

Financial Results Briefing Materials for the Three Months Ended September 30, 2020

Envipro Holdings Inc.
November 9, 2020



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1 . Financial Overview for the Three Months Ended September 30, 2020

Highlights for the Three Months Ended September 30, 2020



Financial Results

Net sales	¥7,439million	(Down 26.7%	Year on year)
Operating profit	¥129million	(Down 70.8%	Year on year)
Ordinary profit	¥216million	(Down 55.7%	Year on year)
※Profit	¥139million	(Down 56.6%	Year on year)

Main Topics

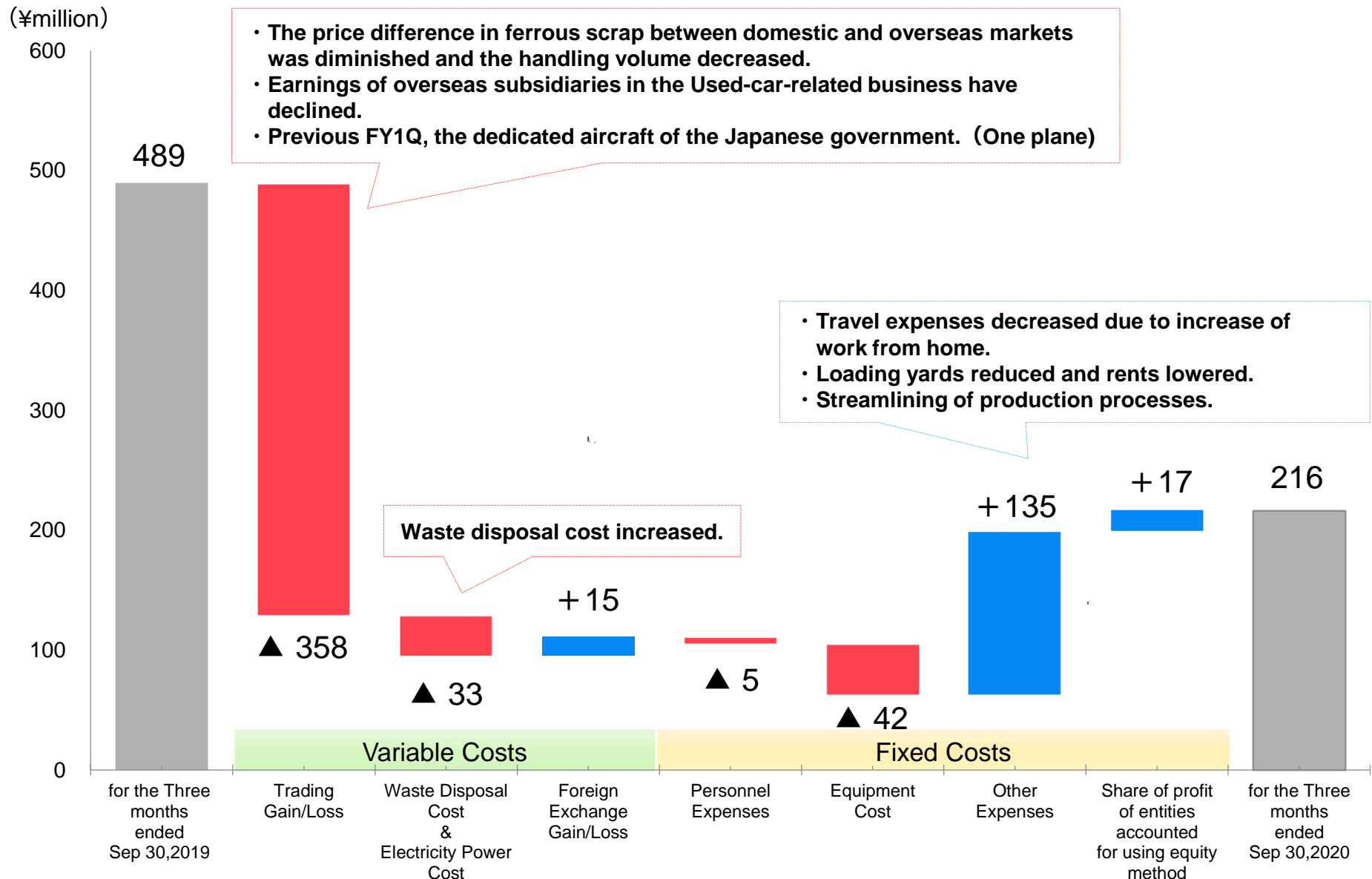
- The average ferrous scrap market price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) was ¥23,225 during the three months (¥25,364 in the same period of the previous fiscal year), and the ferrous scrap price has risen from ¥24,500 at the beginning of this fiscal year to ¥27,000 at the end of September 2020.
- Proceeded the strengthening of our foundation with the basic policy of "CASH IS KING," "Restructuring of work" and "Reaffirming the raison d'etre" as our basic stance toward the COVID-19 crisis.
- Ordinary loss of ¥37million related to new business (LIB recycling, etc.)
- Improvement of collection and production system to our new LIB recycling business has progressed.
- ¥170million in Capital Investment (Inspection basis)
- In the same period of the previous fiscal year, there was a temporary revenue from the sales of the retired dedicated aircraft of the Japanese government.

※Profit : Profit attributable to owners of parent

※LIB : Lithium-ion rechargeable battery

(Amounts and quantities are rounded down. The percentages are rounded off.)

Analysis of Difference in Consolidated Ordinary Profit (Year on year)

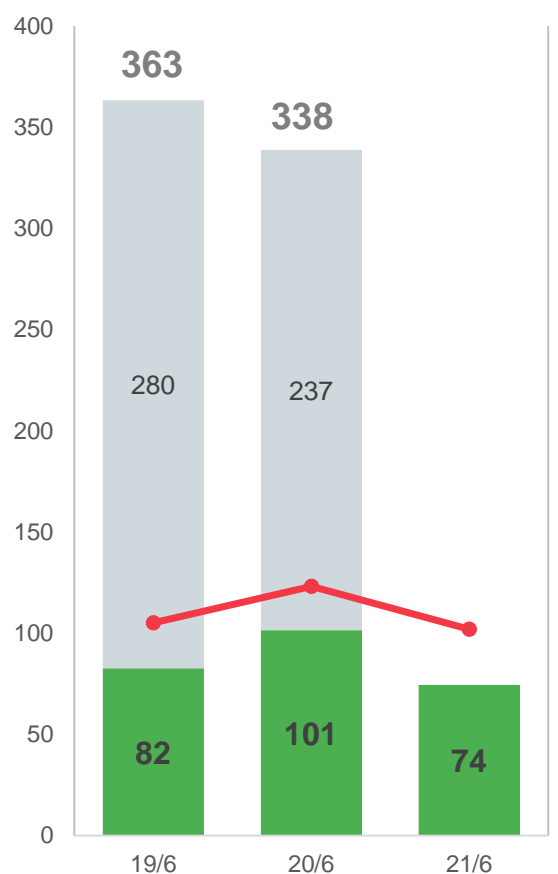


Consolidated Financial Results

Net sales (Handling volume)

Down 26.7%
Year on year

(¥100 million) (1,000 t) (¥100 million)

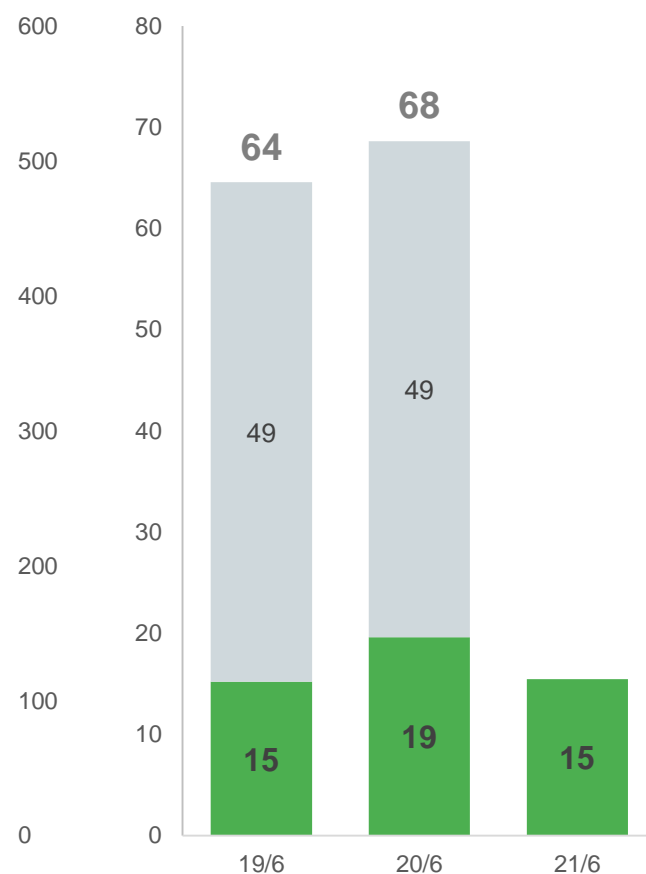


■ 1Q ■ 2-4Q ● Handling volume

Gross profit

Down 21.2%
Year on year

(1,000 t) (¥100 million)

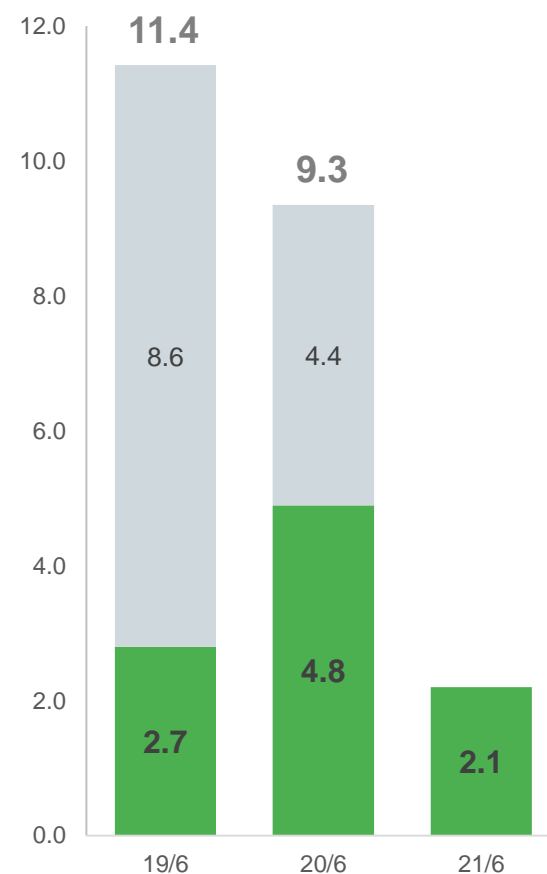


■ 1Q ■ 2-4Q

Ordinary profit

Down 55.7%
Year on year

(¥100 million)



■ 1Q ■ 2-4Q

Summary of Consolidated Balance Sheets



(¥million)

	As of June 30 2020	As of September 30 2020	Increase/ Decrease		As of June 30 2020	As of September 30 2020	Increase/ Decrease
Current assets	16,529	16,490	▲ 38	Current liabilities	7,499	7,655	155
Non-current assets	9,383	9,384	0	Non-current liabilities	6,401	6,223	▲ 177
(Property, plant and equipment)	6,729	6,682	▲ 46	Total liabilities	13,900	13,878	▲ 21
(Intangible assets)	70	65	▲ 4	Net assets	12,012	11,996	▲ 15
(Investments and other assets)	2,584	2,636	52	(Equity)	11,654	11,630	▲ 24
Total assets	25,913	25,875	▲ 37	Total liabilities and net assets	25,913	25,875	▲ 37

Main Topics

- Current assets (Other current assets: ¥320million, Merchandise and finished goods: ¥91million, Cash and deposits: ¥▲552million)
- Non-current assets (Investment securities: ¥51million, Buildings and structures: ¥▲33million)
- Current liabilities (Short-term borrowings: ¥110million, Current portion of long-term borrowings: ¥53million)
- Non-current liabilities (Lease obligations: ¥49million, Long-term borrowings: ¥▲231million)
- Equity ratio 44.9% (45.0% as of June 30, 2020)

Summary of Business Results by Segment



(¥million)

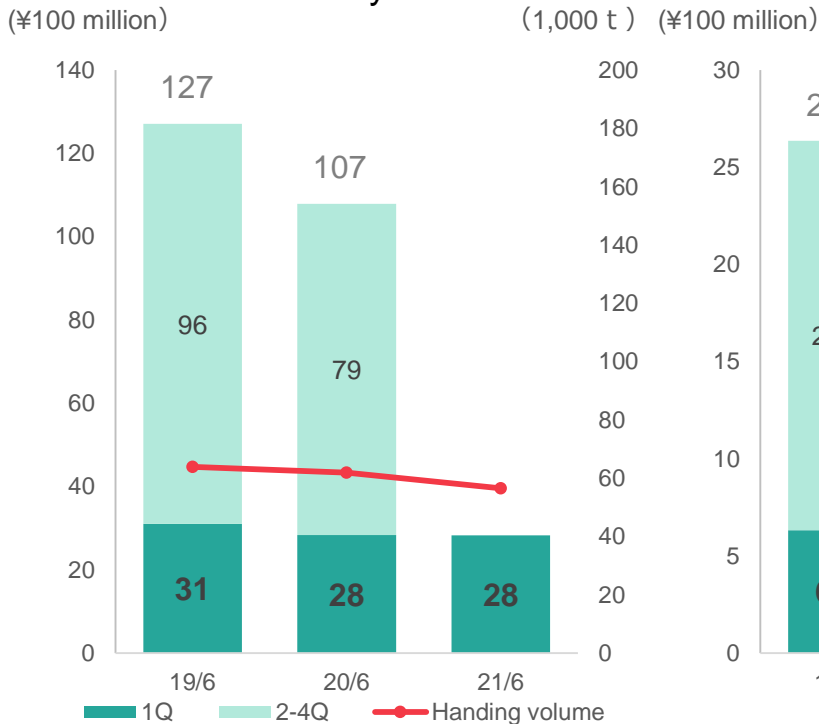
Net sales	Three months Ended September 30, 2019	Three months Ended September 30, 2020		Year on year
	Actual	Actual	Composition Ratio	Ratio
Consolidated	10,147	7,439	100.0%	▲ 26.7%
Resource Circulation Business	2,831	2,829	34.2%	▲ 0.1%
Global Resource Circulation Business	6,419	4,162	50.3%	▲ 35.2%
Used-car-related Business	1,760	1,194	14.4%	▲ 32.1%
Others	81	94	1.1%	16.9%
Adjustment	▲ 944	▲ 842	-	-

Segment profit	Three months Ended September 30, 2019	Three months Ended September 30, 2020		Year on year
	Actual	Actual	Composition Ratio	Ratio
Consolidated	489	216	100.0%	▲ 55.7%
Resource Circulation Business	191	204	68.7%	7.1%
Global Resource Circulation Business	258	42	14.2%	▲ 83.6%
Used-car-related Business	40	19	6.6%	▲ 52.3%
Others	16	31	10.5%	85.5%
Adjustment	▲ 18	▲ 81	-	-

Business Results by Segment 【Resource Circulation Business】

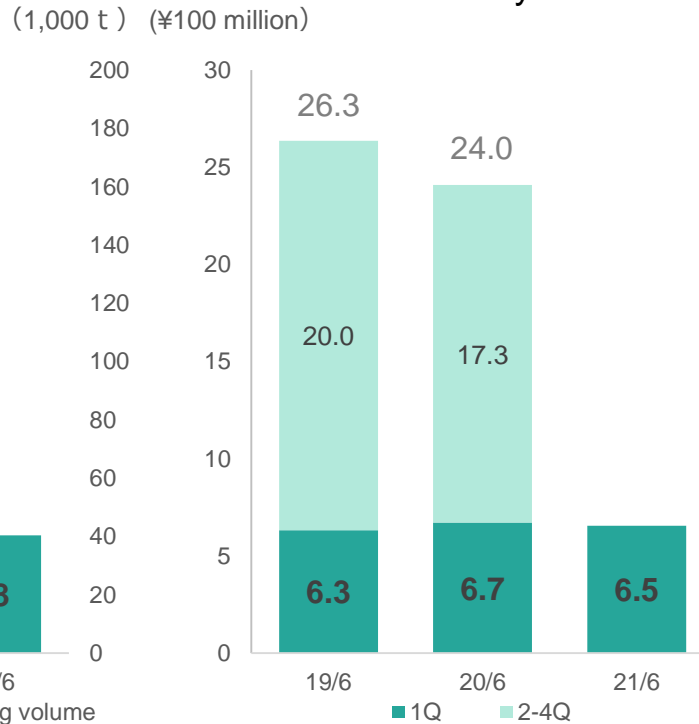
Net sales (Handling volume)

Down 0.1%
Year on year



Gross profit

Down 2.3%
Year on year



Ordinary profit

Up 7.1%
Year on year



- Ferrous and non-ferrous scrap prices trended upward.
- The impending problem of final disposal sites eased owing to a decline in the volume of waste generated, and operations stabilized.
- The revisions to waste disposal fee led to an increase in profit.
- The handling volume of metal scrap and waste received decreased compared to the same period of the previous fiscal year.
- New lithium-ion rechargeable batteries business was incurred up-front expenses associated with the recycling equipment, however, it is made progress with purchases from leading EV battery makers and in securing a volume of waste to be disposed for waste disposal fee by making use of the processing permit.

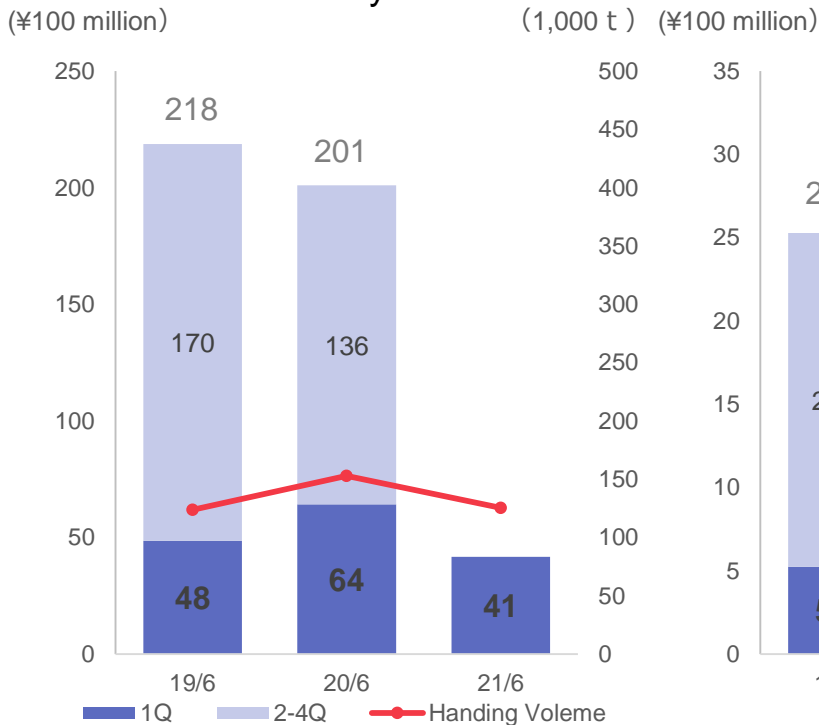
※Reported amounts in graphs are rounded down to the nearest million yen.

Business Results by Segment 【Global Resource Circulation Business】



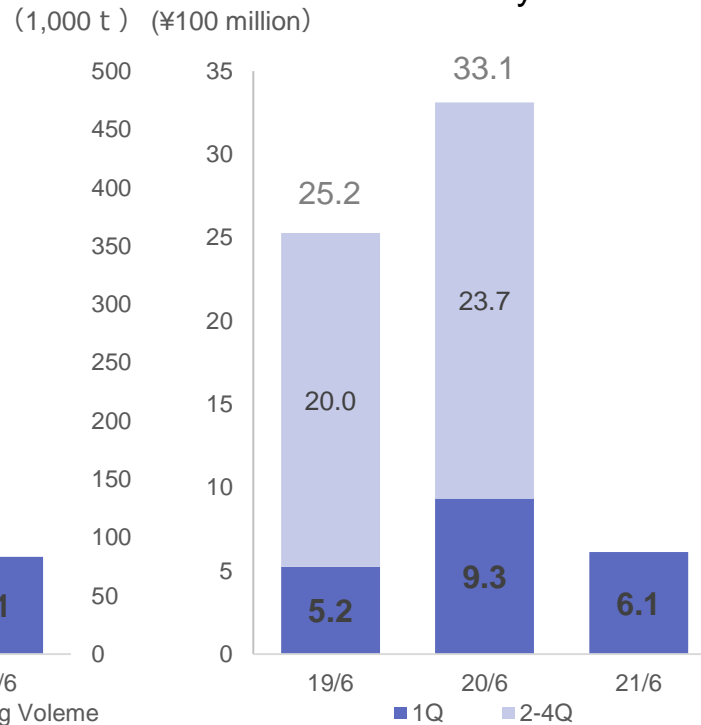
Net sales (Handling volume)

Down 35.2%
Year on year



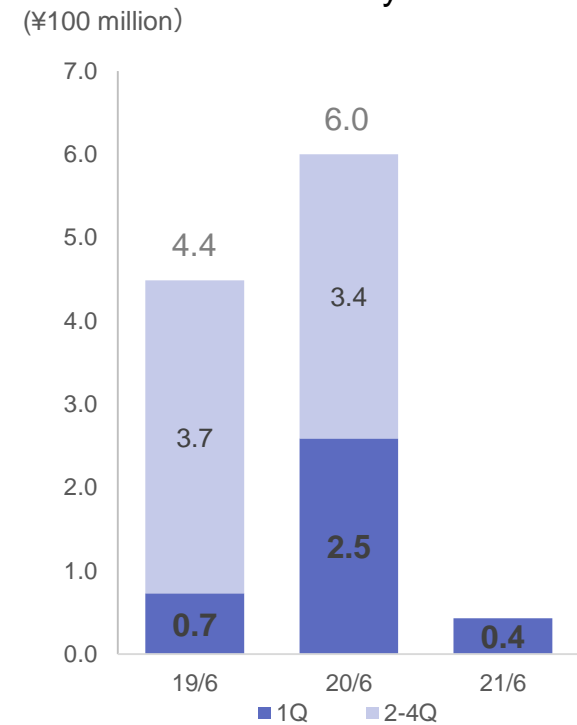
Gross profit

Down 34.4%
Year on year



Ordinary profit

Down 83.6%
Year on year



- In the same period of the previous fiscal year, temporary revenue from sales of the dedicated aircraft of the Japanese government was generated.
- The rise in ferrous scrap prices associated with the increase in domestic demand for steel has led to make the price difference between domestic and overseas narrowed.
- Handling volume of ferrous, aluminum and stainless steel scrap has declined due to decrease in market distribution.
- The reinforcement of sales capabilities for copper scrap increased handling volume and contributed to revenue.
- New biomass fuel business is continued to strengthen its structure to respond to market expansion.

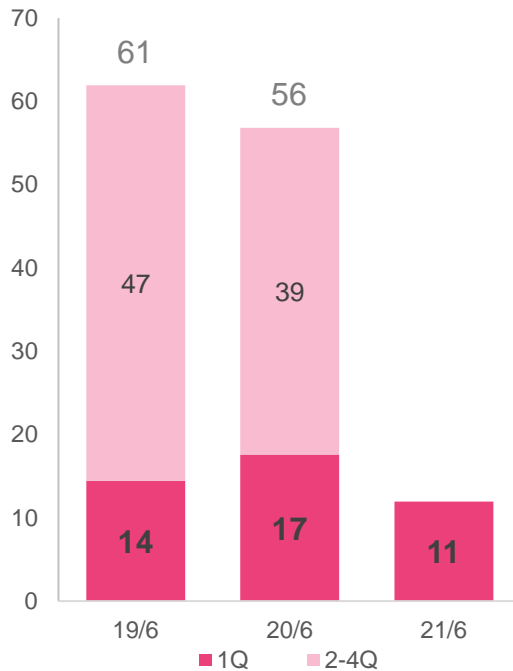
※Reported amounts in graphs are rounded down to the nearest million yen.

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

Net sales

Down 32.1%
Year on year

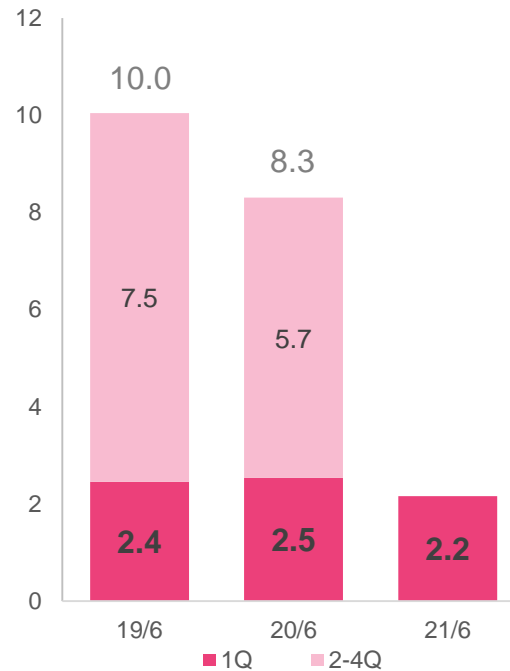
(¥100 million)



Gross profit

Down 9.5%
Year on year

(¥100 million)



Ordinary profit

Down 52.3%
Year on year

(¥100 million)



- Demand for used cars in our major export destination countries recovered earlier than initially expected.
- Lockdowns in certain areas of Chile is continued.
- Sales of used truck parts to South East Asia, which had been favorable in same period of the previous fiscal year, declined.
- Reduced fixed costs by such measures as reviewing yard management cost.
- Received government compensation for furloughed workers.

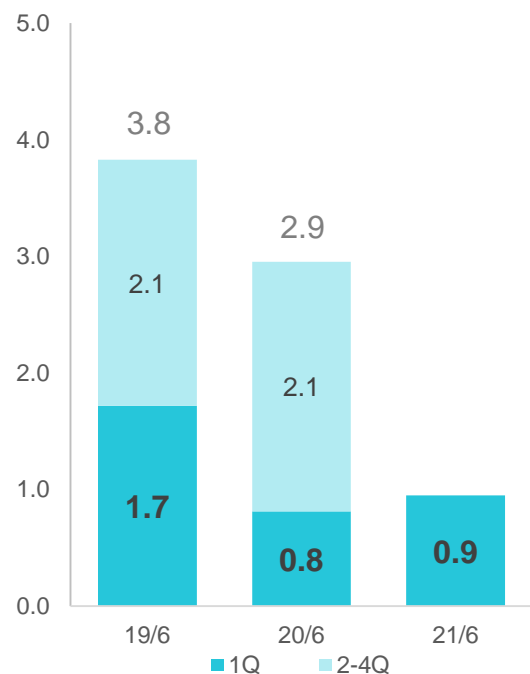
※Reported amounts in graphs are rounded down to the nearest million yen.

Business Results by Segment 【Others】

Net sales

Up 16.9%
Year on year

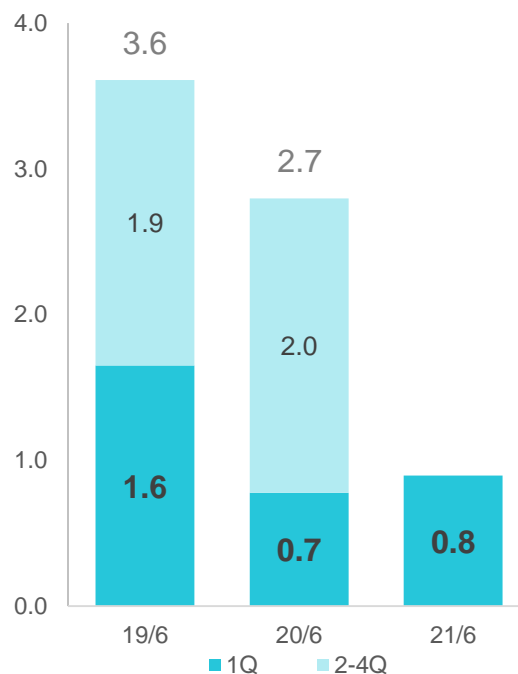
(¥100 million)



Gross profit

Up 15.3%
Year on year

(¥100 million)



Ordinary profit

Up 85.5%
Year on year

(¥100 million)



《Environment Management Consulting Business》

- Secured a steady stream of orders for CDP responses and evaluation improvement support, as well for Task Force on Climate-related Financial Disclosures (TCFD) response support.
- Strived to facilitate circular economy.

《Welfare Service Business for Persons with Disabilities》

- The usage rate at the Nagano area offices increased firmly.
- Revenue in the Kanto area offices also exceeded that of the same period in the previous fiscal year.

※ Reported amounts in graphs are rounded down to the nearest million yen.

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

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

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.

Our basic policy for the COVID-19 crisis

CASH 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 general 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)

Revise fundamentally our previous work practices and make the company transformation dramatically by COVID-19 disaster.

- 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.

Resource Circulation Business

- The volume of metal scrap and waste generated in the market trends to recovery and these prices trend to increase.
- The prices of precious metals are rising, and the profitability of gold, silver and copper sediment sludge is improving.
- The market for elastic paving materials has been in demand at about 80% compared to the previous fiscal year, partly due to the movement of companies to reduce costs.

Global Resource Circulation Business

- The ferrous scrap price trends to rising up, affecting the price difference in ferrous scrap between domestic and overseas markets.
- Regarding mix metals, inquiries from China and Malaysia are robust.
- In Malaysia, lockdowns have occurred again in certain areas, and there is concern that it is difficult to collect and load the PKS.

Used-car-related Business

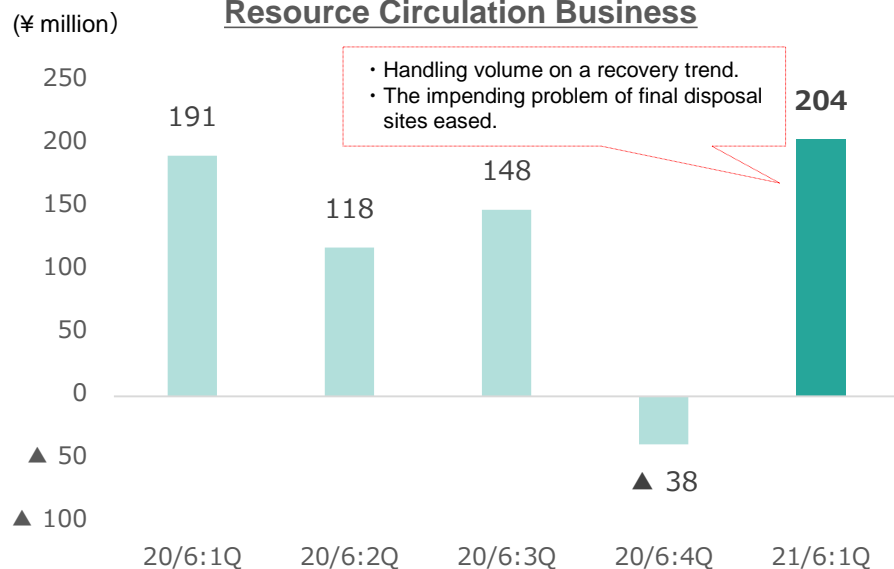
- In addition to the increase in sea freight (however already alternative prices have been secured and the impact is minor), it continues to be difficult to secure the shipping spaces, resulting in delays in shipping.
- Logistics agency service have succeeded in capturing the demand recovered after the lockdown at each destination, but there is concern that lockdowns will occur again at certain destinations.
- The Southeast Asian market, which is our major destination for used truck parts, is on a recovery trend.

Others

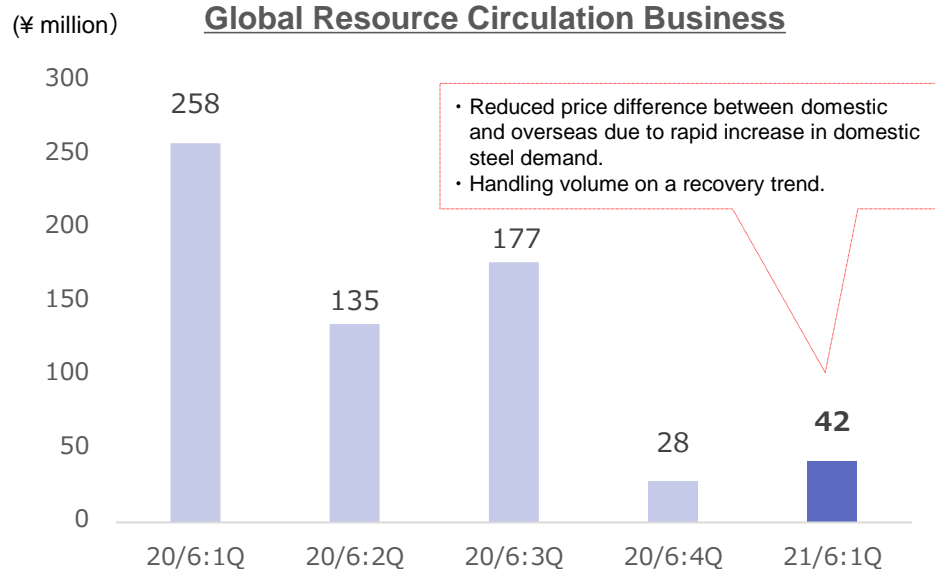
- In Environmental Management Consulting Business, we have won orders without influence of COVID-19 disaster.
- In Welfare Service Business for Persons with Disabilities, we continued the business thoroughly implementing infection measures, including within the office.

Quarterly Ordinary Profit by Segment

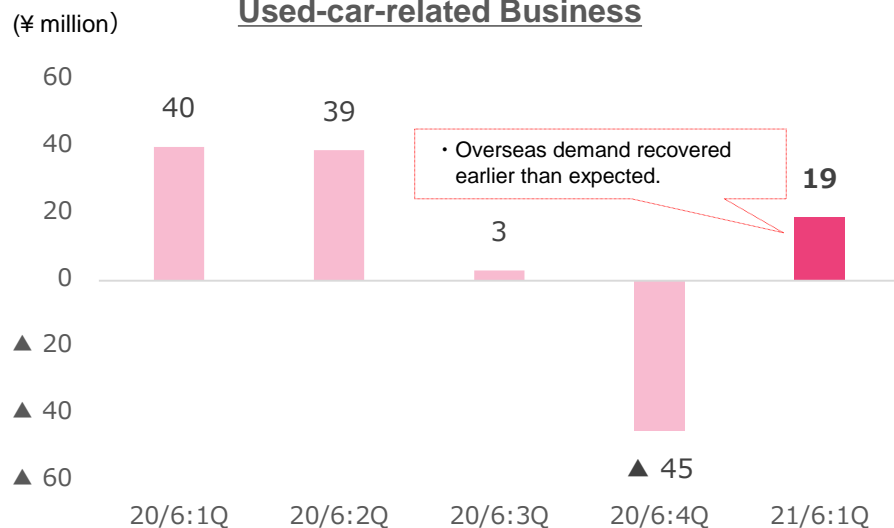
Resource Circulation Business



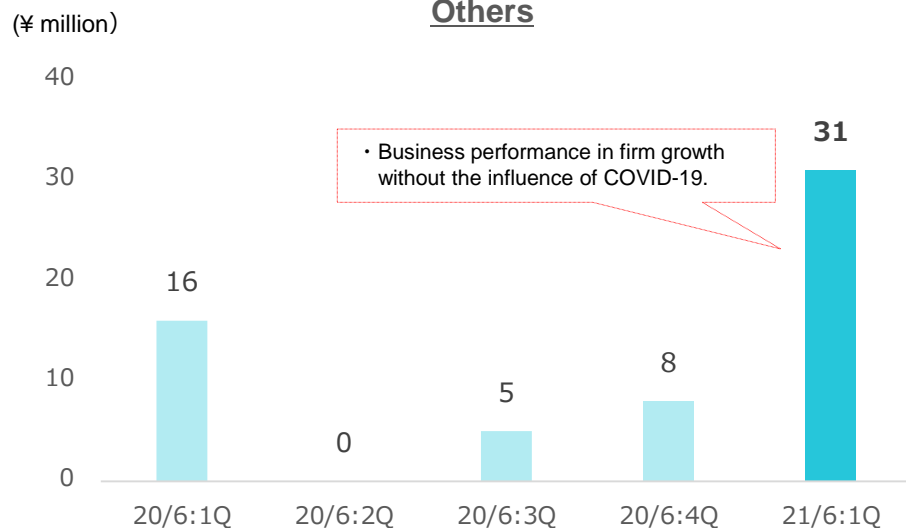
Global Resource Circulation Business



Used-car-related Business



Others



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



(¥ million)

	Fiscal year ended June 30 2020	Fiscal year ending June 30 2021	Year on year		Three months ended September 30, 2020	
	Actual	Forecast	Increase/ decrease	Ratio	Actual	Progress ratio
Net sales	33,879	28,860	▲ 5,019	▲14.8%	7,439	25.8%
Gross profit	6,861	6,726	▲ 135	▲2.0%	1,544	23.0%
Operating profit	790	510	▲ 280	▲35.5%	129	25.3%
Ordinary profit	934	600	▲ 334	▲35.8%	216	36.1%
Profit before income taxes	918	614	▲ 303	▲33.1%	215	35.0%
Profit※	602	410	▲ 192	▲31.9%	139	34.1%
Marginal profit※	6,632	6,557	▲ 75	▲1.1%	1,535	23.4%
EBITDA※	1,389	1,295	▲ 93	▲6.7%	314	24.3%
Fixed costs※	5,821	6,038	217	3.7%	1,384	22.9%
ROE	5.3%	3.6%	▲1.7%	▲32.1%	-	-

Prerequisites for earnings forecast

Impact of the spread of COVID-19 infection

1st half: Assumed that it will remain at approx. 80% of the handling volume due to sluggish economic activity.

2nd half: Assumed that the handling volume gradually recover from 80% of it, which has been initially expected, as economic activity is expected to improve.

Prerequisites for earnings forecast : Ferrous market price ¥20,000 / t (¥27,000), Copper market price ¥550,000 / t (¥740,000), Exchange rate ¥105 / USD (¥105 level)

※Prices in parentheses are as of September 30, 2020.

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.

※ Profit : Profit attributable to owners of the parent

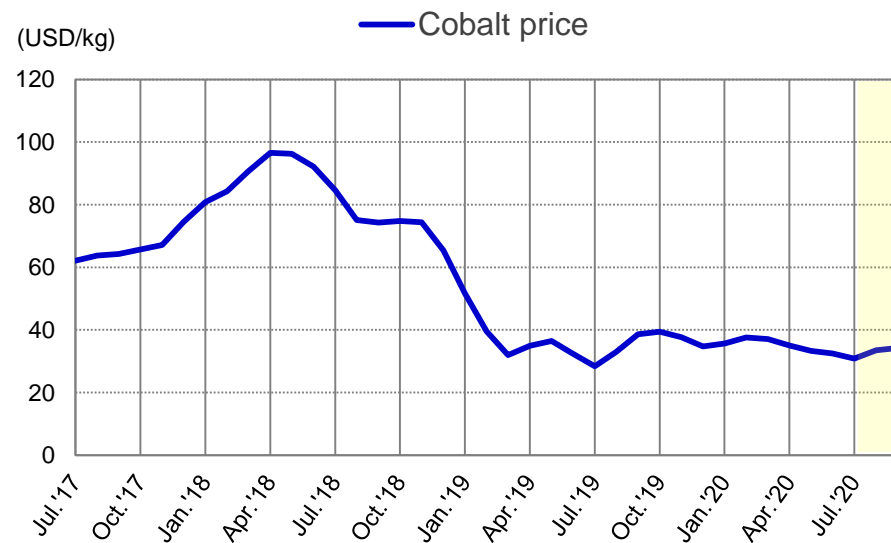
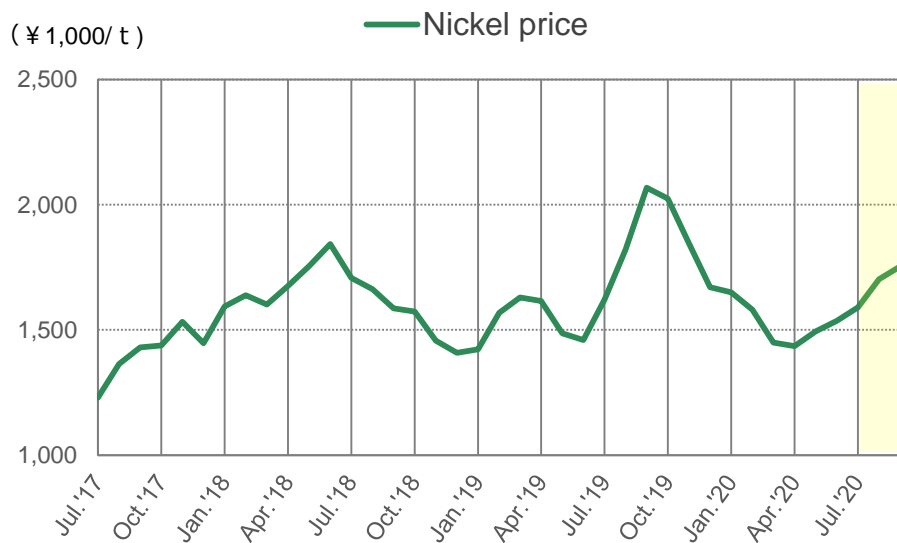
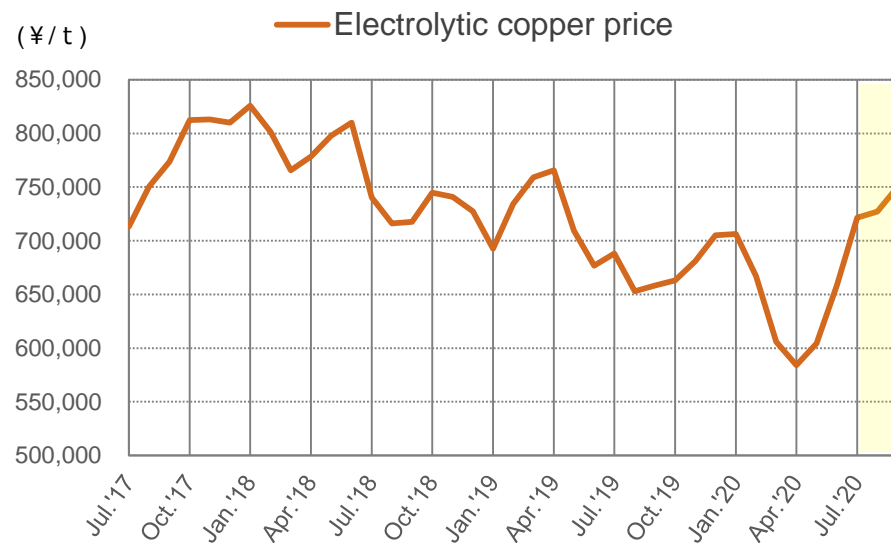
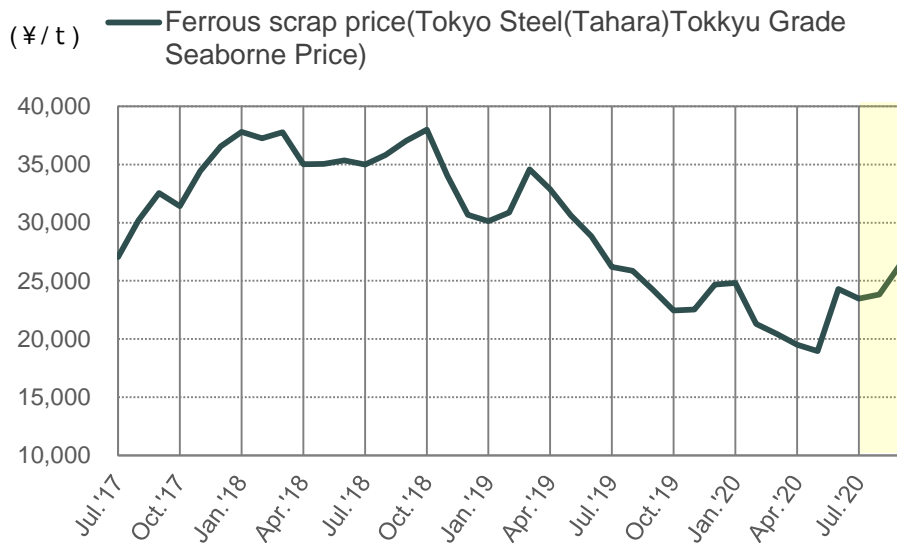
※ Marginal profit=Net sales - Variable costs

※ EBITDA = Operating profit + Depreciation + Amortization of goodwill

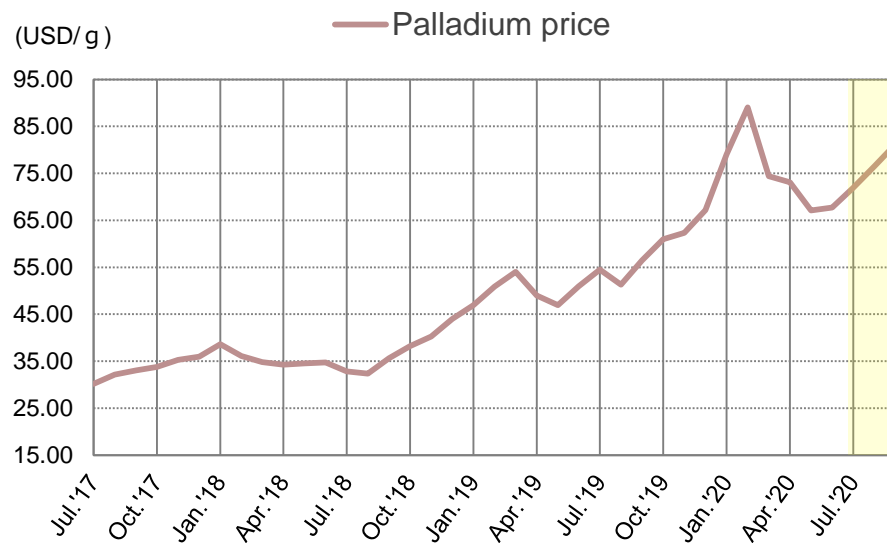
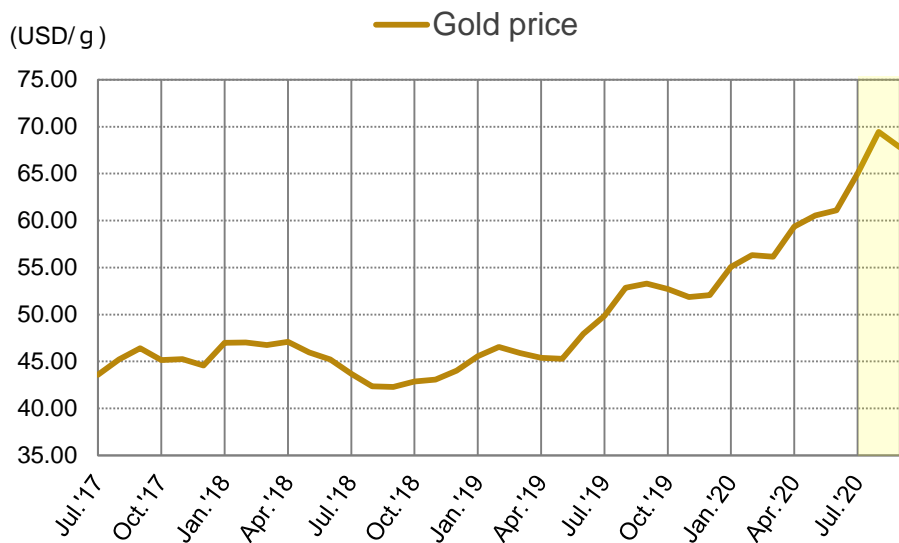
※ Fixed costs = [Cost of sales • Selling, general & administrative expenses • Fixed cost equivalency of non-operating expenses] –
[Foreign exchange gains • Non-operating income except equity method profit]

3. Reference Data

Market Price ①

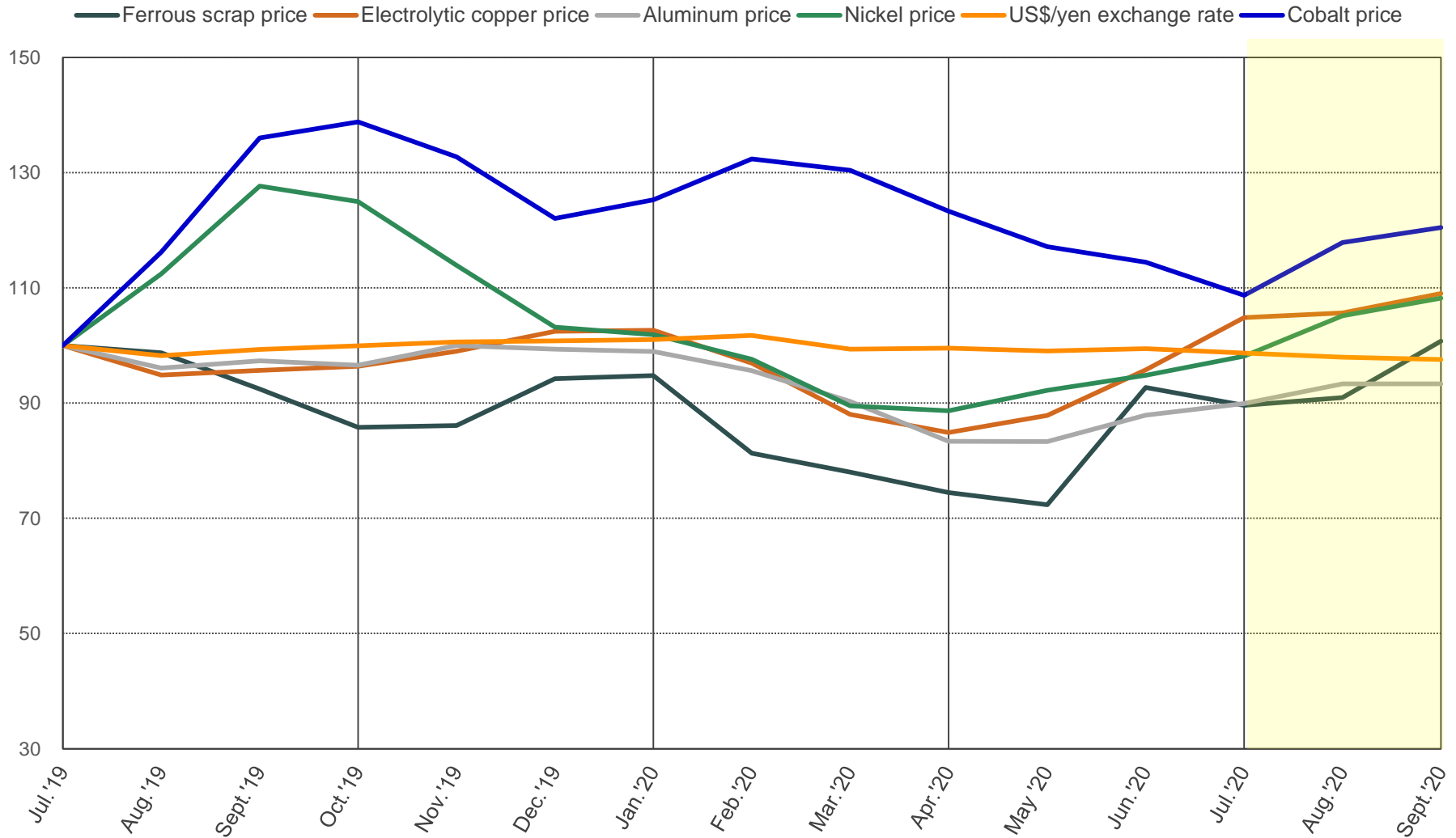


Market Price ②



Market Price ③

Market Price of Metals (INDEX Set July 2019 as 100)



- This material is intended to provide investors with information to understand the current status of ENVIPRO HOLDINGS Inc.
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【Inquiry desk about this material and IR】

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