



ENVIPRO HOLDINGS INC

Financial Results Briefing for the Fiscal Year Ended June 2020

August 21, 2020

Event Summary

[Company Name]	ENVIPRO HOLDINGS INC	
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[Participants]		
[Number of Speakers]	1	
	Tomikazu Sano	Representative Director and President, CEO

Presentation

Sano: Hello, ladies and gentlemen. I am Sano, Representative Director and President, CEO, of ENVIPRO HOLDINGS INC.

We have held financial results briefings at physical venues every year. However, in order to prevent the spread of COVID-19, we hold the briefing in a form of video distribution this year. We ask for your understanding.

Now, I will make an explanation according to the agenda.

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.

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First, I will provide a summary of the financial results for the fiscal year ended June 2020.

We managed our business in four segments: the Resource Circulation Business, the Global Resource Circulation Business, the Used Car-Related Business, and Others.

Resource Circulation includes ECONECOL Inc., Kuroda Recycle Corporation, SYN ECO Inc., TOYO RUBBER CHIP Co; Ltd., and VOLTA Inc. ECONECOL, Kuroda Recycle, and SYN ECO are in almost the same business categories. TOYO RUBBER CHIP is doing a business to use the rubber tips of tires for artificial turf clogging. The business of VOLTA is the recycling of batteries, especially the recycling of lithium-ion batteries.

We own 49% of shares of ARBIZ Corporation, an equity method affiliate, which is a joint venture with an auction company, USS. Another equity method affiliate is Fuji Eco Cycle Co., Ltd., a recycling company for four specified consumer electronics items. Fujitsu General owns 60% of its shares and we own 20%.

The Global Resources Circulation Business was a trading division of ECONECOL until last fiscal year, but it became an independent company, NEWSCON Inc., in July this year.

The Used Car-Related Business consists of 3WM Co., Ltd., which has overseas sites in UAE, Chile and Uganda.

The Others Business consists of Bright Innovation Co., Ltd. of environmental consulting and ASTOCO Inc. of welfare business for people with disabilities.

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	(down 18.1%	Year on year)
※Profit	¥602million	(down 23.5%	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.)

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As already disclosed in the financial results summary and other documents, sales decreased by JPY33.879 billion and ordinary profit decreased by JPY934 million in the fiscal year ended June 2020.

As for the main topics, the average price of metal scrap was JPY33,219 in the previous fiscal year, but it was JPY22,943 in the fiscal year under review, down approximately JPY10,000. However, through increasing the amount handled, we have kept sales down to only 6.8%.

The special feature of the fiscal year under review is Q4. The impact of COVID-19 began to emerge from this quarter, and in Q4 we recorded an ordinary loss of approximately JPY90 million.

Regarding new businesses, ordinary loss of JPY230 million was recorded for VOLTA, PLA 2 PLA Inc., et cetera.

An extraordinary loss of about JPY30 million was incurred due to the reorganization of the Plastic Materials Recycling Business. This resulted from the absorption-type merger of PLA 2 PLA into ECONECOL.

Capital expenditures were JPY1.2 billion on a payment basis.

In addition, the depreciation method was changed from the declining-balance method to the straight-line method. As a result, depreciation decreased by about JPY190 million and expenses decreased, which contributed to profits.

We began sales of BS in the lithium-ion battery, LIB, Recycling Business. BS is an abbreviation of Black Sand, black powder, which is a mixture of nickel, cobalt, and others made by processing lithium-ion batteries. In June, we began selling it in containers.

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

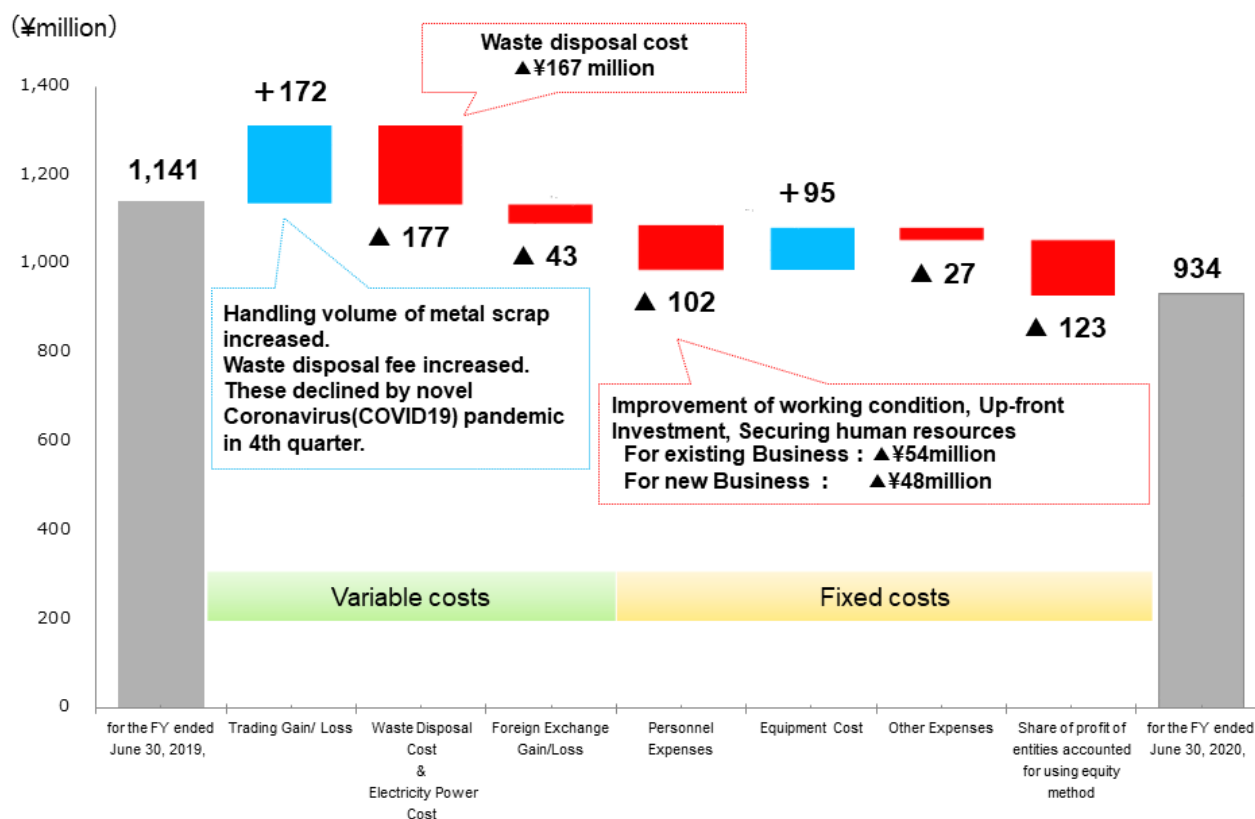
※ EBITDA = Operating profit + Depreciation + Amortization of goodwill

※ 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]

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These are the details. Here you see a comparison with the one disclosed on June 12.

Analysis of Difference in Ordinary Profit (Year on year)



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I will now explain the analysis of the difference in ordinary profit.

Compared with ordinary profit of JPY1.141 billion in the fiscal year ended June 2019, trading gain increased due to an increase in the amount of scrap handled or an increase in waste disposal cost. However, in Q4, trading gain decreased, resulting in an increase of only JPY172 million.

On the other hand, as for waste disposal cost and electricity power cost, even if we collect the waste which we get the waste disposal fee, it is still impossible to recycle all the waste. Therefore, the amount of dusts increased, resulting in a negative impact of JPY177 million.

In terms of personnel expenses, we have improved our remuneration. In addition, personnel expenses increased due to new hiring in new businesses, which was a negative factor for profits.

Furthermore, with regard to equipment costs, the depreciation method was changed as I mentioned earlier. The change to the straight-line method contributed to an increase of JPY95 million in profit.

Then, as the equity method affiliates have a similar business format, ordinary profit decreased in the same manner in Q4, which resulted in a negative factor of JPY123 million. As a result, total ordinary profit amounted to JPY934 million.

Consolidated Financial Results



Net sales(Handling volume)

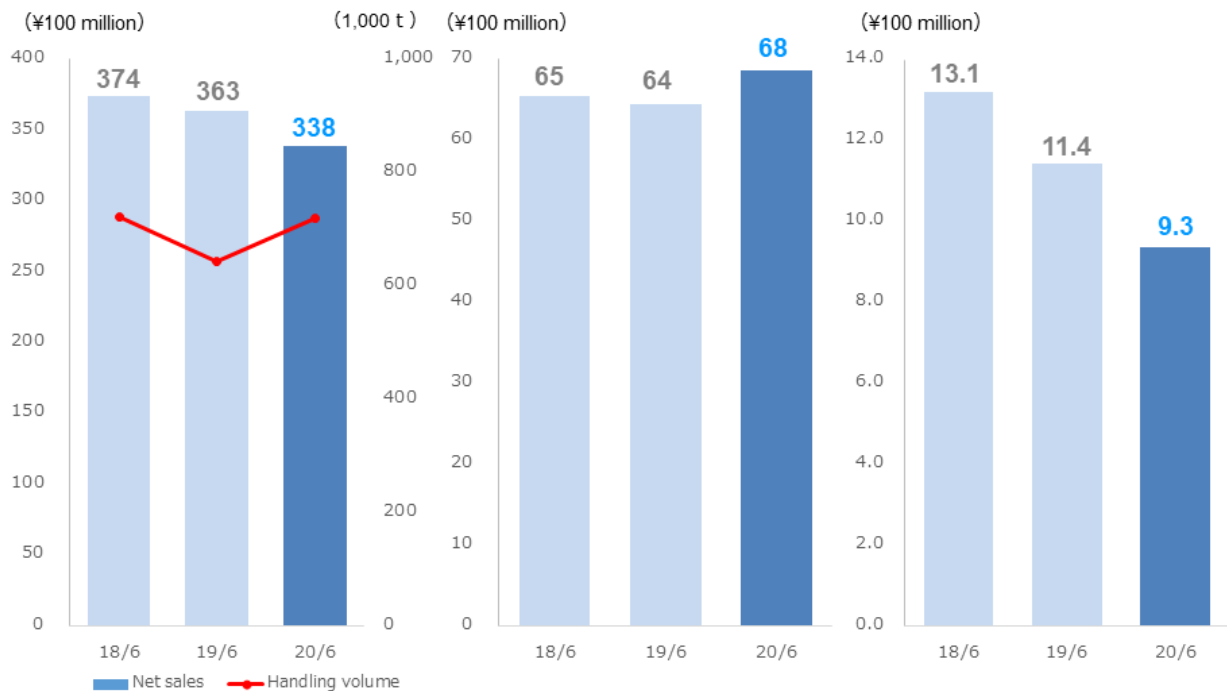
Down 6.8%
Year on year

Gross profit

Up 6.3%
Year on year

Ordinary profit

Down 18.1%
Year on year



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This is a comparison of the past three years.

We have posted a poor performance of a three-year decline in sales and profits. Among them, the volume handled on the left-hand side has increased from the previous year. As I explained earlier, I think that what we have accumulated stored the potential somewhat.

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	-	-

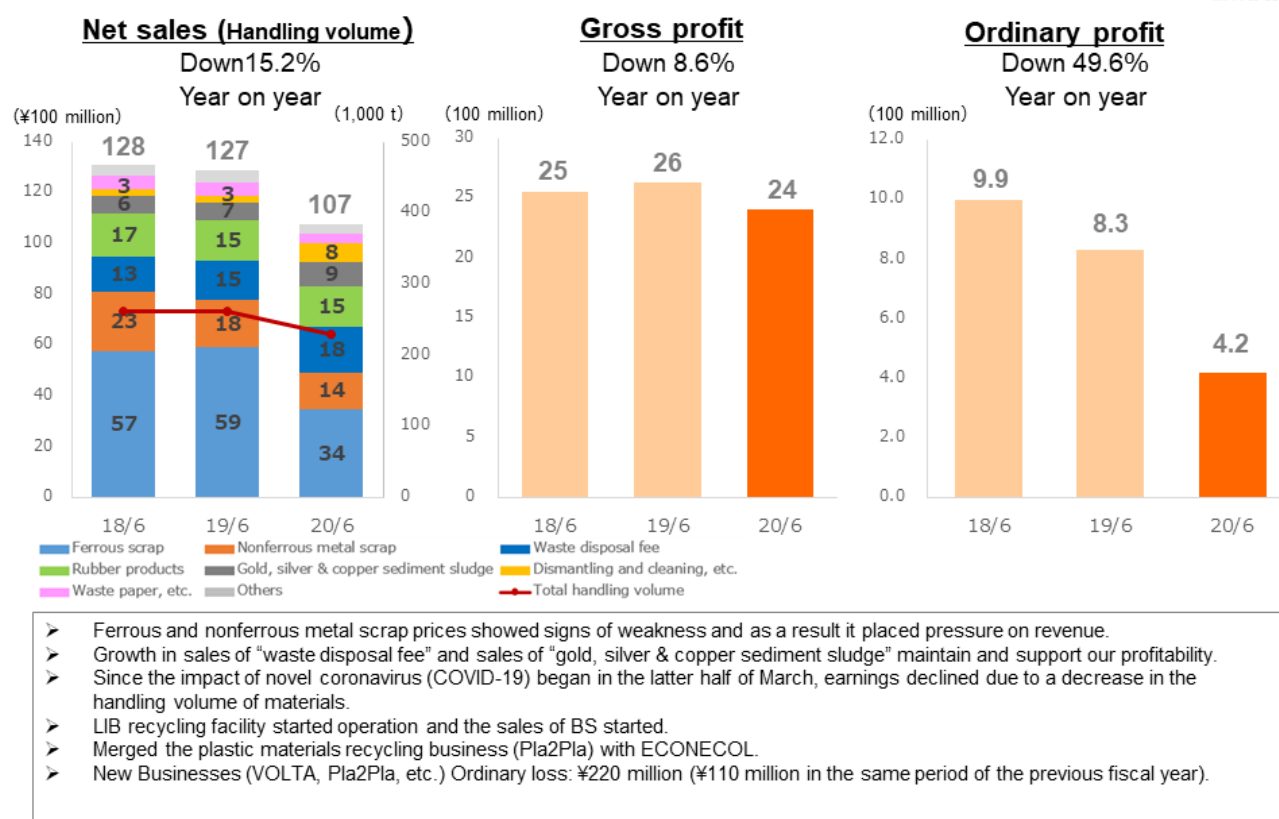
※Others includes the results of E3 Inc. up to December 2018

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This is a table by segment.

The Resource Circulation Business saw lower sales and profit. Furthermore, in the Global Resource Circulation Business, although sales declined, profit increased. The Used-Car-Related Business saw lower sales and higher profit. I will explain this later. In addition, the Others Business posted decreases in sales and profit.

Business Results by Business Segment 【Resource Circulation】



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First is the Resource Circulation Business.

The leftmost net sales are shown in different colors. You can see that net sales configuration is changing slightly, particularly in the fiscal year ended June 2020. As the prices of ferrous and non-ferrous metal scraps continued to decline, earnings were squeezed.

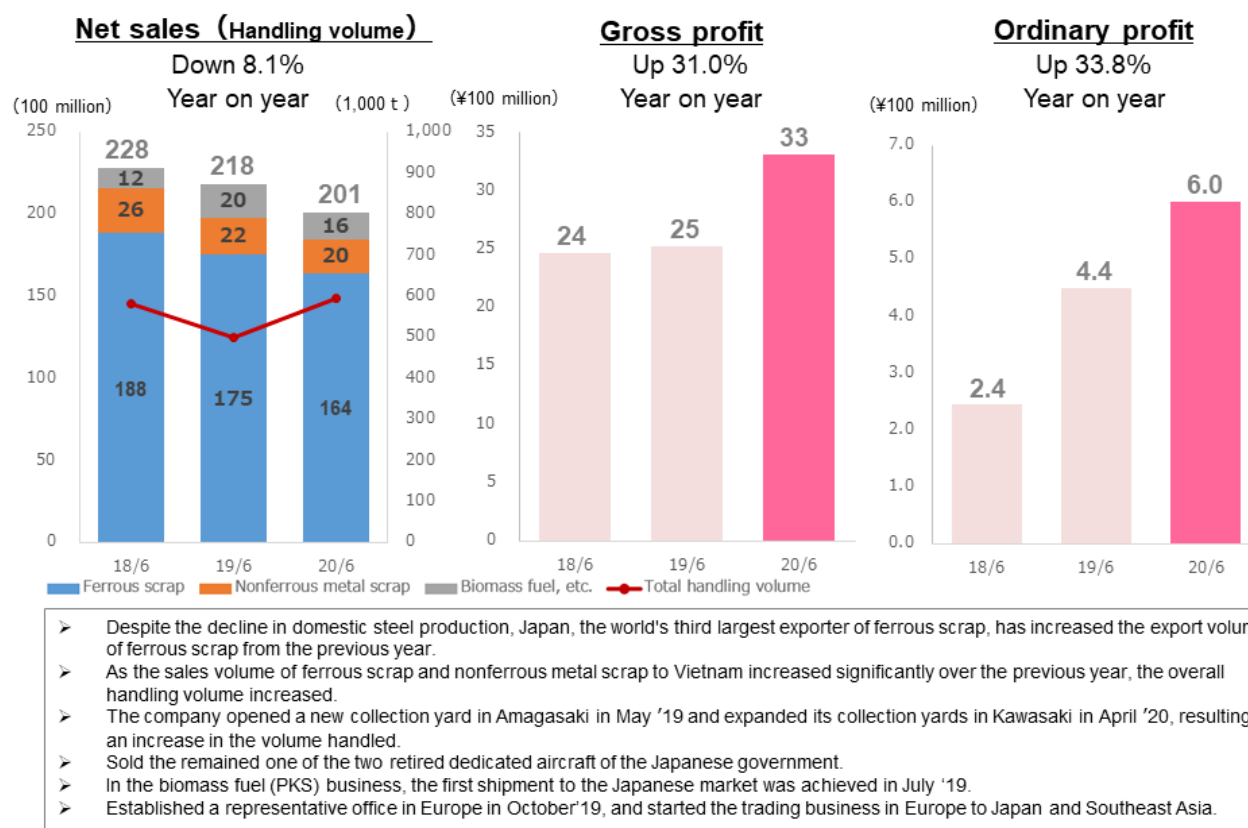
On the other hand, sales from waste disposal fee, shown in dark blue, and sales from gold and silver sediment sludge, in gray, are growing and supporting earnings, since those areas have a very high gross profit margin.

However, once again, in the latter half of March, the impact of COVID-19 began to appear, leading to a decline in the volume handled and a decline in sales.

I will skip the next three points as I have just explained them.

As a consequence, sales came to JPY10.7 billion and ordinary profit to JPY420 million.

Business Results by Business Segment 【Global Resource Circulation】



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Next, let's look at the Global Resource Circulation Business.

Although sales declined also in this business, the line graph shows that the amount handled has increased. Japan is the third largest exporter of scrap behind Europe and the US. While domestic steel output has been declining gradually, scrap generation has been accumulating and there is a time lag.

Consequently, although slightly, there is an upward trend. Therefore, as the portion is shifted to the export market, the export market for scrap in Japan is gradually expanding. We are doing business in the midst of this.

In particular, in the fiscal year ended June 2020, sales of ferrous and non-ferrous scraps for Vietnam exceeded the previous year, and more than doubled with an increase of about 170,000 tons. Korea was our main export destination, but as we have a liaison office in Vietnam, we will continue to increase sales to Vietnam by utilizing the advantages of it.

In May 2019, we established a collection yard in Amagasaki, which had a significant impact on the increase in collection volume for the year ended June 2020. In addition, in April this year, we expanded our existing collection yard in Kawasaki. As it has been several months, there was still no significant impact, but this is expected to contribute to an increase in the amount handled in the future.

Then, as you already know, we sold a dedicated aircraft to the Japanese government in the second half of the fiscal year ended June 2019. In the fiscal year ended June 2020, we sold another aircraft. This also contributed to profits.

At the same time, although there was not much impact on profits, we shipped palm kernel shell, PKS, a biomass fuel that we had shipped only to third countries, to Japan for the first time in July of last year.

In October last year, we opened an office in Europe, and in May and June this year, we began transactions. Although the amount is about 100 tons, we have started doing business to Japan and Southeast Asia.

Although sales declined to JPY20.1 billion, ordinary profit was JPY600 million, resulting in a decrease in sales and an increase in profits.

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



- 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.

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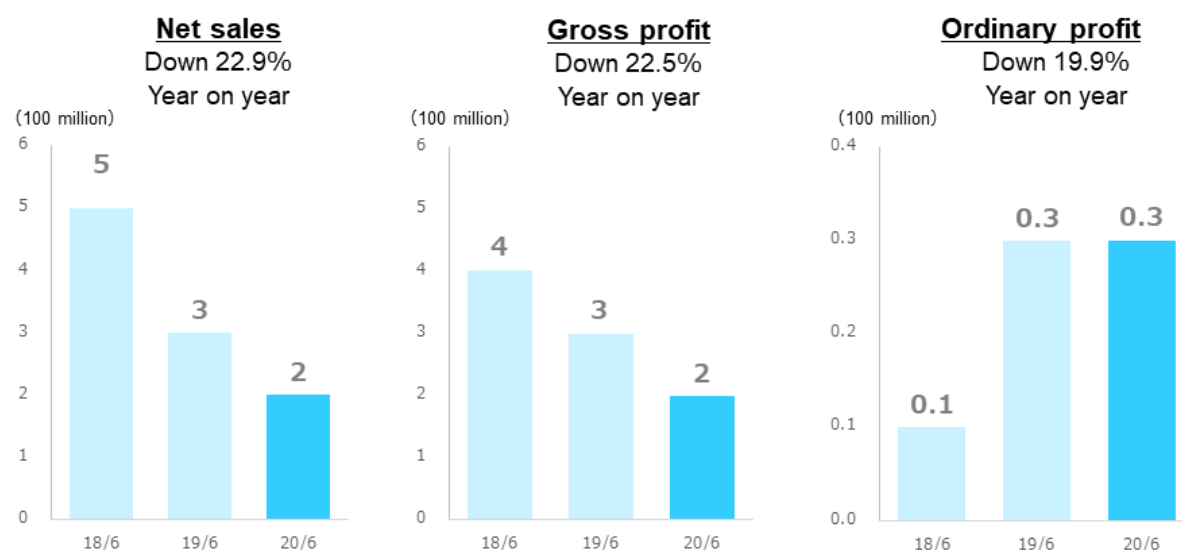
Now, let's look at the Used Car-Related Business.

Until February, demand for used cars in South America had been weak, but various other factors had begun to improve. In June 2019, the business had extremely little profit. From that point on, as the situation gradually improved, the business remained steady until around Q2. From March, however, the business has been impacted by COVID-19 earlier and larger than the others in our Group.

The operations in the UAE, Chile and Uganda were subject to various restrictions, such as lockdown and a ban on outings at night, although there were some differences. Therefore, the business has almost ceased.

Consequently, net sales decreased to JPY5.6 billion and ordinary profit increased to JPY30 million. Again, profit was extremely low in the year ended June 2019, resulting in an increased profit.

Business Results by Business Segment 【Others】



《 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

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In the Others Business, the financial impact is small.

This is an extremely important business for the Group. In particular, regarding the Environmental Management Consulting business, we receive orders for consulting services to raise the ratings of Carbon Disclosure Project, CDP, from about 20 major companies. We are making steady progress in this area. There are many repeat customers, and we have an extremely high reputation for consulting.

We also have begun providing new services to support responding to Task Force on Climate-related Financial Disclosure, TCFD. In addition, our Company advocates the circular economy. Under such circumstances, Bright Innovation has begun to offer various circular economy-related consulting services.

In the Welfare Service Business for people with disabilities, ASTOCO launched a B-style work continuity support program in Fujinomiya City in August. This company has been losing money for the past few years, but in Matsumoto, Azumino, where this company was founded, its name recognition and the total number of users have been increasing. As a result, it has achieved profitability for the full fiscal year. We believe that this situation will continue in the near future.

Summary of Consolidated Balance Sheets



(¥ million)

	As of June 30 2019	As of June 30 2020	Increase/ Decrease		As of June 30 2019	As of June 30 2020	Increase/ Decrease
Current assets	11,152	16,529	5,377	Current liabilities	5,172	7,499	2,327
Non-current assets	8,607	9,383	776	Non-current liabilities	3,025	6,401	3,375
(Property, plant and equipment)	6,130	6,729	598	Total liabilities	8,197	13,900	5,702
(Intangible assets)	89	70	▲ 19	Net assets	11,562	12,012	450
(Investments and other assets)	2,386	2,584	197	(Shareholders' equity)	11,166	11,577	411
Total assets	19,759	25,913	6,153	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)

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This is a balance sheet.

First, as you may understand, total assets have increased by JPY6.153 billion. As I will explain later, total assets increased to JPY25.913 billion, due to an increase in borrowings. As a result, the shareholders' equity ratio decreased 11.7% to 45%.

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

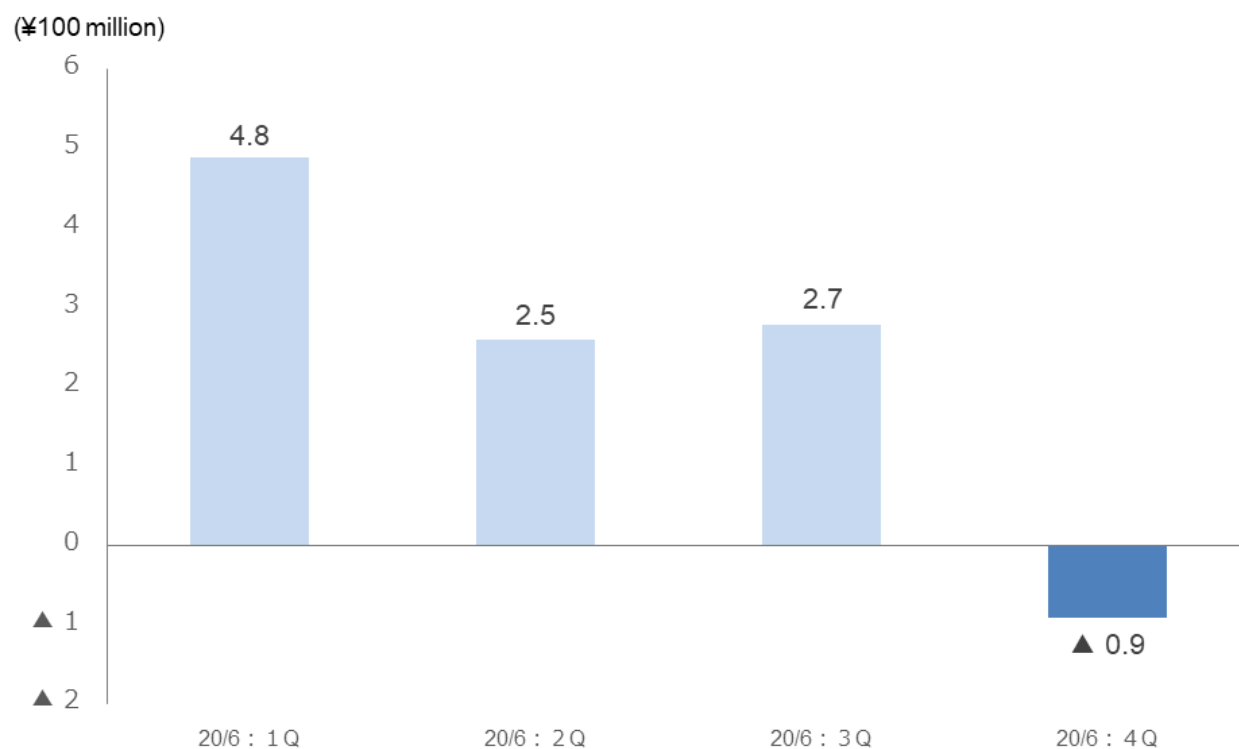
- Cash flows from operating activities : (Inflows)
 - ¥449 million in decrease trade receivables
 - ¥918 million in profit before income taxes
 - ¥1,350 million in decrease in inventories
- Cash flows from investing activities : (Outflows)
 - ¥411 million in income taxes paid
- Cash flows from investing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

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Cash flows were in a similar situation.

The balance of cash and cash equivalents at the end of the fiscal year increased by JPY7.528 billion to JPY10.242 billion. This is a reflection of COVID-19 measures that we have implemented in order to accumulate cash.

Quarterly Consolidated Ordinary Profit for the Fiscal Year Ended June 2020

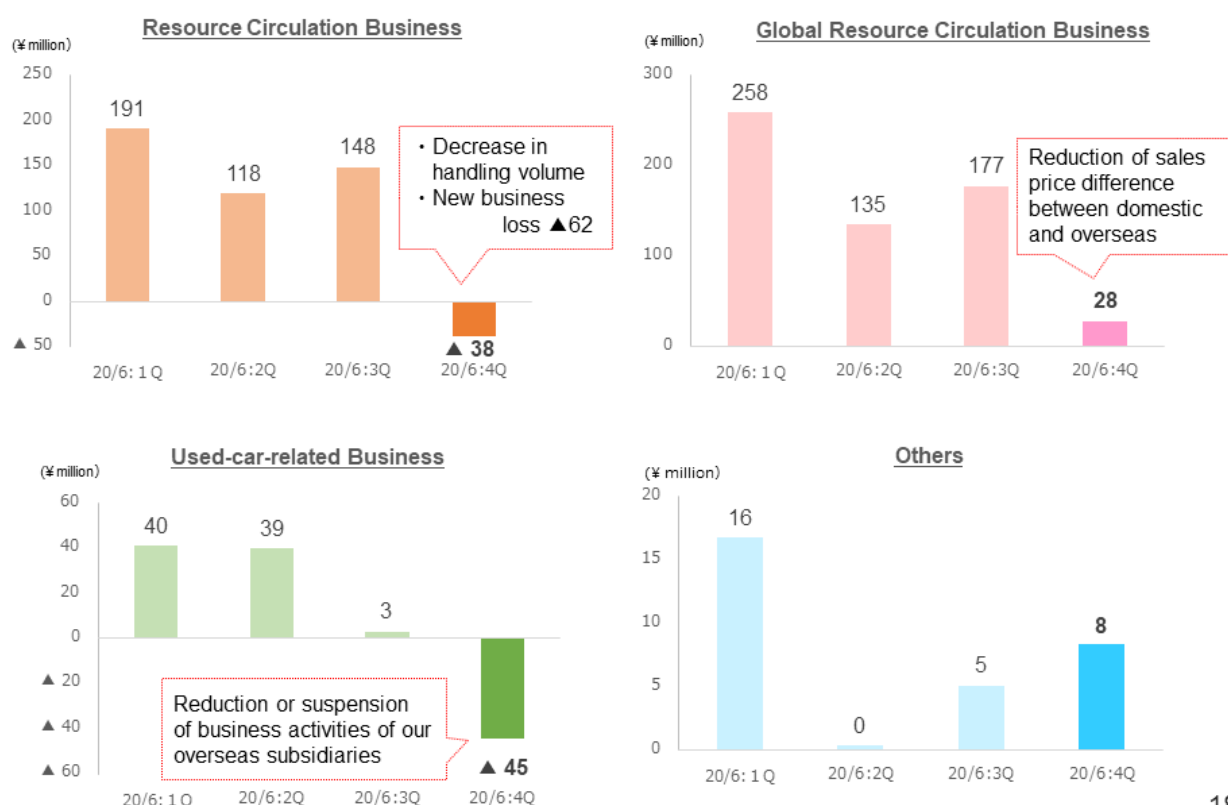


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I would like to talk about the impact of the spread of COVID-19 and our countermeasures.

As I explained repeatedly, we have been doing almost smoothly as planned until Q3, but we recorded a deficit of JPY90 million in Q4.

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



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Here you see profits by segment.

The Resource Circulation Business posted a loss of JPY38 million in Q4. However, the existing Resource Circulation Business was marginally profitable, as there was a loss of JPY62 million in the new business division. The new business had negative impacts also on Q1, Q2 and Q3. As we were unable to make up for them, the impact on Q4 was enormous.

The Used Car-Related Business has already been affected by COVID-19 from Q3, and it recorded a loss of JPY45 million in Q4.

Although the Global Resource Circulation Business did not record a loss, the volume of waste generated declined in Q4. As domestic steelworks purchased with higher prices due to the lower volume in the market, the gap between domestic prices and export prices has narrowed. As a result, profit was only JPY28 million.

In the Others Business, the impact of COVID-19 is currently negligible.

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'être

"CHASHIS 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'être (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

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To deal with COVID-19, as all other companies, we have formed a committee chaired by me.

The committee established countermeasure standards and is renewing them according to the situation. They are currently updated to version nine. We have communicated them to our employees, our customers and other stakeholders.

In addition, we worked on three things. The COVID-19 pandemic let me notice a variety of things, although they are very difficult things.

First, in terms of short-term initiatives, as all other companies, we have strengthened management of personnel and other expenses, including savings, under the policy of Cash is King.

We are also reviewing unprofitable businesses and business formats. I have just explained it to you.

Further, there is a saying, "poverty dulls the wits". At such times, accidents and occupational accidents tend to occur. This leads to an immediate outflow of funds. More than usual, we have focused on the prevention of accidents and occupational accidents by further strengthening our occupational safety system.

In the medium-term, as a restructuring of our work, we will review and rebuild all our work practices. We will fundamentally review and change drastically the Company. It is not just a change, but also a change in form. I am trying to transform everything other than our corporate philosophy.

We are working on remote work, web meetings, and flextime as in many companies.

The second and third points, I think, will take a little time. On this occasion, I became keenly aware of the need for remote management at production sites.

Therefore, we promote the remote management of the plants by utilizing IoT and robots. We aim for an operation with approximately half of the current on-site personnel in about 10 years. This will raise the efficiency, and I believe that this will also be extremely effective in countermeasures against infectious diseases.

We will shift from the membership-type operation to a job-type one. This is discussed in newspapers. Although the hurdles are quite high for us, we will decide to change ourselves and aim for it.

We will take a long-term approach to confirming and reconfirming the significance of our existence. We have regarded the term "purposes" as our objective. Recently, however, the term is used in the sense of "significance of existence" in newspapers and other media. I thought very hard about the significance of our existence, because we had the time to think about it due to COVID-19.

COVID-19 will not bankrupt us if we are a Company that is truly needed in the world. By asking what companies are needed more, I realized that it is a concrete action that would play a part in realizing a sustainable society to realize the circular economy as a manufacturer of recycled raw materials. In addition, resource times digital will strengthen our role as a platformer and improve resource recovery efficiency.

Furthermore, we are confident that we are at the forefront of the area of recycling using physical sorting techniques. We will also make full use of chemical technologies to achieve a recycling rate of 100%. This is a long-term initiative.

I would like to take a long-term approach to the circular economy, resources times digital, and 100% recycling, and develop concrete measures to determine what we exist for.

In order to secure liquidity on hand, we raised funds of JPY1.5 billion in April, JPY3 billion in May, and a commitment line of JPY2 billion, totaling JPY6.5 billion. I now feel that the business itself is on a recovery trend, but the spread of the infectious disease is continuing, so we will be prepared for the possibility of rapid change in the future.

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. 21

Next, I will explain the forecast for the fiscal year ending June 2021.

The first is the current business environment.

In the Resource Circulation Business, the volume of metal scrap and waste is on a declining trend. However, the Dismantling Business is on a recovery trend. In addition, gold price reached a record high last month, while it is now slightly declining. In any case, the prices of precious metals are rising, so the gold and silver sediment sludge we handle, a mixture of gold, silver, platinum, palladium, and copper, will contribute to the improvement of earnings.

Furthermore, the Global Resource Circulation Business sees no impact on sales in South Korea, Taiwan, Vietnam, et cetera, at this point in time.

Regarding non-ferrous metals, inquiries from China have already recovered since about two months ago, and the situation continues to be favorable. In Southeast Asia, the trend is similar, with a slight delay in recovery. India has lagged behind, but inquiries are on the rise. I feel that there is a movement everywhere to move economies at the same time as COVID-19 measures.

However, as you can see, COVID-19 is still expanding. I am not sure whether this is the second wave, but I believe that we need to pay close attention to it further.

In the Used Car-Related Business, since the airport began to operate in late June in the UAE, buyers have gradually returned since August. The UAE is a transit terminal, and if buyers from the surrounding countries come to buy, the business will stop. However, since August, there has been a little movement.

The lockdown is still continuing in Chile. Nevertheless, market conditions in neighboring countries have recovered slightly. It had stopped tight, but now, little by little, the movement is starting to appear.

UAE and Chile are in the free-trade zone, but in Uganda, we are doing business in the town. The market for commercial vehicles is gradually recovering, and maintenance requests from corporate customers are now recovering.

Also, because the taxi dispatch service of Uber Uganda needs a certificate for the maintenance, 3WM Uganda is receiving a lot of orders for the inspections from sole proprietors. In terms of monetary value, there is no significant impact, but there is a move to increase the inspection from once a year to twice a year, which should be contributing to profits.

With the above, the prerequisite for the prediction of performance is that the volume handled will be about 80% in the first half of the year, and in the second half of the year it will gradually recover to 100%. Today, the steel market price is JPY24,000, and we set the prerequisite at JPY20,000. The copper market price is JPY710,000 today, and the prerequisite is JPY550,000. The exchange rate is JPY106, so the prerequisite is JPY105.

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

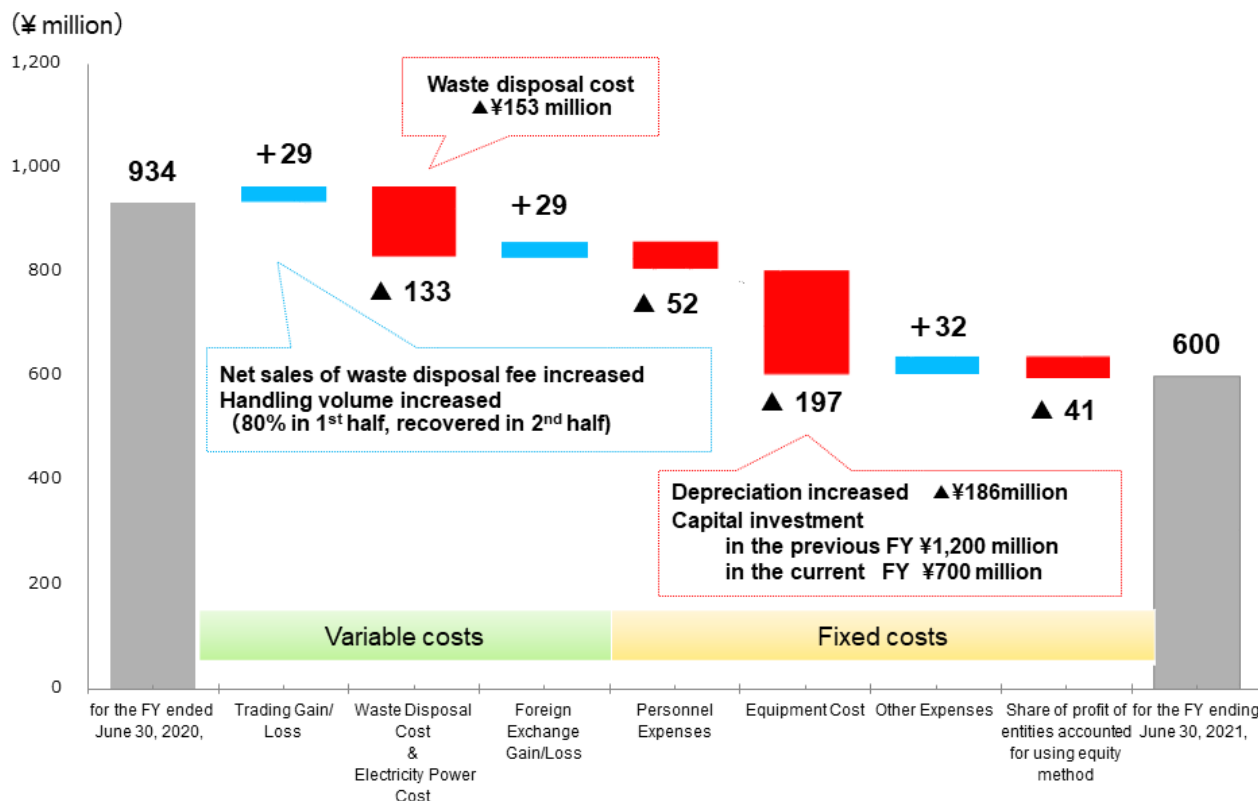
※ EBITDA = Operating profit + Depreciation + Amortization of goodwill

※ 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]

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As a result, net sales and ordinary profit are projected to decline to JPY28.86 billion and JPY600 million, respectively.

Analysis of Difference in Ordinary Profit (Year on year)



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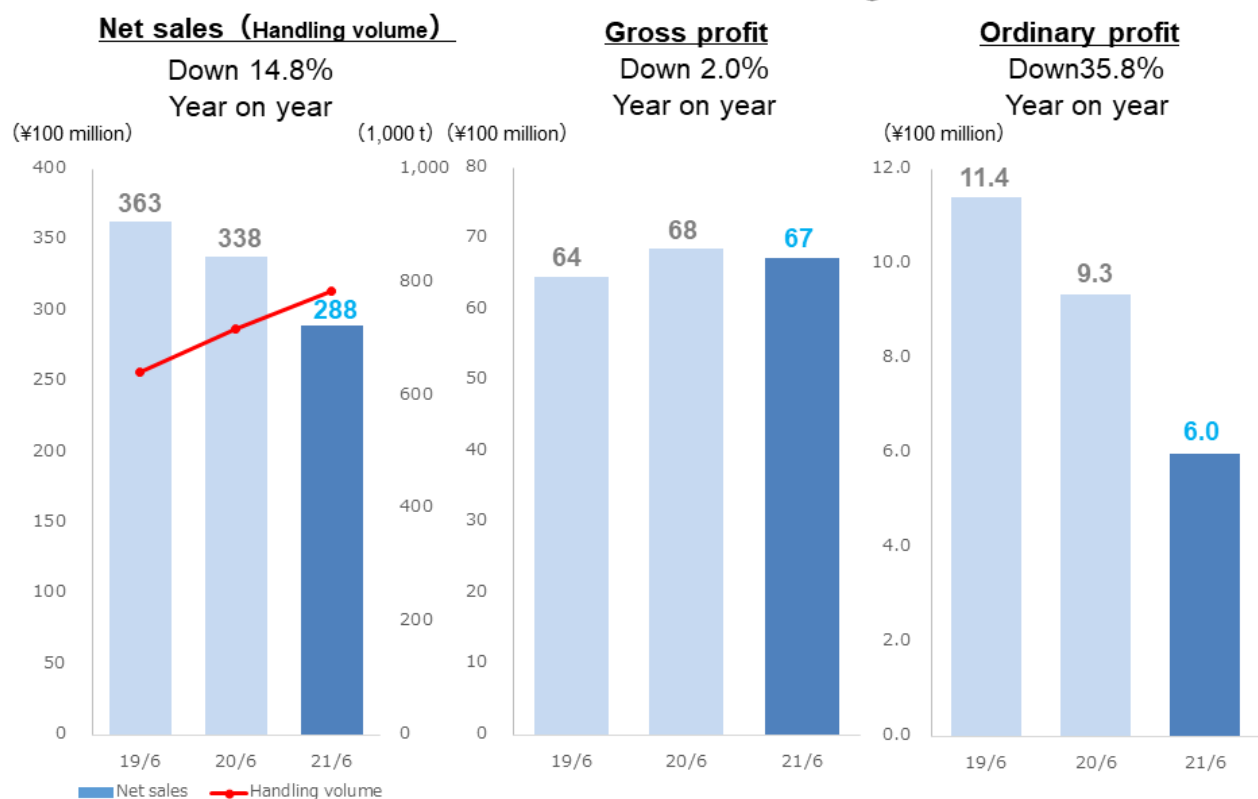
I will now explain the details.

Trading gain will slightly increase compared with JPY934 million in the fiscal year ending 2020, due to an increase in the amount handled and an increase in sales from waste disposal fee. However, the waste disposal cost will increase JPY133 million. Furthermore, personnel expenses will be kept down slightly, but personnel will be hired for the new business, so the expenses will increase slightly.

As depreciation method was changed from the declining-balance method to the straight-line method, profit increased in the fiscal year ending June 2020, but as the straight-line portion is now transferred to the fiscal year ending June 2021, depreciation expense will increase. It is a negative factor for profits.

Share of profit of entities accounted for using equity method is forecast to decrease, although not so much as last year. As a result, ordinary profit is forecast to be JPY600 million.

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



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These are changes from the fiscal year ending 2019 to the fiscal year ending June 2020.

We are certain that sales and profits will decline. However, we have made a plan to increase the amount handled, because the unit price is low. Then, not only domestic exports, but also imports and trilateral exports will increase. Sales from waste disposal fee will not contribute because the volume is small, but by increasing them; we will increase the amount handled. Even if sales decline, we will preserve the potential of the business in the current fiscal 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	-	-

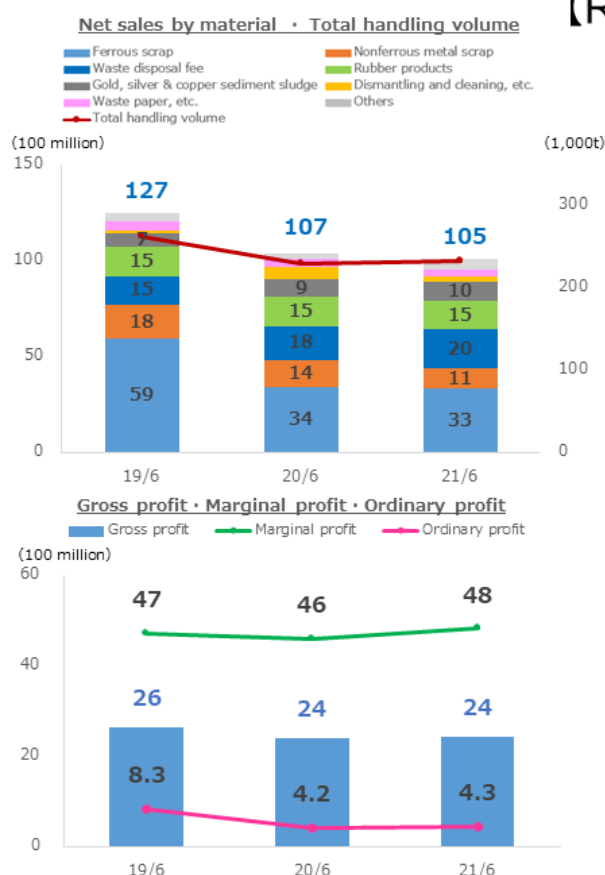
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This is by segment.

The Resource Circulation Business will see a decrease in sales, but a slight increase in profits. The Global Resource Circulation Business will see lower sales and profits. The Used Car-Related Business will also see lower sales and profits. The Others Business will post higher sales and profits.

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

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I would like to explain in detail the two businesses of Resource Circulation and Global Resource Circulation.

The Company will increase the number of sales from waste disposal fee in the same manner as last year. By increasing gold and silver sediment sludge, sales will be roughly the same, but profits will increase slightly.

Increasing added value through processing is the key to generating profits in this segment. Therefore, higher prices are more likely to generate profits when prices rise. They can be used effectively to increase sales in fields that are not susceptible to price changes.

Specifically, the volume of ferrous and nonferrous metals handled will decline slightly, from 162,000 tons to 160,000 tons. In the case of minor metals of VOLTA, we are going to increase the black sands containing nickel and cobalt from 17 tons to 400 tons. We will increase sales of gold and silver sediment sludge from JPY900 million to JPY1 billion.

As an area that is less susceptible to market fluctuations, in addition to industrial waste, we will process low-grade lithium-ion batteries with disposal fees, which we expect will contribute to sales.

In terms of demolition work, clearance, and soil purification, this year we are seeing a slight increase, and I believe that this business is taking shape.

In addition, we have experienced the sale of used plants and parts, such as selling all of plants due to plant closures. I believe that this will increase in the future, and we intend to focus on this area as well.

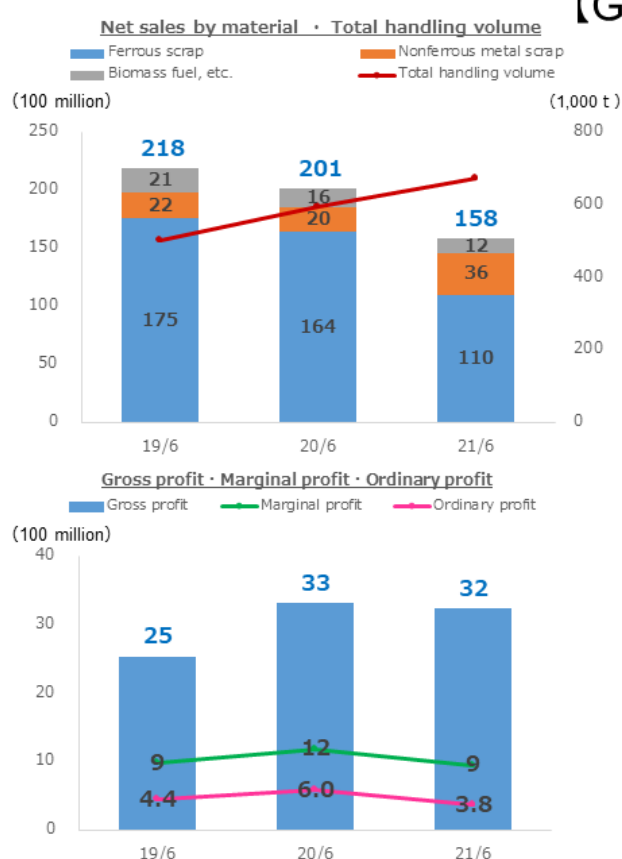
Please refer to the main initiatives later. The Ministry of the Environment and the Ministry of Economy, Trade and Industry, METI, are now starting to take a different approach from container and packaging recycling, especially for products produced by local governments. We will continue to work toward this goal.

Also, regarding the recycling of aircraft, we have dismantled the small plane at Komaki Airport just last week. We have received inquiries from a variety of sources because we have sold two of the dedicated government aircrafts.

Therefore, the aircraft recycling field is likely to create a business format in Japan in the future. There are few full-fledged companies in Japan. While disassembling at spots, we have established a recycling workshop, and we intend to carry out a few medium- to long-term initiatives.

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

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The Global Resource Circulation Business is a business where price fluctuations result in profits rather than the prices themselves.

Differences between domestic prices and overseas prices are important. If the overseas price is high and the domestic price is low, the goods will also gather and it is easy to secure the profit margin. It will become extremely important to manage the market in such a way as to earn profits by selling earlier while the market is declining or by slowing down sales while the market is rising.

In any event, increasing the amount handled will be a major factor. Iron scrap will increase from 530,000 tons to 550,000 tons in the current fiscal year. Then, we will especially increase nonferrous scrap from 25,000 tons to 40,000 tons, including exports, trilateral, and imports.

We also have a plan to open one or two more domestic yards. Currently, we have rough targets.

In addition, we are taking on a variety of challenges to increase the import of PKS from 20,000 tons to 60,000 tons and the import of substrates, gold and silver sediment sludge, and lithium-ion batteries from Europe. We have already achieved some results.

As new items, we plan to deal with ferrous and nonferrous semi-products, such as iron billets. We have not yet achieved results, but we will surely be able to produce results soon. We have just begun a lively exchange of opinions.

We also plan to increase sales from Europe to Southeast Asia.

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

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The above is the initiatives for the fiscal year ending June 2021. I would like to explain the medium- to long-term efforts here.

These are five initiatives.

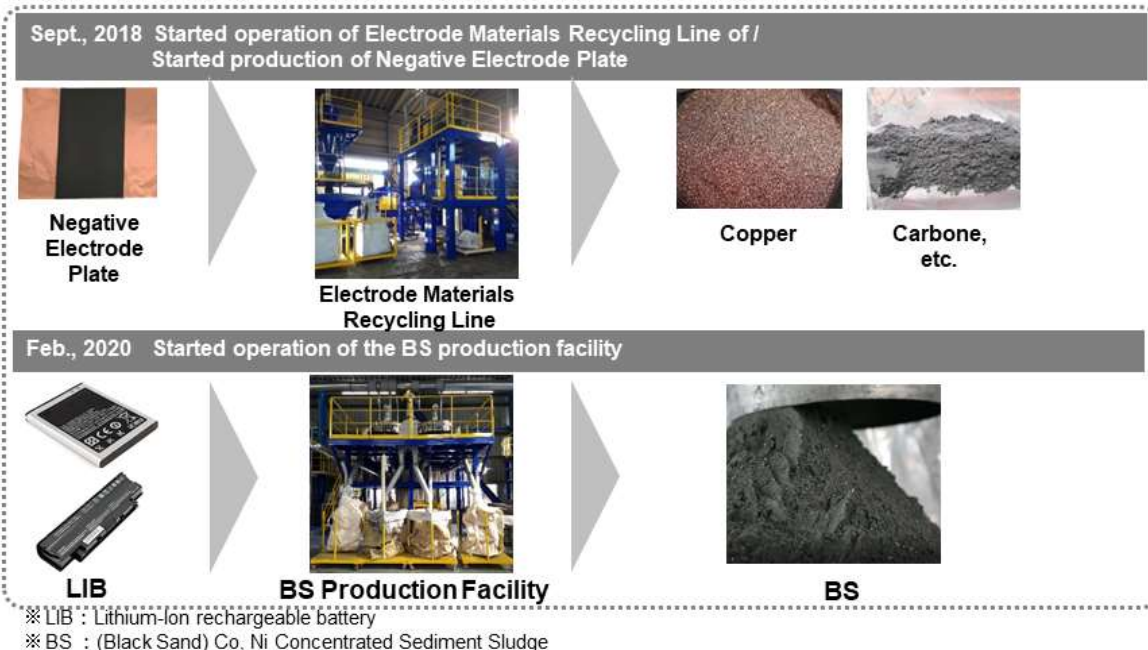
① Strengthen of the Initiatives to LIB Recycling Business



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.



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Regarding the VOLTA initiatives, as repeatedly said, the electrode line went into operation in September 2018. The Black Sand production line, which is the used battery processing line, went into operation in February 2020. We had some difficulty and began full-fledged operations around June, which led to the shipment of the product.

① Strengthen 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.

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In particular, we regard VOLTA as a strategic operating company. It has been making losses for a long time and the deficit will continue for the full fiscal year, but we want to achieve profitability on a monthly basis later in the second half of the year.

Specifically, we will develop a system for handling 100 tons of black sands per month. To do so, it is necessary to purchase batteries of 200 tons to 250 tons. Efficient production and quality control, which is quite different from what we have done for ferrous scrap, are becoming extremely important. In addition, because there are no companies currently purchasing black sands in Japan, we have started to sell them in two locations overseas, and we are now establishing sales channels.

In July, we received a license for the Disposal business, so we will increase the disposal volume of low-quality lithium-ion batteries for a fee in the future. We have just begun to receive various inquiries.

Now, because the quality is low, the black sand will not have a value because the content of nickel and cobalt is low, so we will increase the added value of the black sand by utilizing the physical sorting and enrichment technologies we have cultivated over many years. This is a technology that is unique to us. However, the grains are finer than before. Therefore, we still need to devise ways, but we already see the light.

There are a number of fire risks associated with the lithium-ion battery, including fires during the transportation of batteries and storage at municipal cleaning centers. Accordingly, we are committed to ensuring safe transportation and storage, and establishing a safe production system.

There are several types of lithium-ion batteries. Cobalt-rich products or products that use three types of materials: nickel, cobalt, and manganese. Also, the ratio used is different. There are different types with nickel and hydrogen, nickel and cadmium, and so on. We are now looking at the labels and sorting them by hand.

As the number increases, we would like to create an automatic screening line. It's almost finished technically now. However, since it is not very distributed in the world, we have begun to conduct research jointly with manufacturers and others.

It is said that there will be a large amount of end-of-life batteries from automobiles, as well as stationary large lithium-ion batteries in homes or factories, from 2025 onward. This will increase in the future, but there is a risk of electric shock due to the large capacity of electricity. We have begun research on how to discharge the electricity, as well as on safe dismantling, since the electricity does not reach zero even after the discharge.

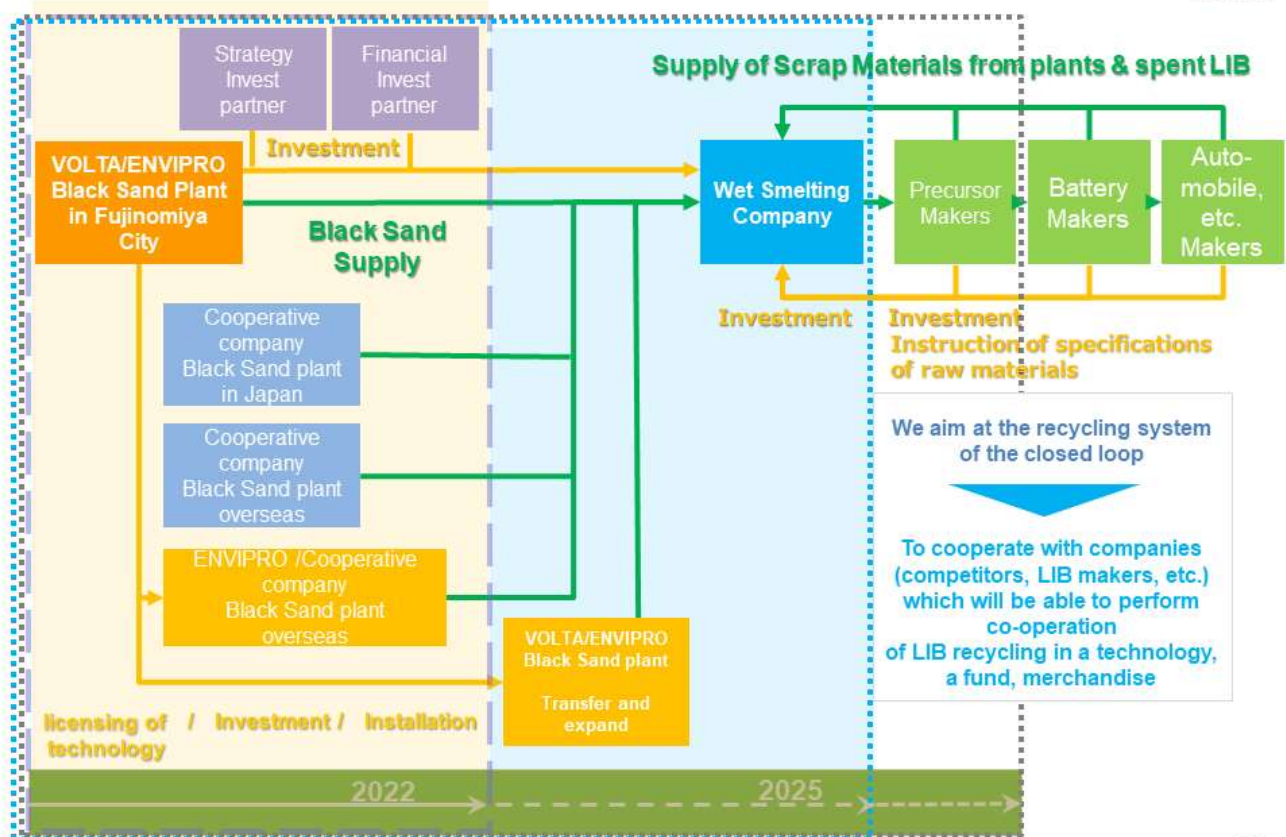
Furthermore, we are currently preparing to acquire the R2, Responsible Recycling, certification in November. As described as an explanatory note below, this is a standard that is very popular in the US. It is required that we have acquired ISO9001 for quality, 14001 for environment, and 45001 for occupational safety. Information management, et cetera, is also included. When we deal with Apple or major companies in the US, this R2 certification is essential.

While watching these conditions, we will expand the second plant for the black sand, which is currently positioned as a demonstration line, and design the battery line searching a candidate site.

We established a project team within ENVIPRO HOLDINGS, with the participation of the engineers of wet smelting and refining from Japan and South Korea, as the technology has already made considerable progress in Korea.

The direction we should aim for will be decided over this year, including whether we only do the black sand, whether we will take the next step to a wet smelting plant, or whether we will proceed to the precursor factory through further processing close to the battery. For this reason, it is necessary to increase the volume handled.

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



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This is the conceptual diagram.

As we have presented before, we will build several black sand plants in Japan and overseas. To run a wet smelter, we need to deal with 200 tons of metals or 800 tons to 1,000 tons of black sand. As we're now trying to make 100 tons, it's 8 times to 10 times, so the hurdle is pretty high. If we're able to secure 70% to 80% of raw material procurement, we will be able to make a wet smelting plant. We should proceed to the next step while looking at this point.

I want to do the precursor, because otherwise customers will not be able to realize the circular economy. There is a high hurdle in terms of finance and technology. Therefore, I hope to develop this business with a strategic partner or a financial partner.

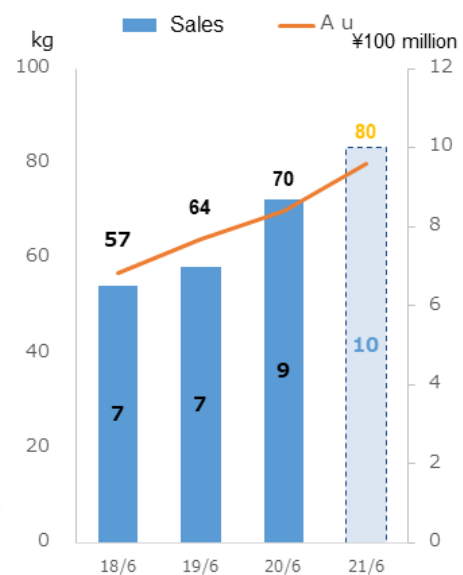
② Expansion of Collection Business of Gold, Silver & Copper Sediment Sludge



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



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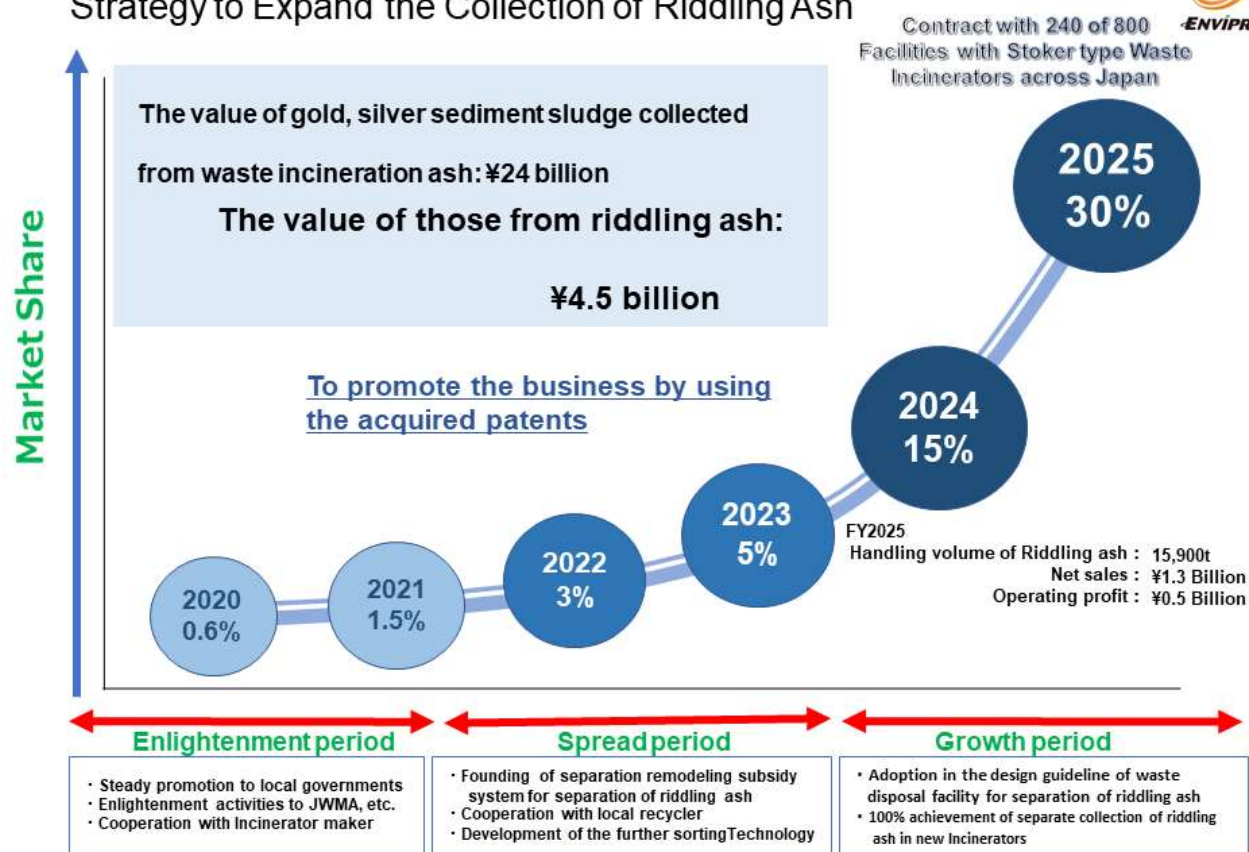
Next, I will explain about the expansion of the Gold and Silver Sediment Sludge Collecting Business.

Currently, we have transactions with 10 local governments, and five of them handle riddling ash. We have received samples from about 25 local governments, and the favorable results have been obtained. However, modifications are required in order to take riddling ash separately. Including the budget for that, 25 local governments are currently considering introduction of the system.

As for recent new developments, we are participating in biddings for the new incinerator. In the fiscal year ending June 2020, there were two biddings on the premise of collecting riddling ash. In the fiscal year ending June 2021, we have already received one indication. This is an informal expression because it is not a formal contract unless it is approved by the Congress, but it will continue if there is no problem.

However, since these facilities will be in operation since around 2024, they will not yet contribute to the results for this fiscal year. However, in this fiscal year as well, we intend to try to win contracts for riddling ash while constructing new incinerators. In doing so, we intend to achieve the targets of net sales of JPY1 billion, the gold handling amount of 80 kilograms, et cetera.

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



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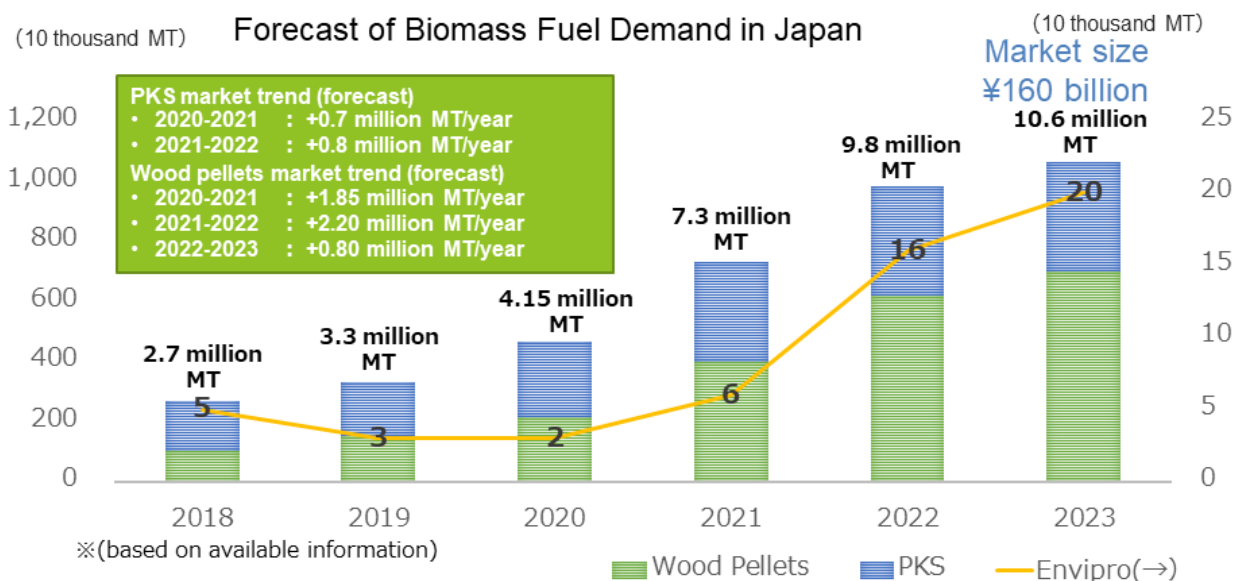
This is a roadmap limited to riddling ash. Although the hurdle is a little high, we aim for contracts for 240 stoker furnaces in 2025, about 30% of all 800 stoker furnaces. The riddling ash is taken only in a stoker furnace.

In order to do so, we must begin with the new furnaces. Then, we must ask for remodeling. Like the concept of critical mass, I believe if a certain number of municipalities employ it, thereafter, it will grow at once. Therefore, we expect the next step to grow at a fairly rapid pace if we work persistently to that point.

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.



For Business Expansion

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

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The import of biomass fuels totaled 20,000 tons in the fiscal year ending June 2020 and will total 60,000 tons in the fiscal year ending June 2021. PKS are now decreasing due to the effects of COVID-19. At the same time, biomass plants have been increasingly launched in Japan.

Therefore, although it has been a buyer market up to the present time, the market has been transformed into a seller market, partly due to the lower volume in the market. However, because our growth will be limited with PKS alone, there is a discussion that it is necessary to build plants to produce wood pellet abroad. There are various risks, and we are currently considering them.

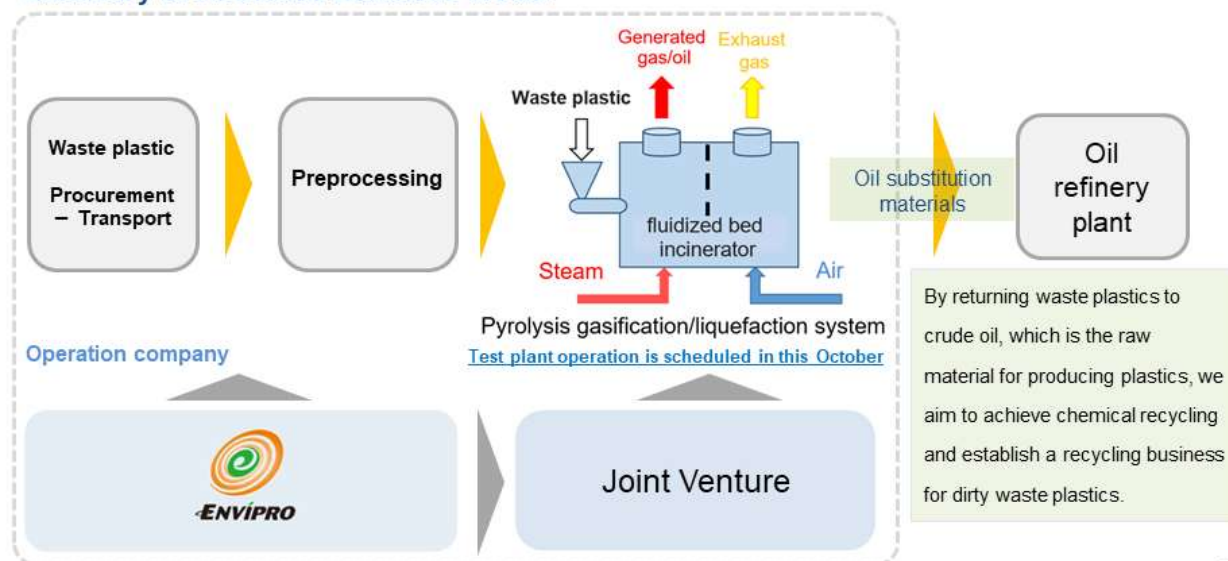
④New Initiative toward Waste Plastic Recycling



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



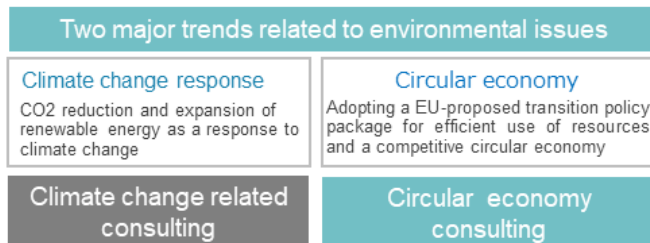
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Although not yet taking shape, we are in the midst of regular meetings between oil wholesalers and plant manufacturers.

A test plant is available around October this year. Clean and pure waste plastics, such as PP or PE, are valuable resource. We change the waste plastic, that is relatively dirty, into crude oil equivalents, and then make plastics from them at petroleum refineries. This is called chemical recycling. For example, Sekisui Chemical Co., Ltd. and Suntory Group have begun the same business, so chemical recycling will proceed at once.

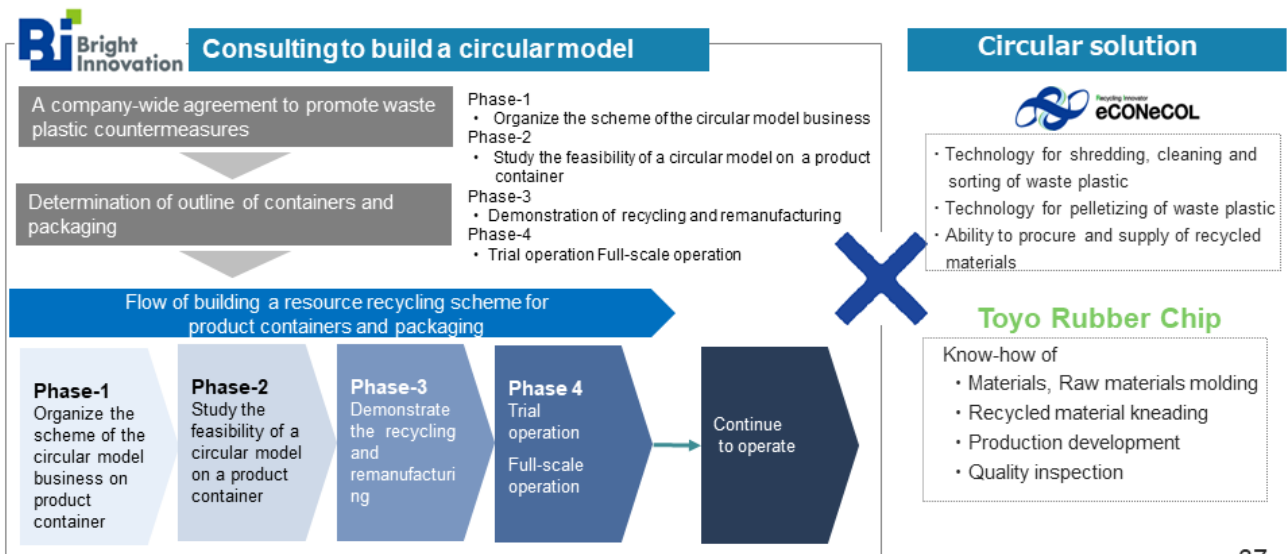
Our role is probably limited to the role of collecting waste plastic. The way in which we will engage in the business depends on our discussions in the future. With a great deal of involvement, we would like to make this business, which we cannot do alone, a pillar of the future in a combination with chemical companies.

⑤Others : 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.



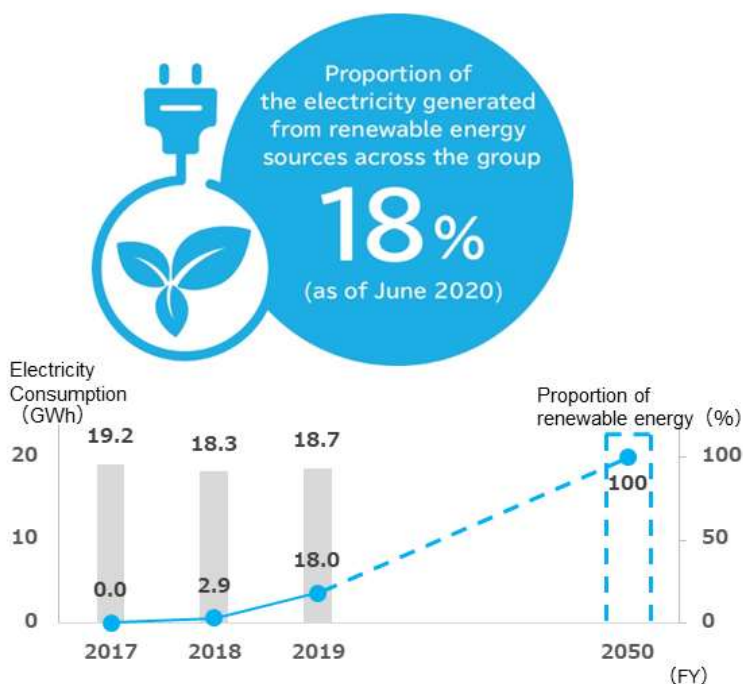
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As many times mentioned, Bright Innovation is working on the circular economy. By making use of our infrastructure for this consulting service, we can make concrete proposals to customers. This will help us promote our customers' circular economy, and at the same time, we will be able to gain business opportunities by doing so. This is the business that we ourselves pursue from a long-term perspective, and we will therefore focus on it.

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

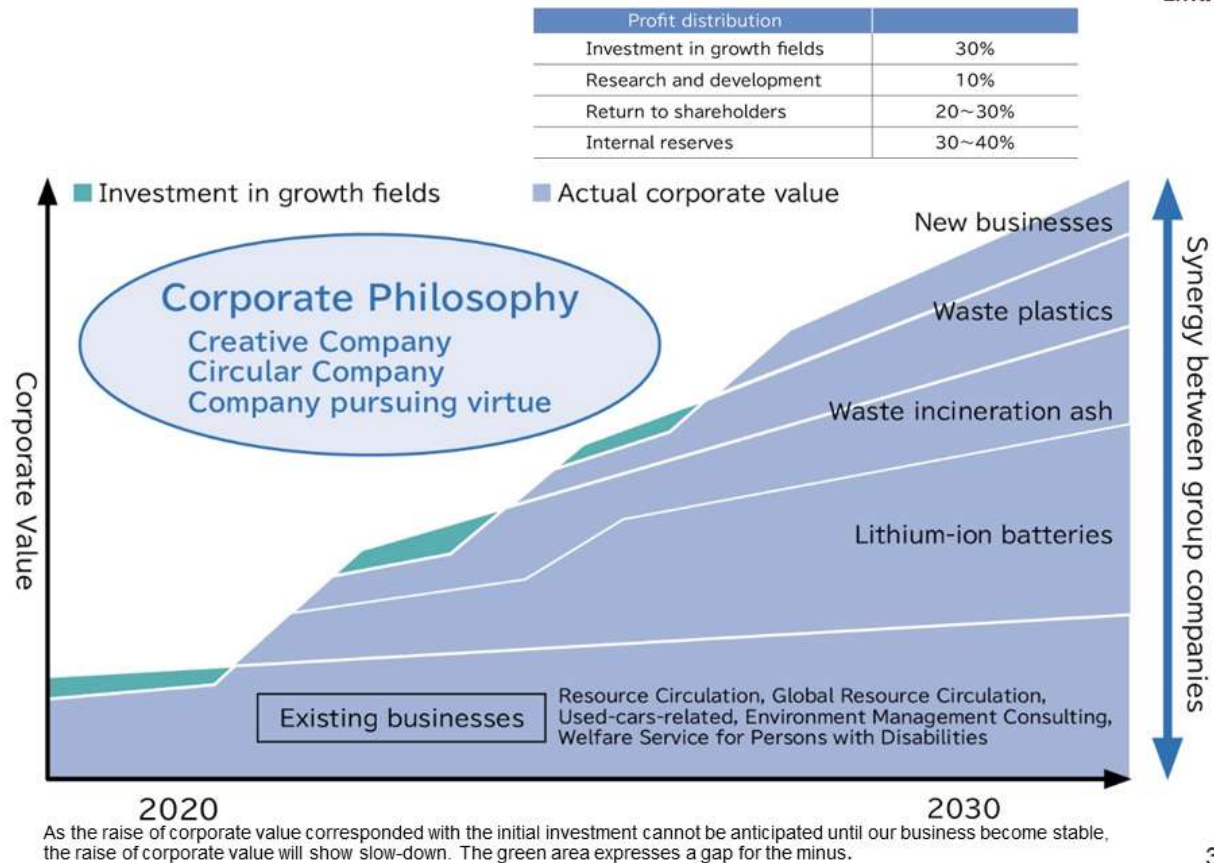


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We declared RE100.

As the target is 100% in 2050, there is still time, but as of June 2020, we have implemented various initiatives, and the Group's share of renewable energy has reached 18%. It will take some time in the future, but as a Company that will continue to engage in Environmental Businesses as its main business, we will continue to work in this field as well.

Image of the improvement of the corporate value



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I believe that the extension of the current businesses alone will not significantly increase the future value of the Company. Therefore, while steadily generating profits from the current businesses, we will use the money for lithium-ion batteries, the recycling of incineration ash, the recycling of waste plastic, or new businesses that we have not yet encountered. We will work on such businesses to increase our market capitalization and corporate value.

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

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Finally, I will explain the policy of dividends.

Our basic policy has been to provide stable and continuous returns to shareholders over the long term. We have maintained a consolidated dividend payout ratio of 20% to 30%. In the event that the dividend is below JPY10, even with the ratio of 30%, we have set a policy of paying an annual dividend of JPY10 per share and keep a stable dividend.

For the fiscal year ended June 2020, this fiscal year, we expect a payout of JPY10 and a payout ratio of 24.4%. For the current fiscal year, the ratio will not reach JPY10 per share even with a ratio of 30%, so we will first set a dividend of JPY10 per share. The dividend payout ratio becomes 35.9%, but we would like to pay a dividend of JPY10 per share.

That concludes my explanation. If you have any questions, please contact us. I have spoken unilaterally, so I felt it a little difficult. However, I feel this is also a way to provide our information to more people.

Thank you for your continued support. Thank you very much.

[END]