Initiative toward RE100

① Strengthen of the Initiatives to LIB Recycling Business

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.

VOLTA’s initiatives of the previous fiscal year

Following the electrode material recycling line that had been operating prior to the LIB recycling business, the BS production facility started trial operation in February 2020, and BS was shipped for the first time in June 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 Started operation of the BS production facility



LIB



BS Production Facility



BS

※LIB：Lithium-Ion rechargeable battery
※BS ：(Black Sand) Co, Ni Concentrated Sediment Sludge

①Strengthen of the Initiatives to LIB Recycling Business

Initiatives for the Fiscal Year Ending June 2021

Aiming for Monthly Profitability at Fujinomiya BS Plant from the 2nd half

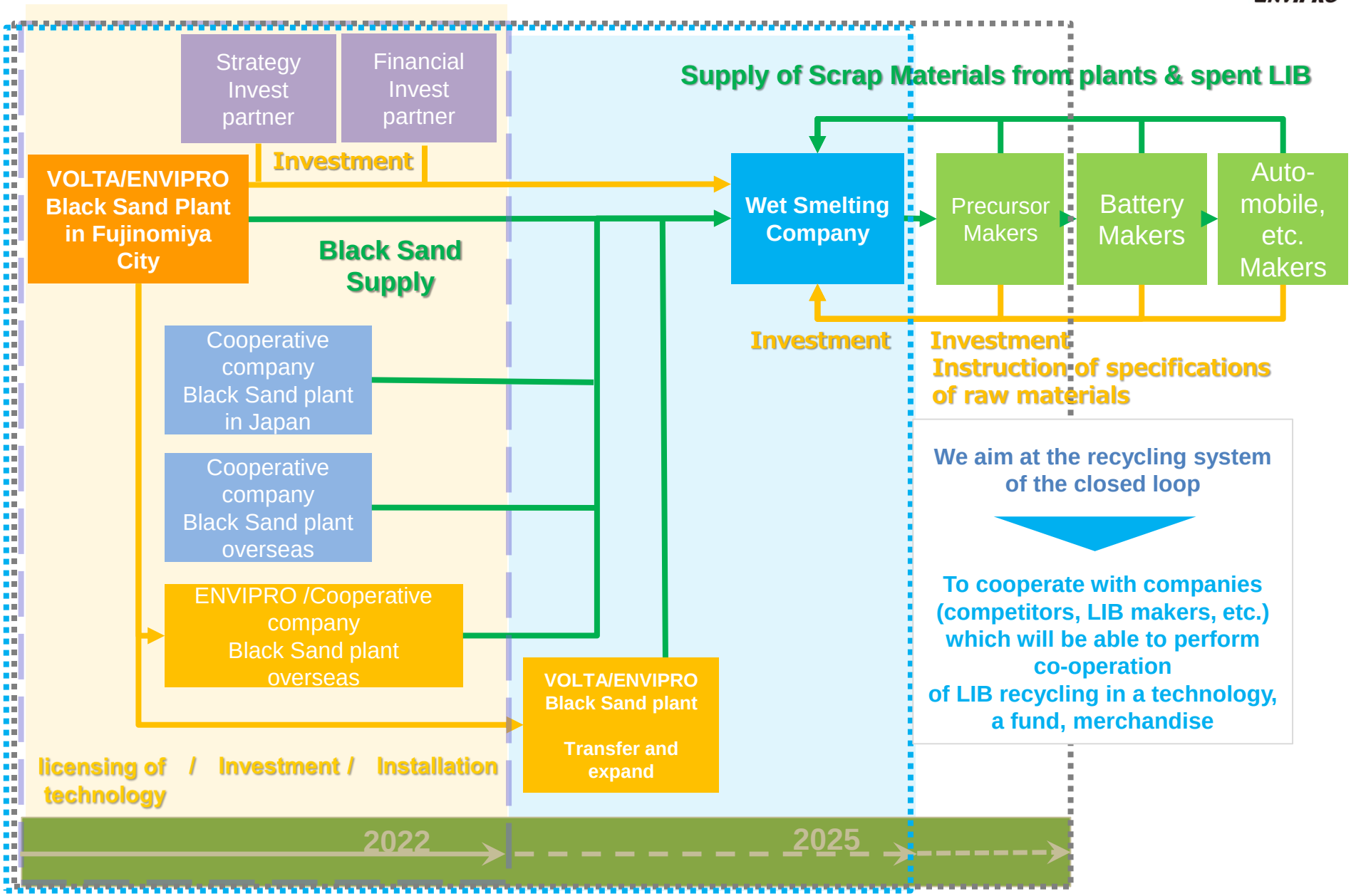
- Establish a system for "purchasing, manufacturing, quality-control, and sales" for handling BS100 t/month.
- Utilize "disposal business permits" acquired in July to increase revenue of waste disposal fee.
- from low-quality LIB.
- Improve the added value of BS by utilizing the physical sorting and enrichment technologies cultivated over many years.
- Establish a safe transportation, storage and production system.
- Study LIB's automated sorting line of types.
- Conduct research on discharge methods for used car-derived LIBs and large stationary LIBs, and how to safely disassemble them.
- In the LIB recycling business, the company plans to acquire the first “ R2 certification" in Japan (scheduled for November 2020).
- Design a battery production line for the construction of the second BS plant, which has expanded the production scale.

Launch of LIB Recycling Project Team (July 2020-June 2021)

Establish a project team within ENVIPRO HOLDINGS that is composed of domestic and overseas wet smelting engineers to determine the direction we should aim for in the LIB recycling business (the extent to which we will do business at the new BS plant, the wet smelting plant, and the precursor plant) and discuss the alliance system including the candidates in the case that the company advances to the second phase.

※R2(Responsible Recycling): a widely used and recognized recycling management system for "used electric and electronic devices" in the United States.

①Strengthen of the Initiatives to LIB Recycling Business: Second Phase

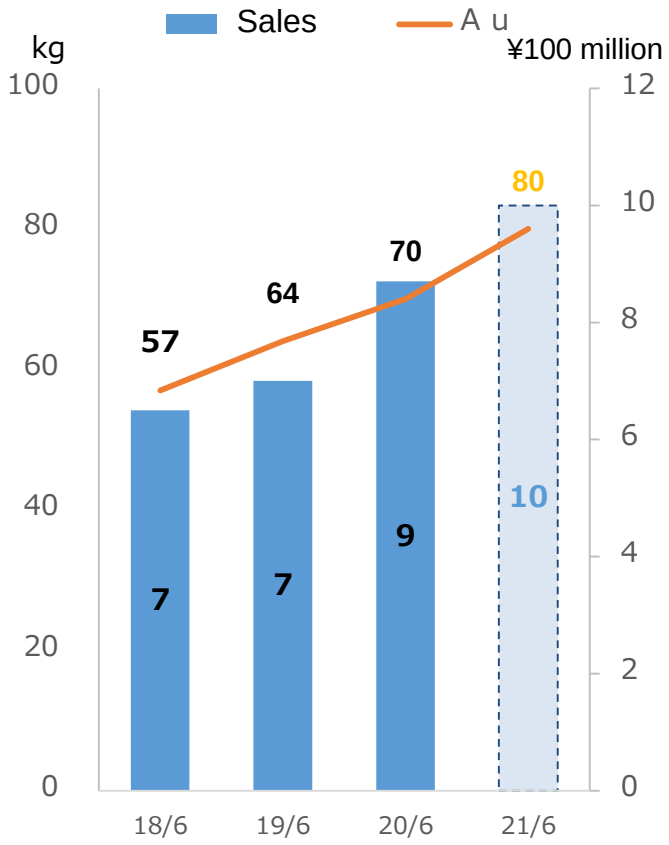


② Expansion of Collection Business of Gold, Silver & Copper Sediment Sludge

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

- The number of trades with local government treating the riddling ash from existing waste incineration facilities is increasing.
  ⇒At present, we have contracted with 10 local governments and 25 local governments is considering to start this business with us.
- Increasing number of adopting a system for sorting riddling ash by using with new incinerators. ⇒ We have two achievements in FY2020/June and one in FY2021/ June. The operation of new incinerators is scheduled to be implemented sequentially from 2024.
- Collection of "gold, silver & copper sediment sludge " from small home appliances and mix metal ⇒ We plan to install a small size metal sorter.
- Continue demonstration Project with Taiheiyo Cement Corporation.
- Expansion of processing orders from the major smelting company (electronic circuit boards, etc.).
- Increase imports of "gold, silver & copper sediment sludge" from Europe. (Established NEWSCON(ECONECOL) Europe Reps. Office in October 2019).
  We will carry out the trial shipment from Switzerland and Poland, under negotiation for trial import from UK and Netherlands and other three countries.

Gold recovery and sales from Sediment Sludge

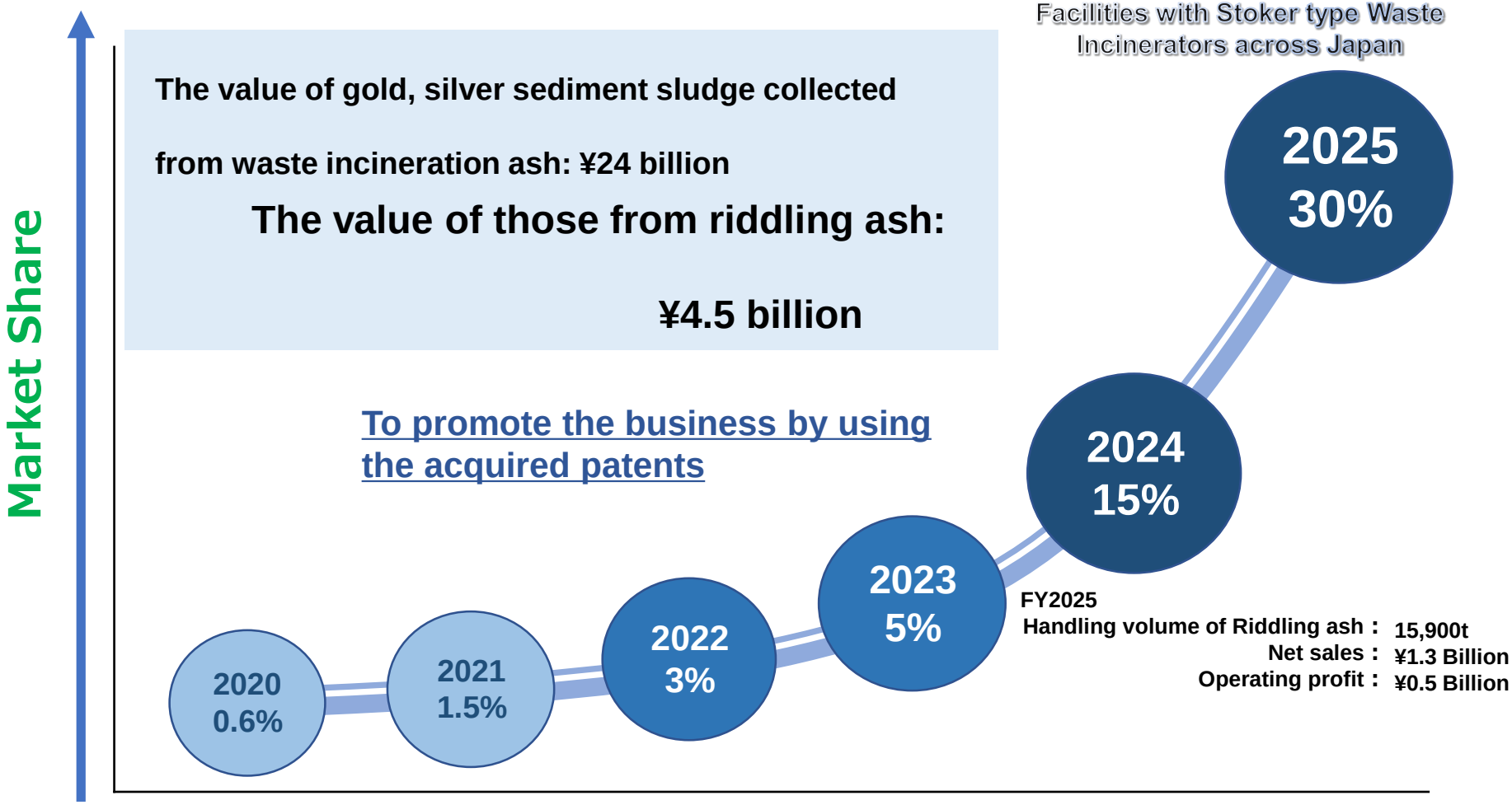


②Collection Business of “Gold, Silver & Copper Sediment Sludge”: Strategy to Expand the Collection of Riddling Ash

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

The value of those from riddling ash: ¥4.5 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 sortingTechnology

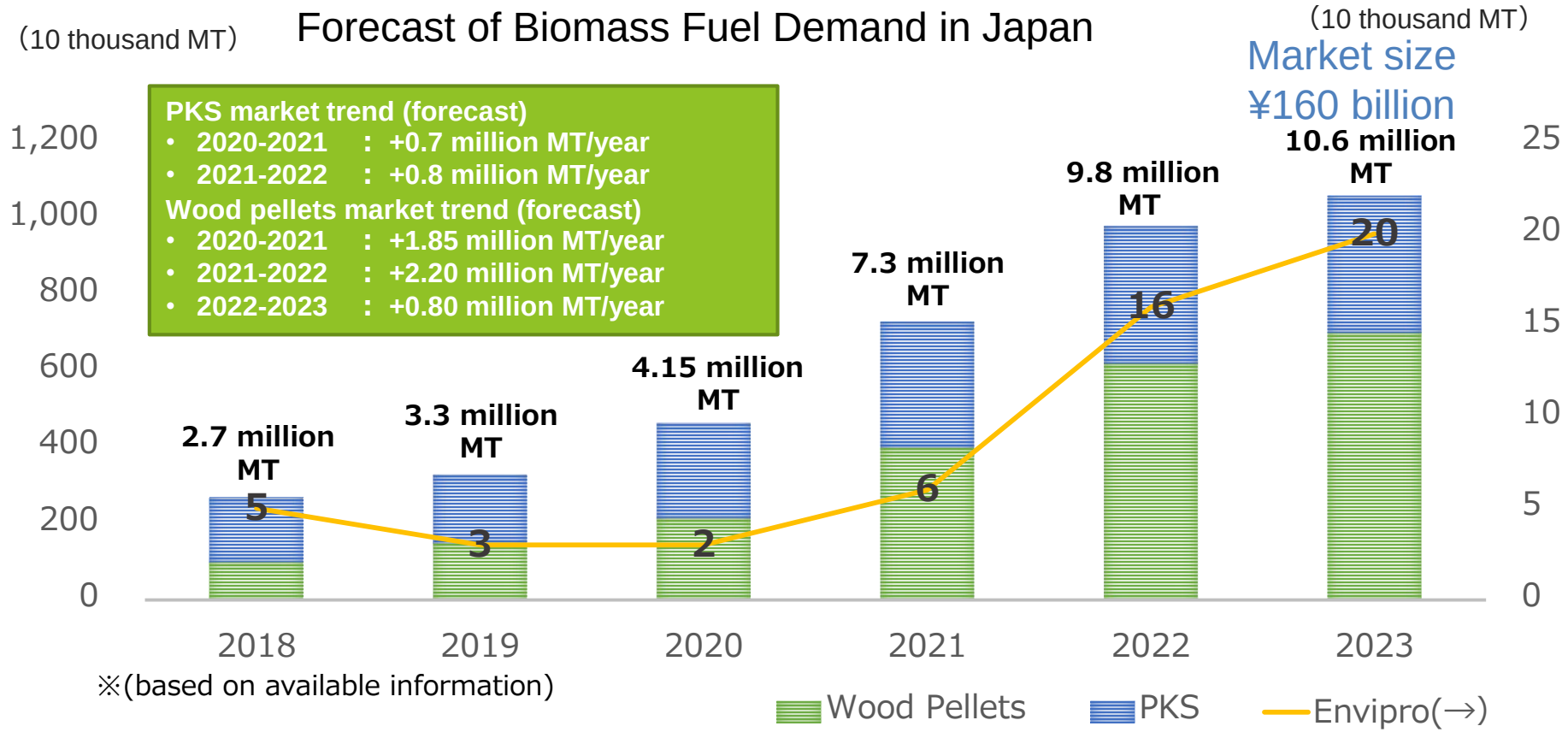
Growth period

- 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

③Expansion of Handling Volume of 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 biomass fuel market, which will further expand in the future.

Forecast of Biomass Fuel Demand in Japan



※(based on available information)

For Business Expansion

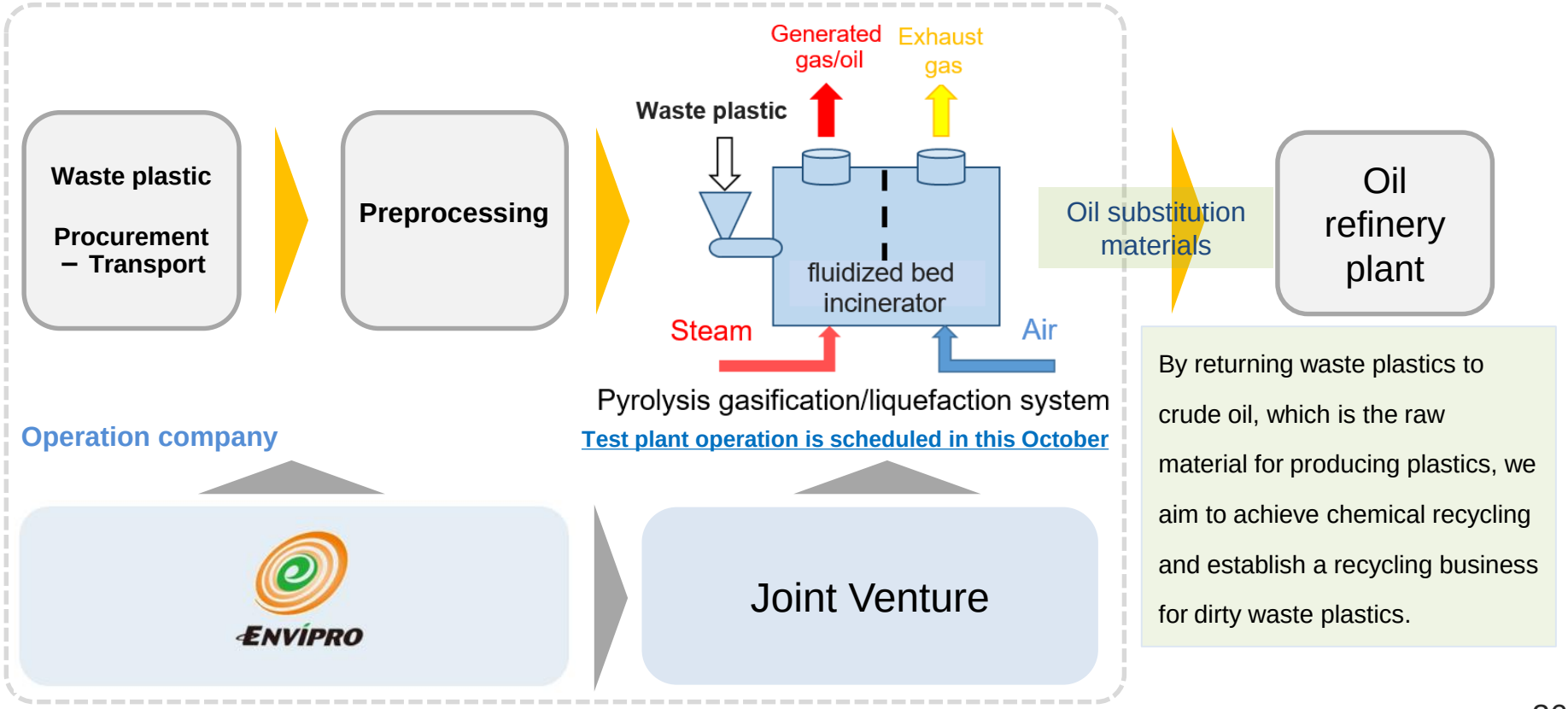
- Study of expansion of collection bases for PKS & wood Pellet
- Study of wood pellet manufacturing plant to be built overseas

④New Initiative toward Waste Plastic Recycling

To study technology of Chemical Recycling in collaboration with incinerator makers and oil refinery companies.

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

Summary of Assumed Business Model



By returning waste plastics to crude oil, which is the raw material for producing plastics, we aim to achieve chemical recycling and establish a recycling business for dirty waste plastics.

⑤Others：Circular Economy Consulting

Two major trends related to environmental issues

Climate change response

CO2 reduction and expansion of renewable energy as a response to climate change

Circular economy

Adopting a EU-proposed transition policy package for efficient use of resources and a competitive circular economy

Climate change related consulting

Circular economy consulting

◆Circular economy consulting ＆Solution

We propose a resource circulation model with high feasibility by providing consulting for resource circularization and integrated services that utilize the solutions provided by our group.

Bright Innovation

Consulting to build a circular model

A company-wide agreement to promote waste plastic countermeasures

Determination of outline of containers and packaging

Phase-1
- Organize the scheme of the circular model business

Phase-2
- Study the feasibility of a circular model on a product container

Phase-3
- Demonstration of recycling and remanufacturing

Phase-4
- Trial operation Full-scale operation

Flow of building a resource recycling scheme for product containers and packaging

Phase-1 Organize the scheme of the circular model business on product container

Phase-2 Study the feasibility of a circular model on a product container

Phase-3 Demonstrate the recycling and remanufacturing

Phase 4 Trial operation

Full-scale operation

Continue to operate

Circular solution

Recycling Innovator eCONeCOL

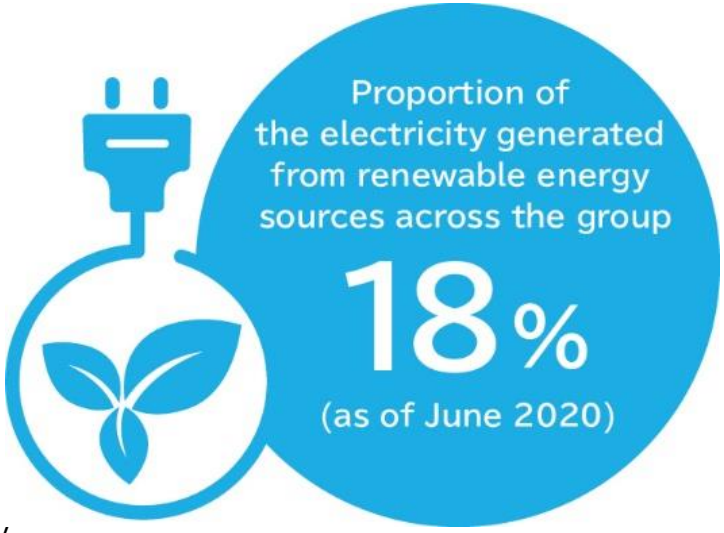
- Technology for shredding, cleaning and sorting of waste plastic
- Technology for pelletizing of waste plastic
- Ability to procure and supply of recycled materials

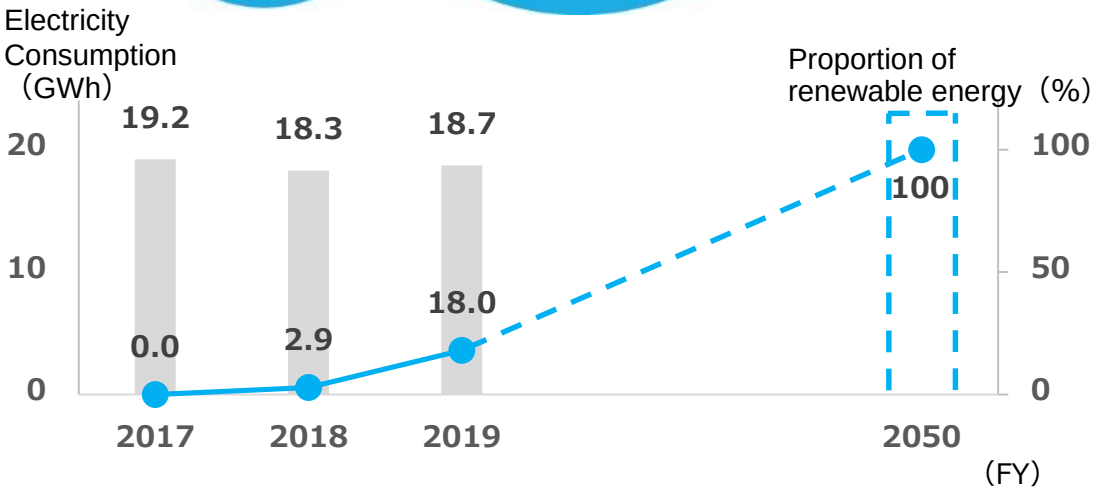
Toyo Rubber Chip

Know-how of
- Materials, Raw materials molding
- Recycled material kneading
- Production development
- Quality inspection

⑤Others：The Initiative toward RE100

For the first time in the recycling industry, we will participate in the initiative "RE100", in which companies aiming to procure 100% of the electricity required for business activities with renewable energy, and continue to work on RE100 in the future.





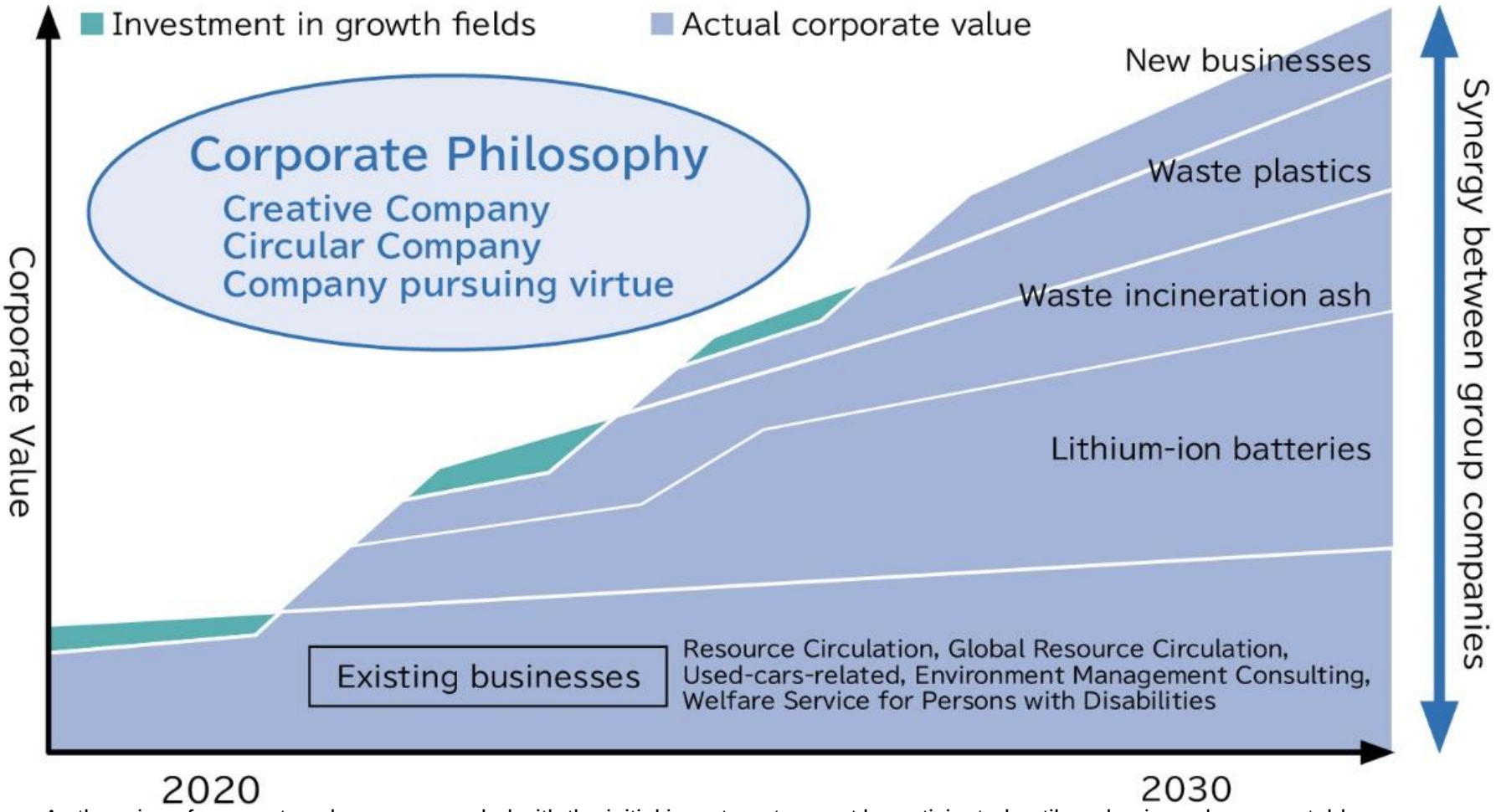
Envipro Group's Initiatives toward RE100

- **Switching to electricity generated by renewable energy**
  - Toyo Rubber chip Co., Ltd.
  - Azumino Plaza
  - ENVIPRO HDGS Head Office
- **Installing renewable energy power generation equipment (PV)**
  - Azumino Plaza Self-consumption PV
  - ECONECOL nonferrous factory Self-consumption PV



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%



As the raise of corporate value corresponded with the initial investment cannot be anticipated until our business become stable, the raise of corporate value will show slow-down. The green area expresses a gap for the minus.

5. Dividend Policy

Dividend Policy

Our basic dividend Policy

- The Company has set a basic policy of providing stable and continuous profit returns to shareholders from a long-term perspective while comprehensively taking into consideration of internal reserves, etc.
- The Company will set a target consolidated payout ratio of 20-30% as an indicator of performance-based profit sharing.
- Even if the annual dividend determined based on the above-mentioned consolidated payout ratio is less than ¥10 per share, the Company shall strive to maintain a stable annual dividend of ¥10 per share.

Forecast for the annual dividend

Forecast for the fiscal year ended June 30, 2020

Dividend payout ratio of 24.4%, ¥10 per share

Forecast for the fiscal year ending June 30, 2021

Dividend payout ratio of 35.9%, ¥10 per share

6. Company Profile

Corporate Philosophy- Mission Statement

Corporate Philosophy

Creative Company

Engage in the ongoing creation of businesses that society needs

- Engage in everyday work in the spirit with which the company was established
- Create new businesses in the spirit of the founder for generations to come
- Every employee to exert efforts to become the leading player of a business that suits them

Circular Company

Help others, get the best out of others, and share with others to make a constant loop of joy

- Help each other and lend a hand to others to make your work more pleasant
- Use every material repeatedly, preserving their value for as long as possible
- Share the profit and joy with the people you live with

Company pursuing virtue

Pursue the virtue of companies and people, in perpetuity

- Don't choose the easy path but choose the path which serves others
- Do what others don't do by taking advantage of your distinctive qualities
- Be grateful for your life and don't be arrogant



Sustainability Strategy

(Five-year strategy for the period from FY2018 to FY2022)

Goal

To achieve concurrent sustainability of society and our company

Key policies

Greatly enhance the company's credibility in society

Effectively demonstrate the HOLDINGS' leadership within the group to improve corporate governance and promote the brand

Greatly enhance efficiency in the use of operational resources

Consolidate businesses in line with the Sustainability Strategy for the efficient use of operational resources

Greatly enhance productivity

Greatly enhance productivity by making use of new technologies and experience

Outline of Group

Head Office	87-1 Tanakacho, Fujinomiya-shi, Shizuoka Pref. JAPAN
Representative Person	Representative director, president and CEO Tomikazu Sano
Establishment	Established in May 2010
Group Companies	Consolidated subsidiaries: 12 companies (including sub-subsidiaries) Affiliates accounted for using equity method: 2 companies
Number of Employees	Envipro Holdings 37 persons（consolidated 443 persons） ※ As of the end of June 2020

Business Segment	Business Companies
Resource Circulation Business	ECONECOL Inc. Kuroda Recycling Co., Ltd., SYNECO Inc., Toyo Rubber Chip Co., Ltd., VOLTA Inc., Equity method affiliates: Arbiz Corporation. Fuji Eco Cycle Co., Ltd.
Global Resource Circulation Business	NEWSCON Inc.
Used-car-related Business	3WM Co., Ltd. (Including 3 overseas subsidiaries)
Others	Environment Management Consulting Business: Bright Innovation Co., Ltd. Welfare Service Business for Persons with Disabilities: ASTOCO Inc.
Adjustment	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

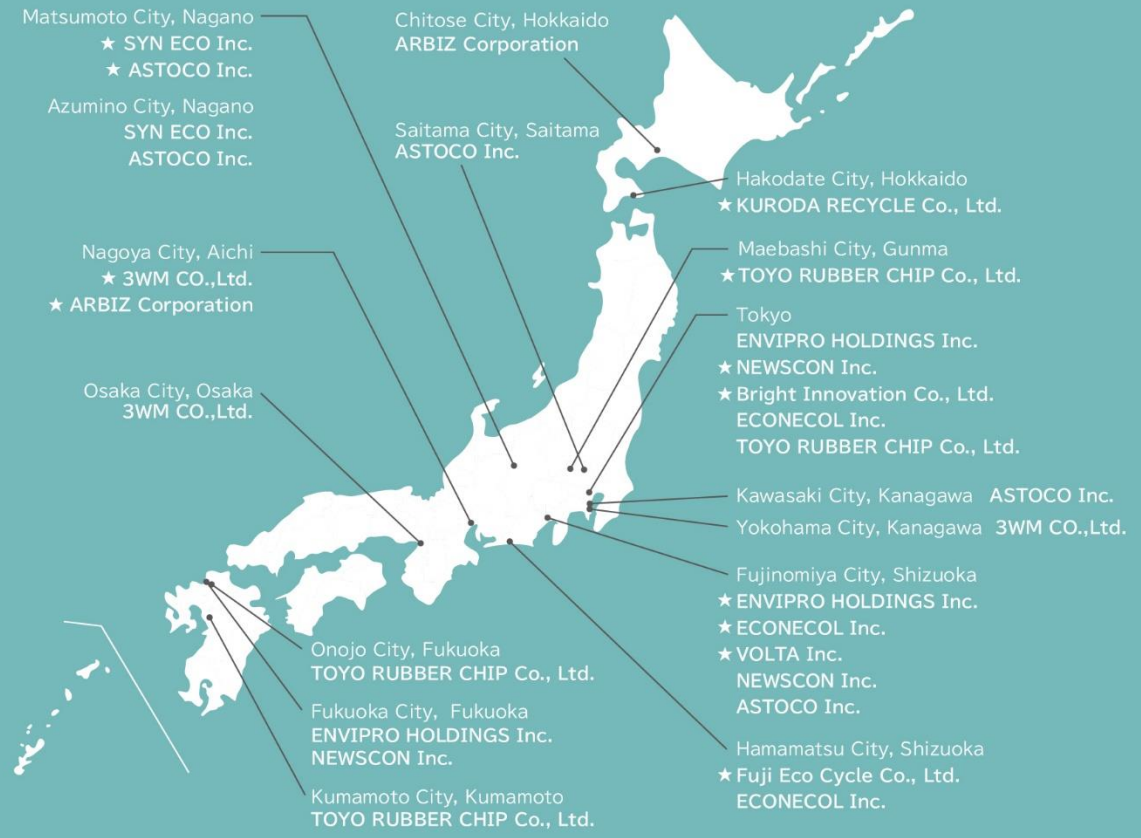
10 sites

Shipping ports

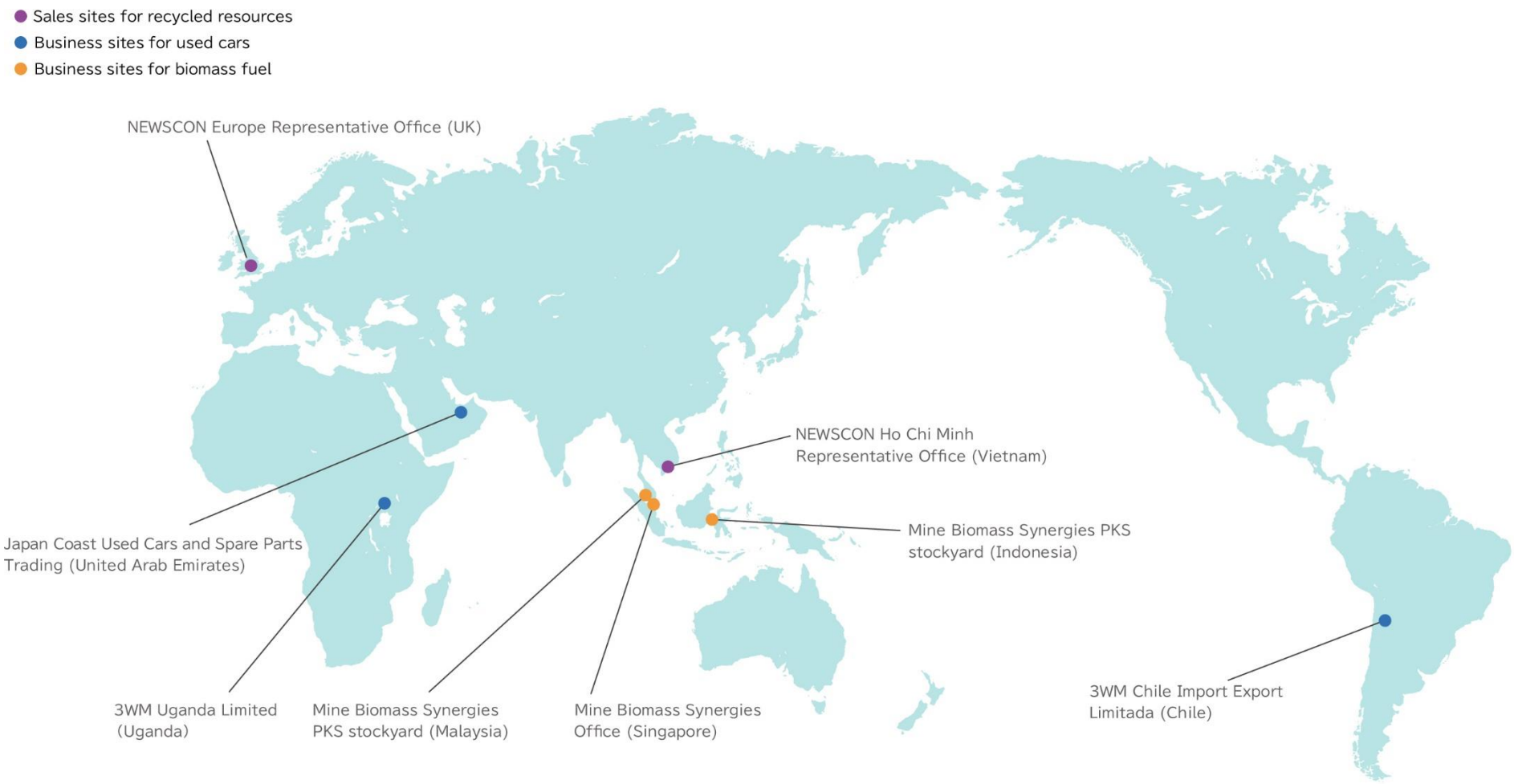
Locations	Yards
Hakodate Port, Hokkaido	Ferrous scrapyard
Naoetsu Port, Niigata	Ferrous scrapyard
Funabashi Port, Chiba	Ferrous scrapyard, Nonferrous scrapyard
Sakura City, Chiba	Used car yard
Kawasaki Port, Kanagawa	Ferrous scrapyard, Nonferrous scrapyard
Tagonoura Port, Shizuoka	Ferrous scrapyard
Shimizu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

Domestic sites

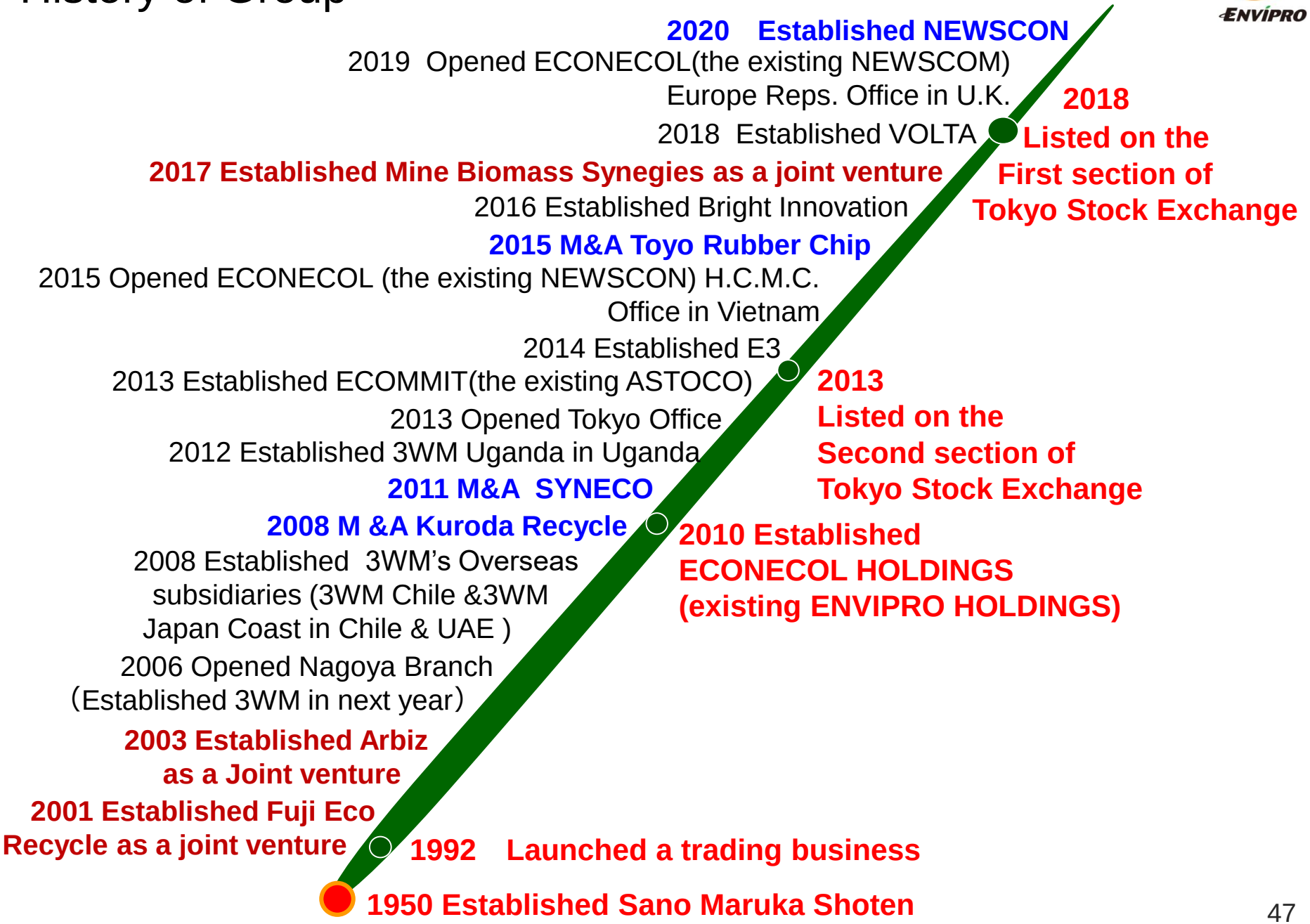
Head Office=★



Overseas Bases & Offices



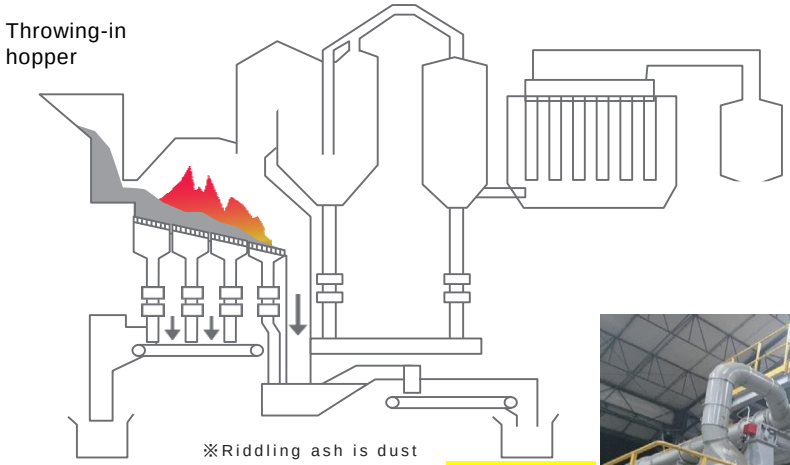
History of Group



7. Reference Data

Collection of Metals from Waste Incineration Ash（Work Flow）

It is known that the ash after incineration of garbage collected in cities contains useful metals, but at present, most of the useful metals is not collected but is landfilled. The main cause of landfill disposal is the low content of useful metals and high sorting costs. If the sorting efficiency is improved and the business feasibility is established, incineration ash will be reviewed as a new vein.





Cement company

Incineration ash

Sorting system plant of “incineration ash”

Collected

Ferrous



Aluminium



Gold, silver & copper sediment sludge

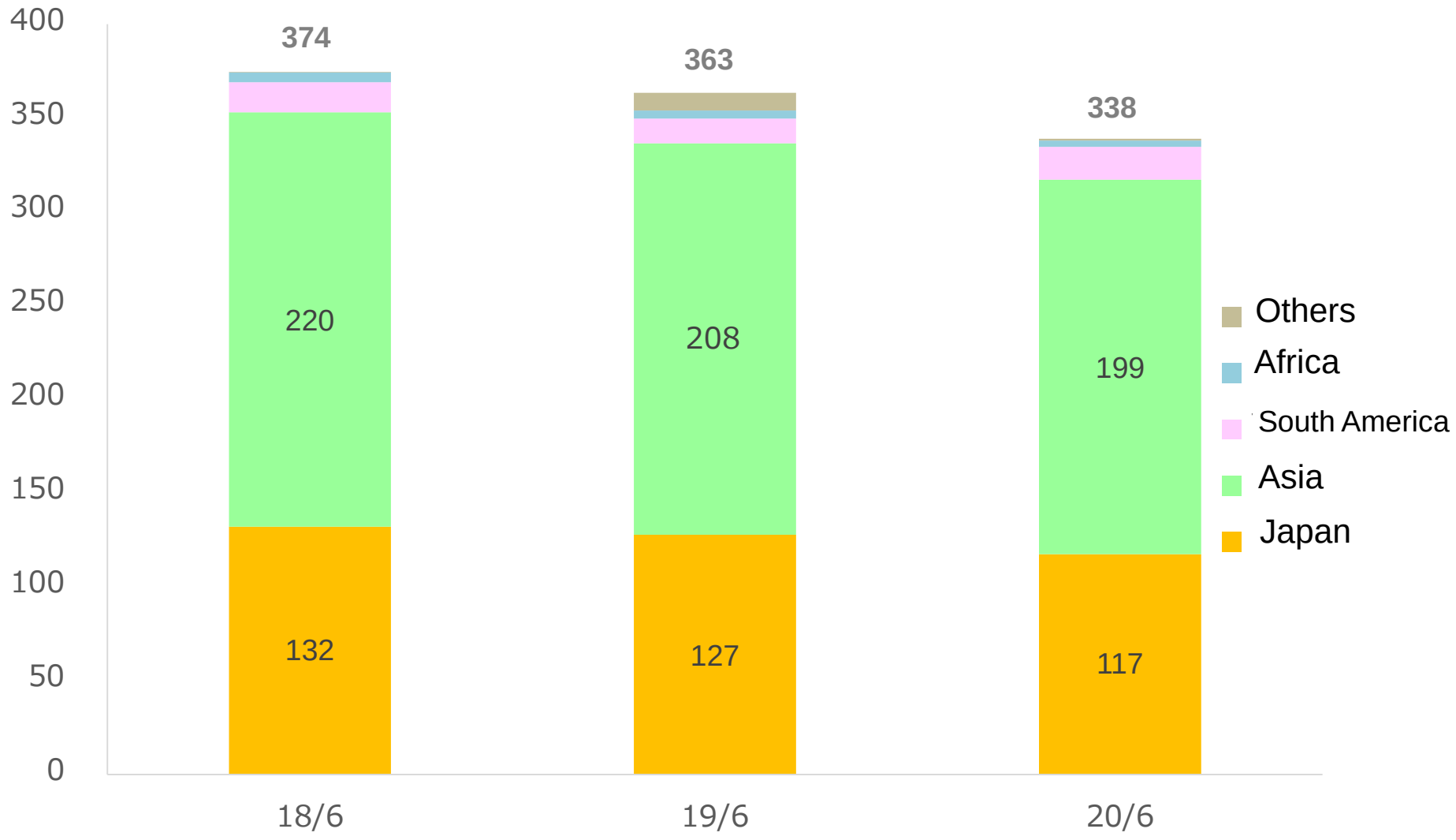


Nonferrous metal smelting company

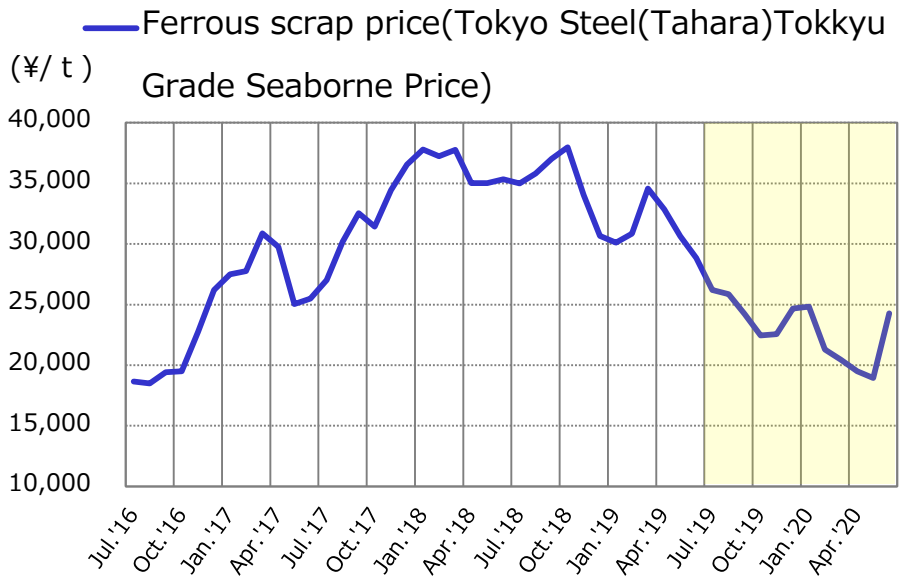
Electric furnace manufacturer

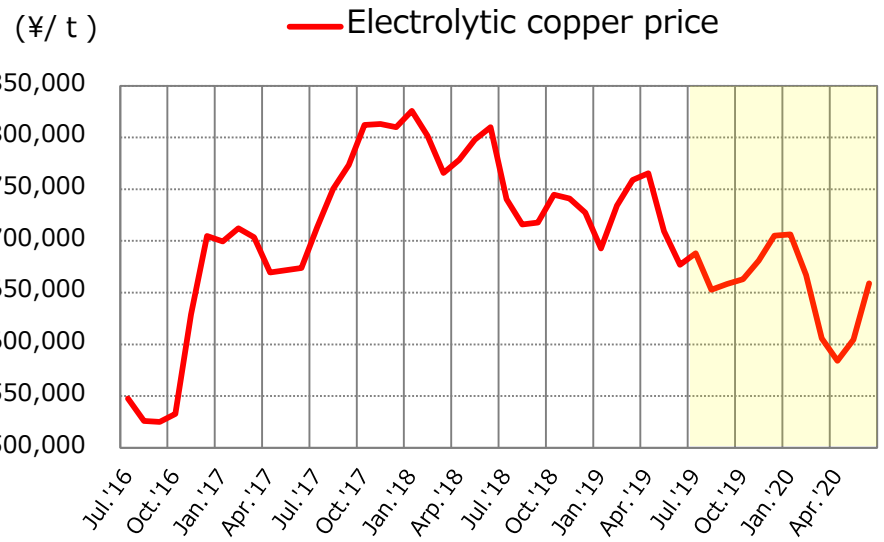
Sales Amount by Geographic Area

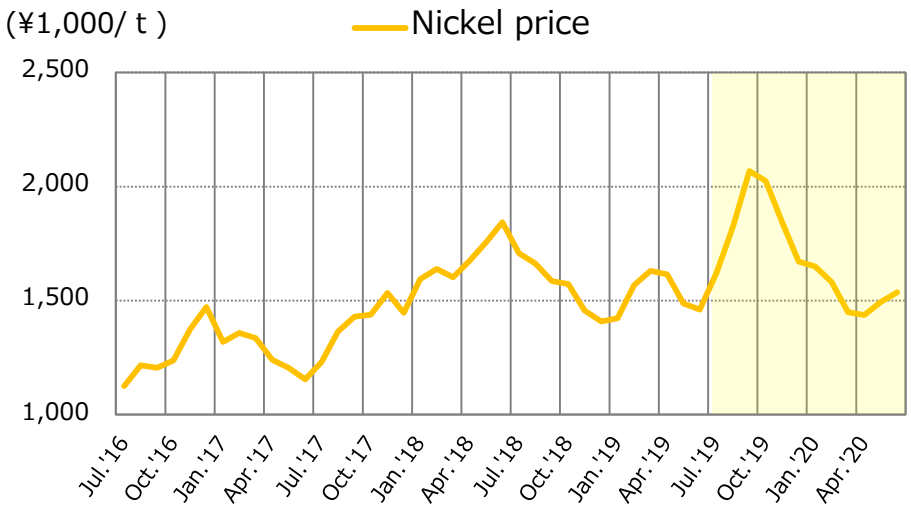
(¥100 million)

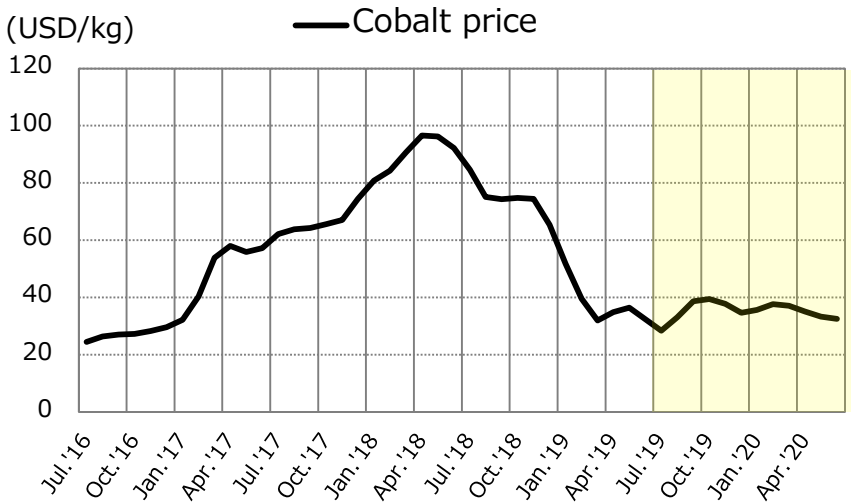


Market Price ①





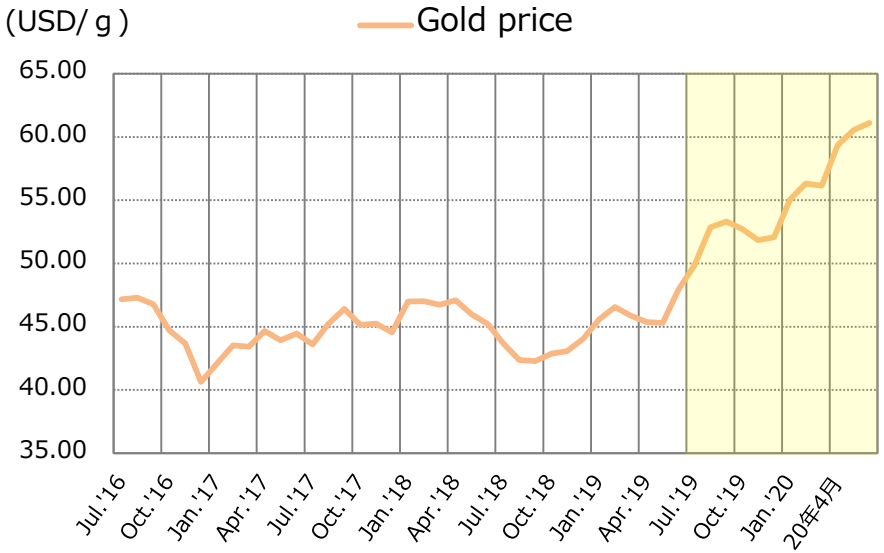




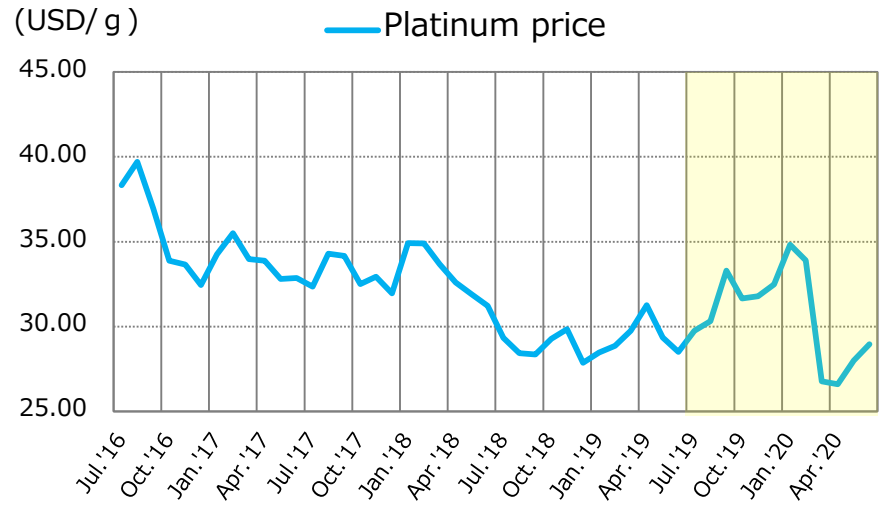
Sources: Tokyo Steel Co., Ltd.; Nikkei Inc.

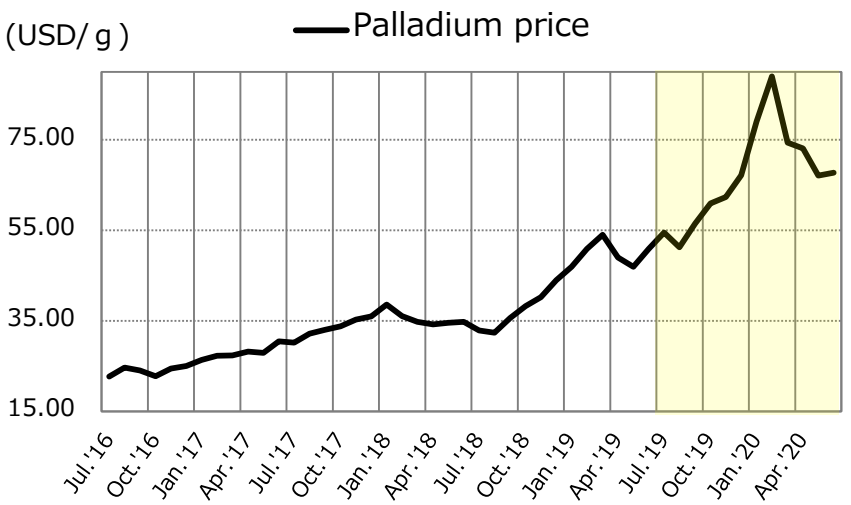
Sources: Japan Cable Manufacturers Association; IRUNIVERSE Co., Ltd.

Market Price ②



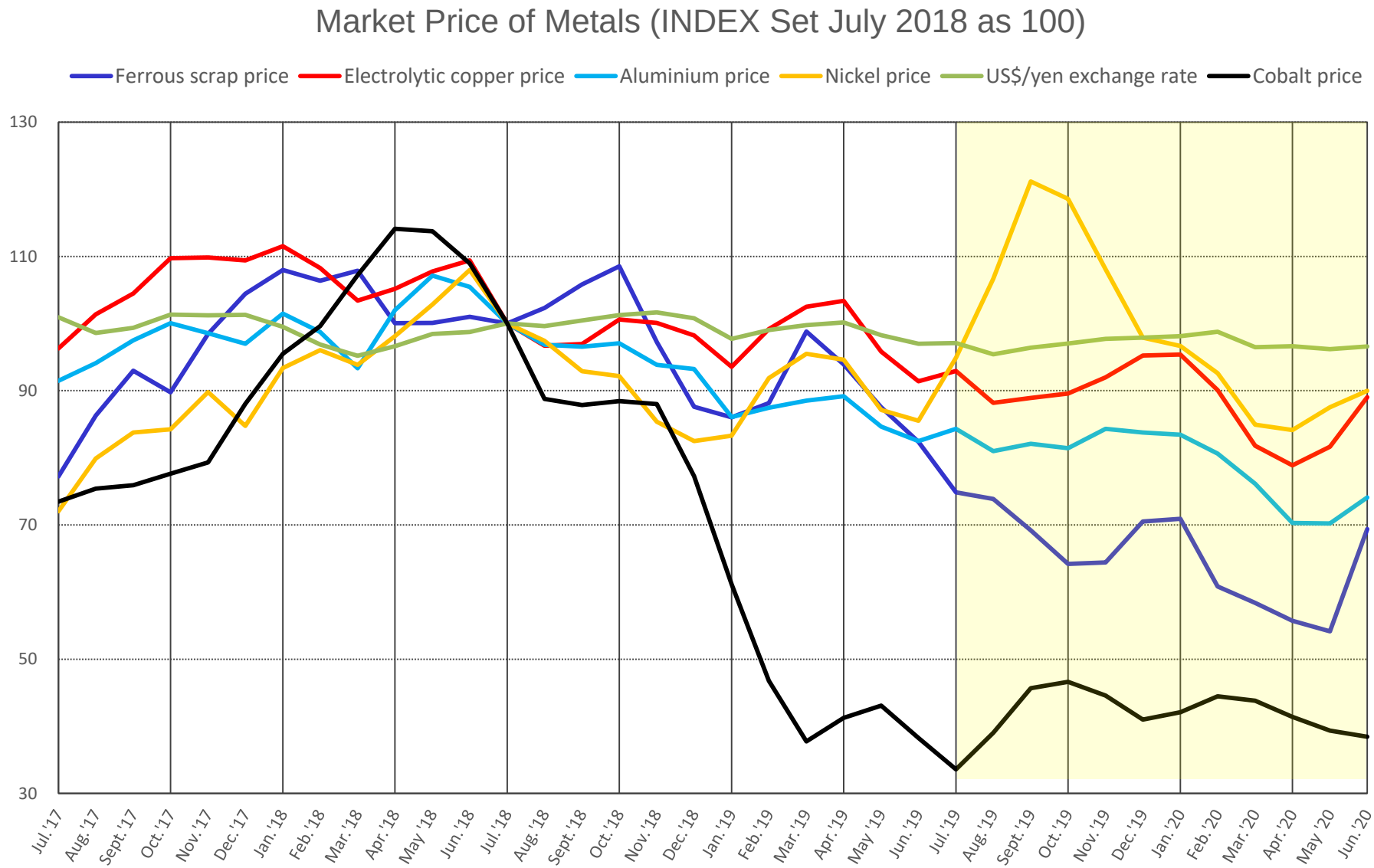






Source: Kitco Metals Inc.

Market Price ③



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.
- Although 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.

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