

# **Financial Results Briefing Materials for the Nine Months Ended March 31, 2021**

---

Envipro Holdings Inc.  
May 14, 2021



# Table of Contents

1. Financial Overview for the Nine Months Ended March 31, 2021
2. Forecast for the Fiscal Year Ending June 30, 2021
3. Medium-to Long-Term Initiatives
4. Dividend Policy
5. Reference Data

---

# 1 . Financial Overview for the Nine Months Ended March 31, 2021

# Highlights for the Nine Months Ended March 31, 2021

## Consolidated Financial Results

Net sales	¥26,874 million	(Down 1.5% Year on year)
Operating profit	¥1,250 million	(Up 39.9% Year on year)
Ordinary profit	¥1,467 million	(Up 42.9% Year on year)
Profit before income taxes	¥1,050 million	(Down 5.1% Year on year)
<u>Profit</u> ※	¥686 million	(Down 8.6% Year on year)

## Main Topics

- The ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) increased from ¥24,500 at the end of the previous fiscal year to ¥41,000 at the end of the third quarter, and the average price during the nine months was ¥32,231, up from ¥23,607 at the same period of the previous fiscal year.
- The average market prices of gold, silver, copper, aluminum and nickel were also higher than in the same period of the previous fiscal year.
- Improved profitability by the revisions to waste disposal fee.
- In the LIB recycling business, transactions with leading battery manufacturers started, and progress was made in the development of collection, production, analysis, and sales systems, however, ordinary loss of ¥100 million was incurred.
- Tight supply-demand balance of cargo ships and soaring ocean freight rates due to worldwide shortage of shipping containers.
- Reviewed the revenue plan for the LIB recycling business and recorded an impairment loss of ¥437 million (extraordinary loss).
- ¥320 million in Capital Investment (Inspection basis).
- In relation to the movement toward a decarbonized society, the evaluation of ferrous scrap utilization improved due to its CO<sub>2</sub> emission reduction effect.

※Profit : Profit attributable to owners of parent

※LIB : Lithium-ion rechargeable battery

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

# Summary of Consolidated Statements of Income



(¥ million)

	2020/June 1Q – 3Q	2021/June 1Q – 3Q	Year on year	
	Actual	Actual	Increase/Decrease	Ratio
Net sales	27,294	<b>26,874</b>	▲ 419	▲ 1.5%
Gross profit	5,515	<b>5,536</b>	21	0.4%
Operating profit	894	<b>1,250</b>	356	39.9%
Ordinary profit	1,026	<b>1,467</b>	440	42.9%
Profit before income taxes	1,106	<b>1,050</b>	▲ 56	▲ 5.1%
Profit※	750	<b>686</b>	▲ 64	▲ 8.6%
Marginal profit※	5,267	<b>5,503</b>	236	4.5%
EBITDA※	1,313	<b>1,814</b>	501	38.2%
Fixed costs※	4,362	<b>4,269</b>	▲ 92	▲ 2.1%

※ 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]

# Summary of Business Results by Segment

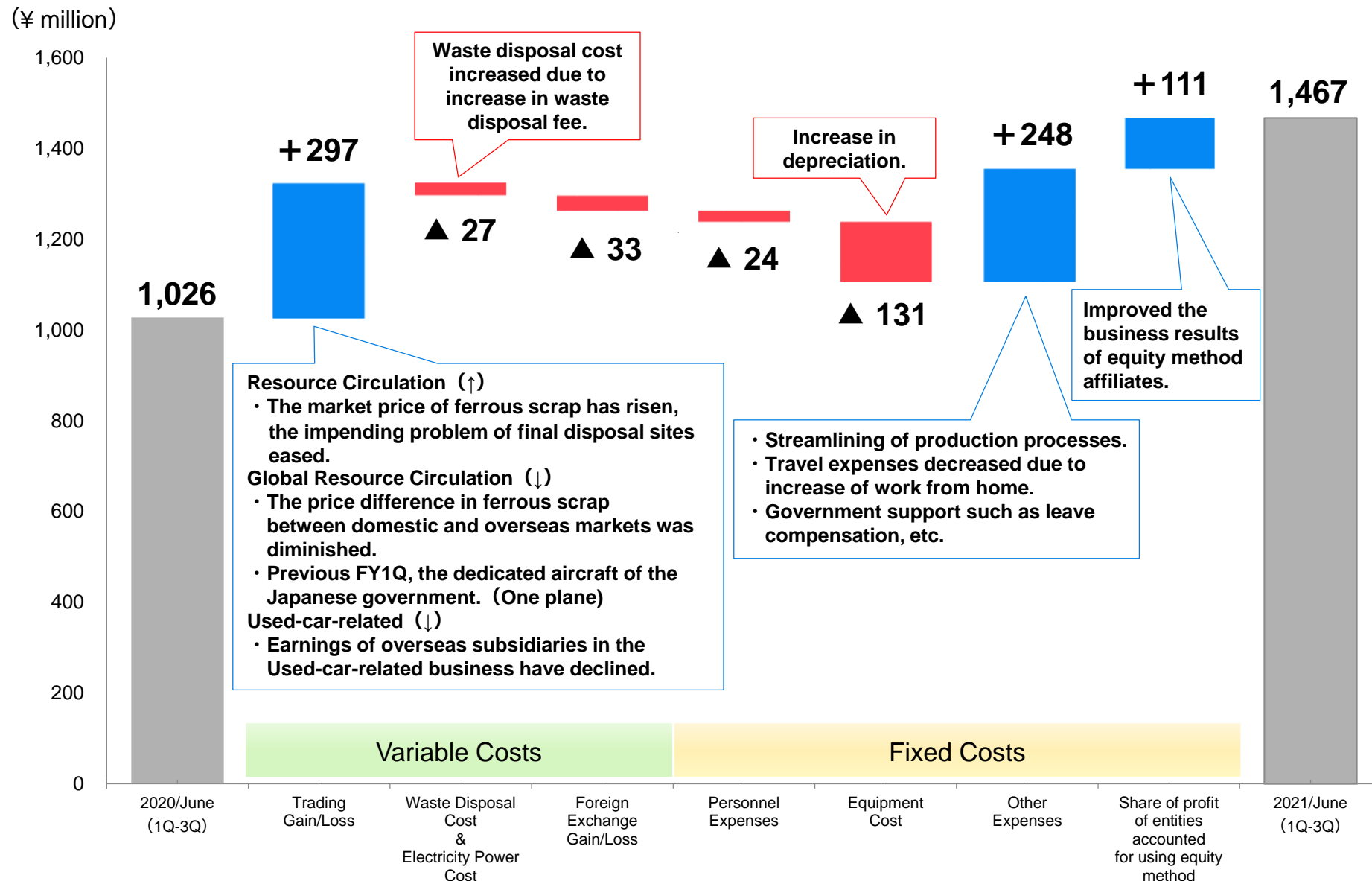


(¥ million)

Net sales	2020/June 1Q – 3Q	2021/June 1Q – 3Q		Composition Ratio
	Actual	Actual	Year on year Ratio	
Consolidated	27,294	<b>26,874</b>	▲ 1.5%	100.0%
Resource Circulation Business	8,609	<b>9,822</b>	14.1%	32.8%
Global Resource Circulation Business	16,067	<b>15,793</b>	▲ 1.7%	52.8%
Used-car-related Business	4,824	<b>4,034</b>	▲ 16.4%	13.5%
Others	222	<b>267</b>	20.1%	0.9%
Adjustment	▲ 2,429	<b>▲ 3,043</b>	-	-

Segment profit	2020/June 1Q – 3Q	2021/June 1Q – 3Q		Composition Ratio
	Actual	Actual	Year on year Ratio	
Consolidated	1,026	<b>1,467</b>	42.9%	100.0%
Resource Circulation Business	458	<b>1,252</b>	173.1%	71.5%
Global Resource Circulation Business	571	<b>357</b>	▲ 37.5%	20.4%
Used-car-related Business	83	<b>71</b>	▲ 14.7%	4.1%
Others	22	<b>70</b>	213.8%	4.0%
Adjustment	▲ 109	<b>▲ 283</b>	-	-

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



# Summary of Consolidated Balance Sheets

(¥ million)

	As of March 31, 2020	As of June 30, 2020	As of March 31, 2021	Change from June 30,2020		As of March 31, 2020	As of June 30, 2020	As of March 31, 2021	Change from June 30,2020
Current asset	11,221	16,529	18,342	1,812	Current liabilities	5,871	7,499	9,013	1,514
Non-current assets	9,226	9,383	9,184	▲ 199	Non-current liabilities	2,441	6,401	5,748	▲ 652
(Property, plant and equipment)	6,558	6,729	6,009	▲ 719	Total liabilities	8,313	13,900	14,762	861
(Intangible assets)	75	70	63	▲ 7	Net assets	12,135	12,012	12,764	752
(Investments and other assets)	2,592	2,584	3,111	527	(Equity)	11,778	11,654	12,392	737
Total assets	20,448	25,913	27,526	1,613	Total liabilities and net assets	20,448	25,913	27,526	1,613

## Main Topics (Change from June 30,2020)

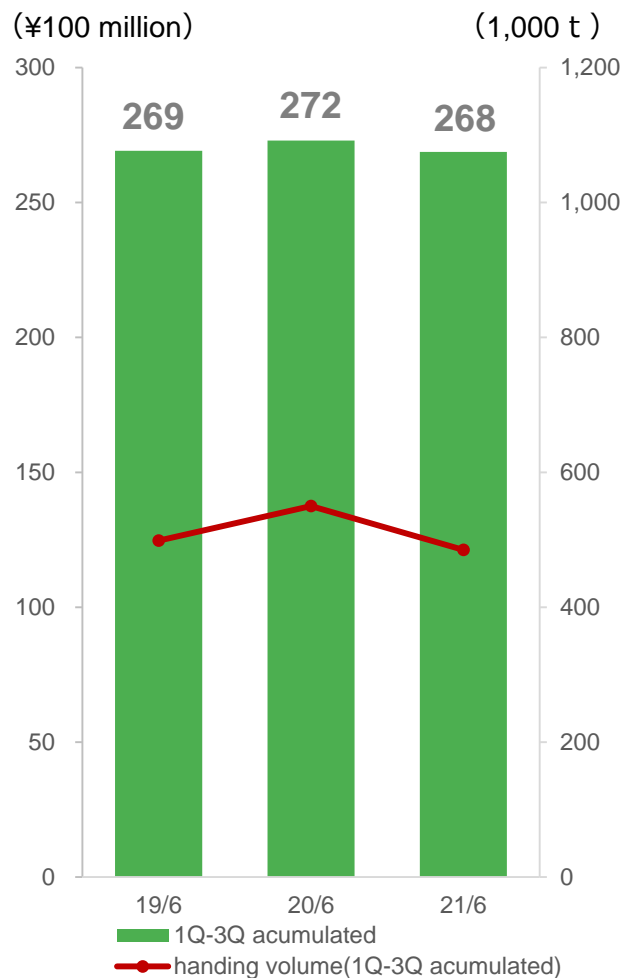
- Current assets (Merchandise and finished goods: ¥1,993 million, Notes and accounts receivable-trade: ¥1,650 million, Cash and deposits: ¥▲2,124 million)
- Non-current assets (Investment securities: ¥465 million, Machinery, equipment and vehicles: ¥▲525 million, Buildings and structures: ¥▲128 million, Construction in progress: ¥▲53 million)
- Current liabilities (Short-term borrowings: ¥830 million, Notes and accounts payable-trade: ¥539 million)
- Non-current liabilities (Long-term borrowings: ¥▲696 million)
- Equity ratio 45.0% (45.0% as of June 30, 2020)



# Consolidated Financial Results

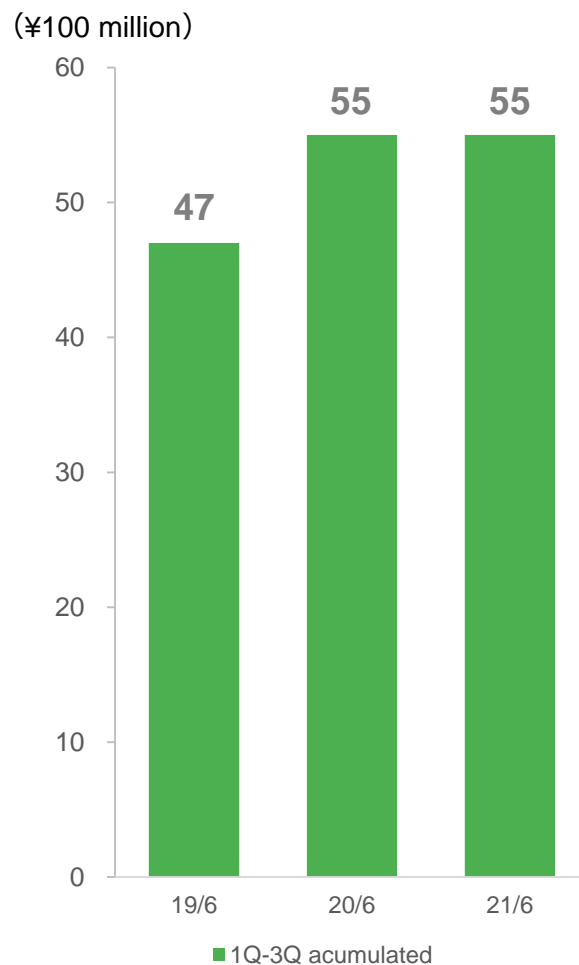
## Net sales (Handling volume)

Down 1.5%  
Year on year



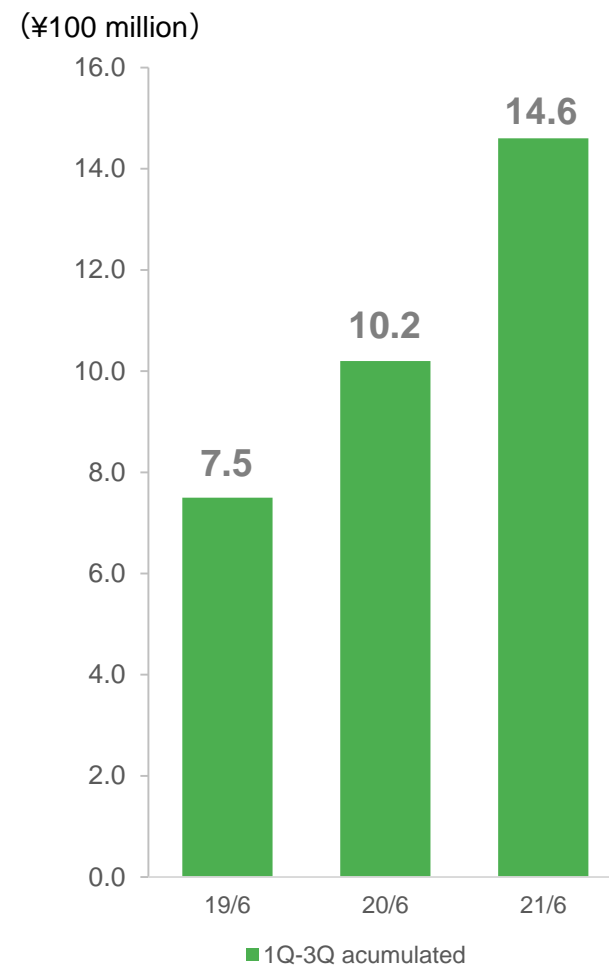
## Gross profit

Up 0.4%  
Year on year



## Ordinary profit

Up 42.9%  
Year on year

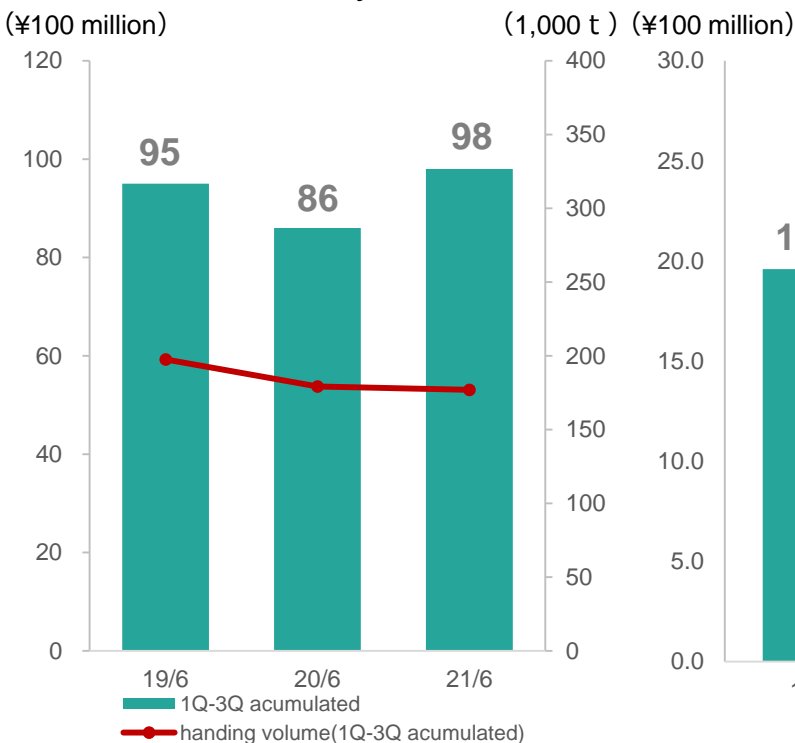


# Business Results by Segment 【Resource Circulation Business】



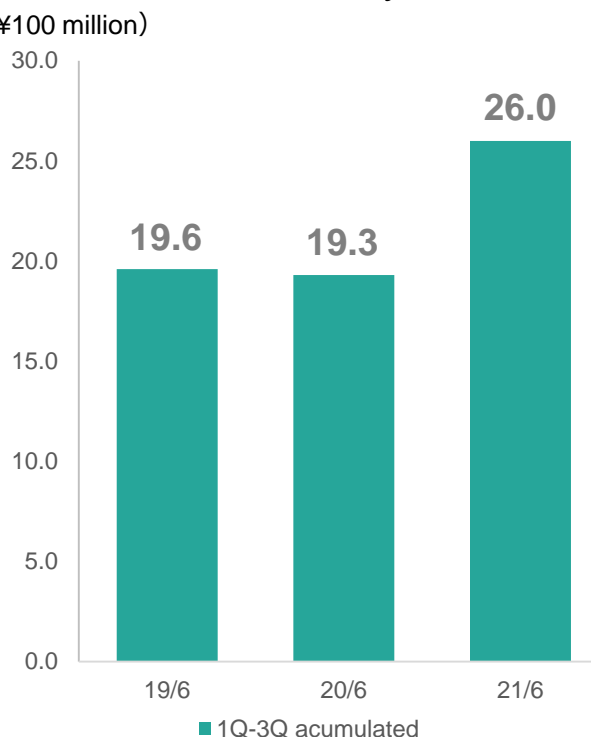
## Net sales (Handling volume)

Up 14.1%  
Year on year



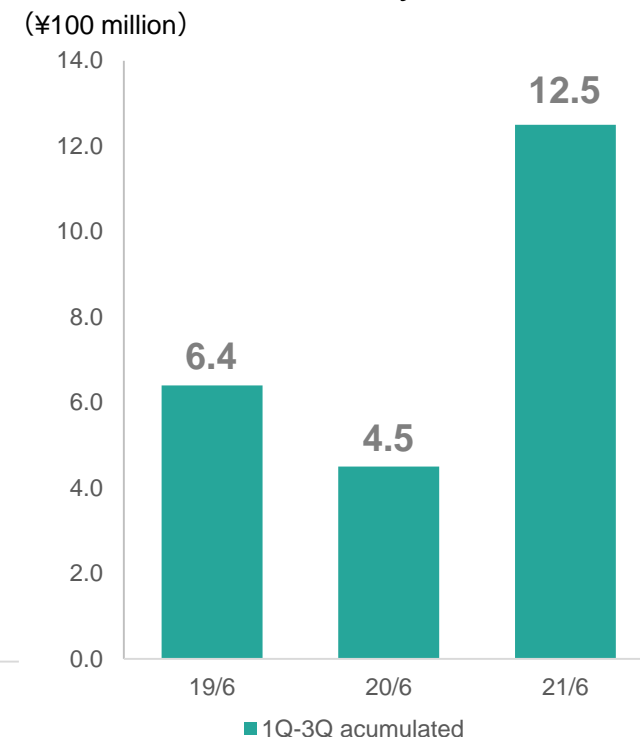
## Gross profit

Up 34.6%  
Year on year



## Ordinary profit

Up 173.1%  
Year on year



- Demand for steel products remained firm due to the recovery of production in domestic and overseas manufacturing industries.
- The average market prices of ferrous scrap, gold, silver, copper, aluminum and nickel were higher than in the same period of the previous fiscal year.
- The impending problem of final disposal sites eased owing to a decline in the volume of waste generated, and operations stabilized.
- Profitability was ensured by the effect of revising the price of waste disposal fee and streamlining production processes.
- Expenses related to the new LIB recycling business preceded (ordinary loss of ¥100 million). The handling volume progressed due to execution of purchase contracts with leading battery manufacturers and the securing of contracted disposal volume through the use of disposal business license.

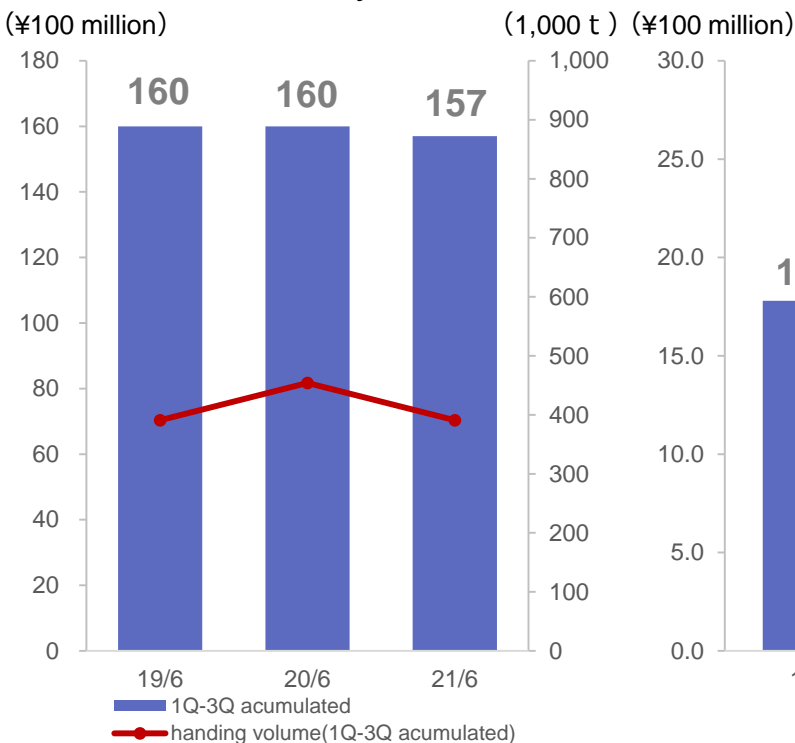
※Reported amounts in graphs are rounded down to the nearest million yen.

# Business Results by Segment 【Global Resource Circulation Business】



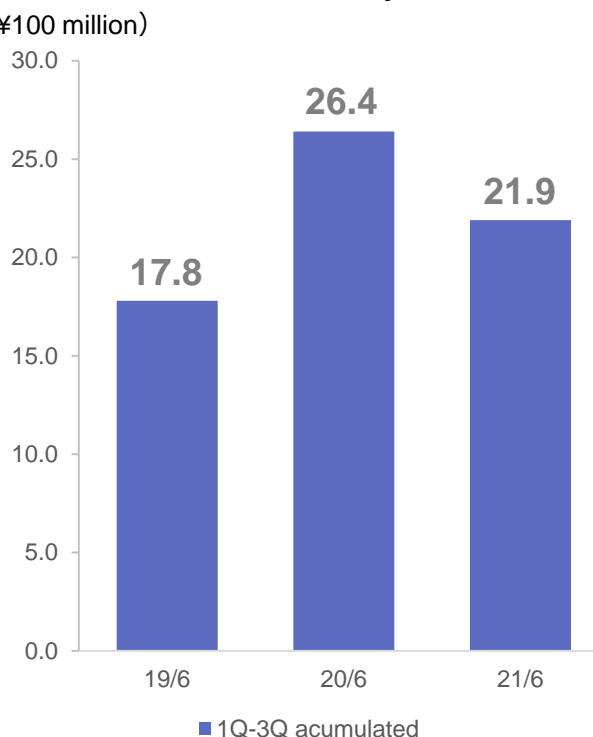
## Net sales (Handling volume)

Down 1.7%  
Year on year



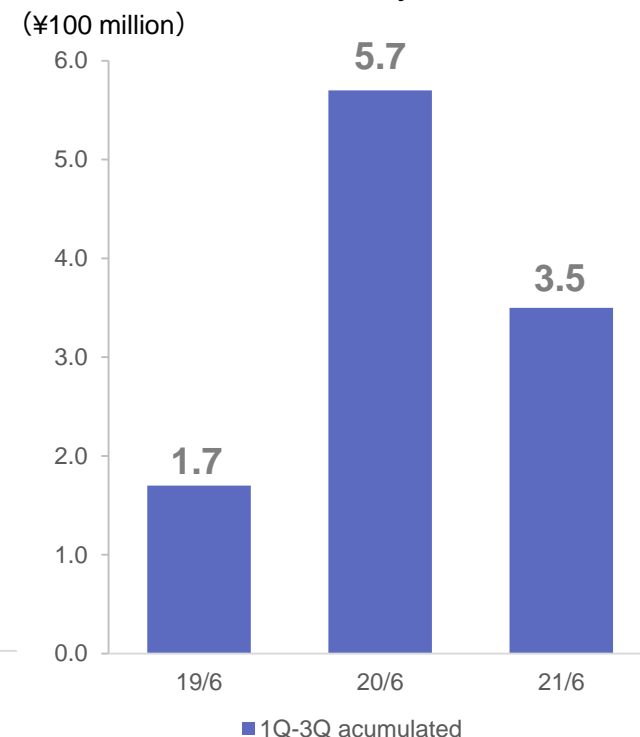
## Gross profit

Down 17.0%  
Year on year



## Ordinary profit

Down 37.5%  
Year on year



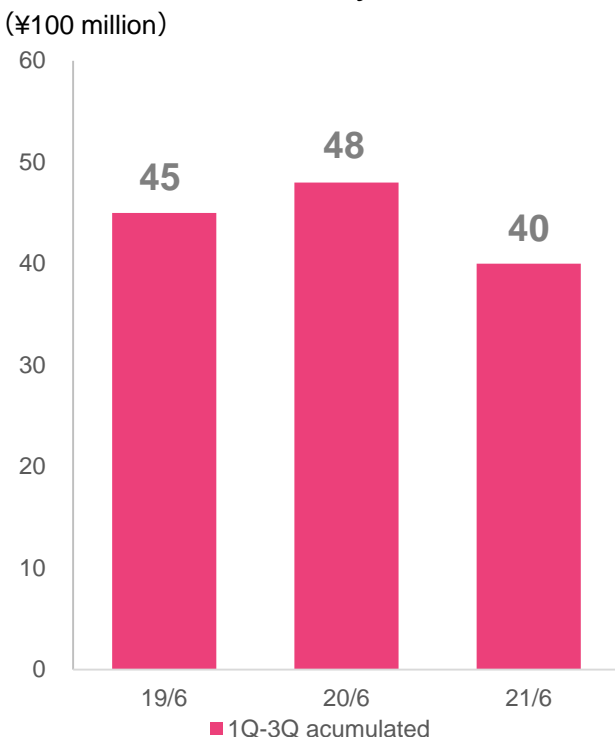
- In the same period of the previous fiscal year, temporary revenue from sales of the dedicated aircraft of the Japanese government was generated.
- The shortage of shipping containers and difficulties in allocating vessels due to soaring ocean freight rates have made it difficult to sell commercial products to overseas markets.
- Although the handling volume of ferrous scrap sales declined, revenue were secured by fulfilling multiple sales contracts with high profit margins that took advantage of price fluctuations, and so on.
- Non-ferrous scrap sales contributed to profits due to increasing the handling volume by taking the domestic demand.
- 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】

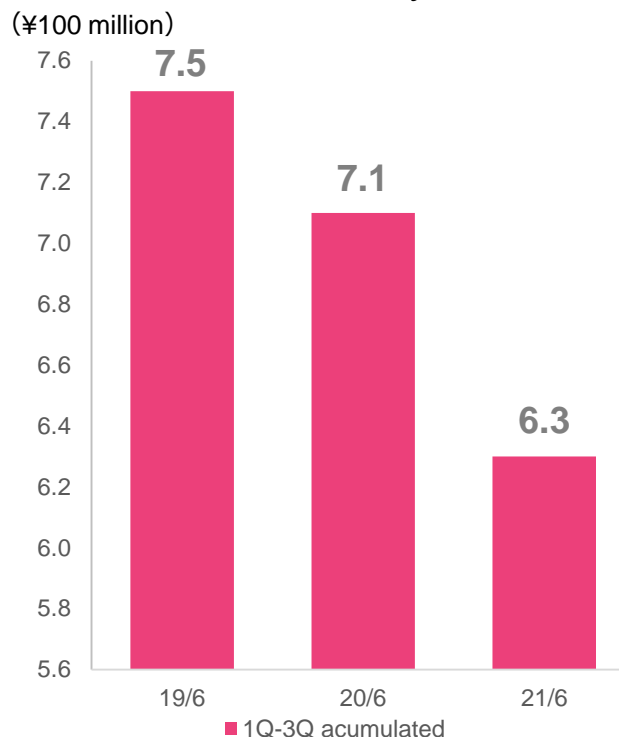
## Net sales

Down 16.4%  
Year on year



## Gross profit

Down 11.0%  
Year on year



## Ordinary profit

Down 14.7%  
Year on year

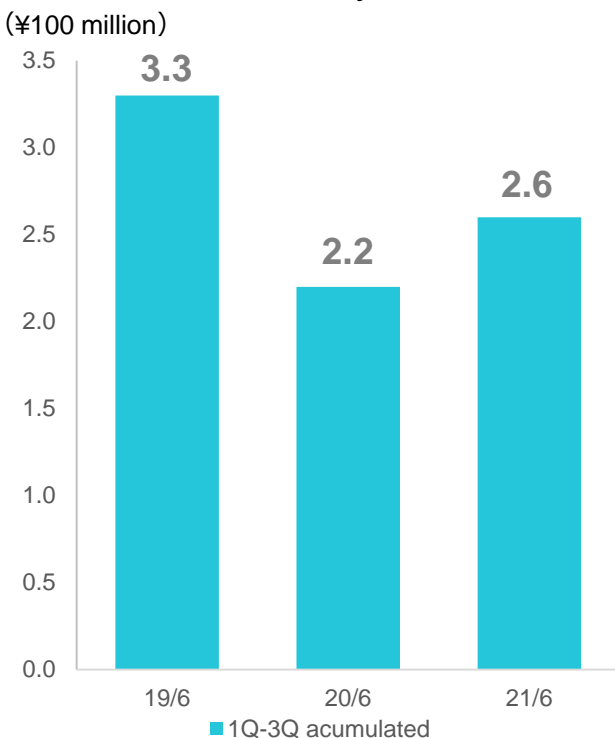


- Due to the early recovery of demand for used cars in major export destination countries, the handling volume exceeded the initial forecast.
- Lockdowns in certain areas of Chile resumed in March.
- Sales of used truck parts to South East Asia, which had been favorable in same period of the previous fiscal year, declined.
- In the logistics agent service, although the handling volume decreased due to a shortage of shipping containers, revenue was secured by adjusting sales price.
- Reduced fixed costs by such measures as reviewing yard management cost.

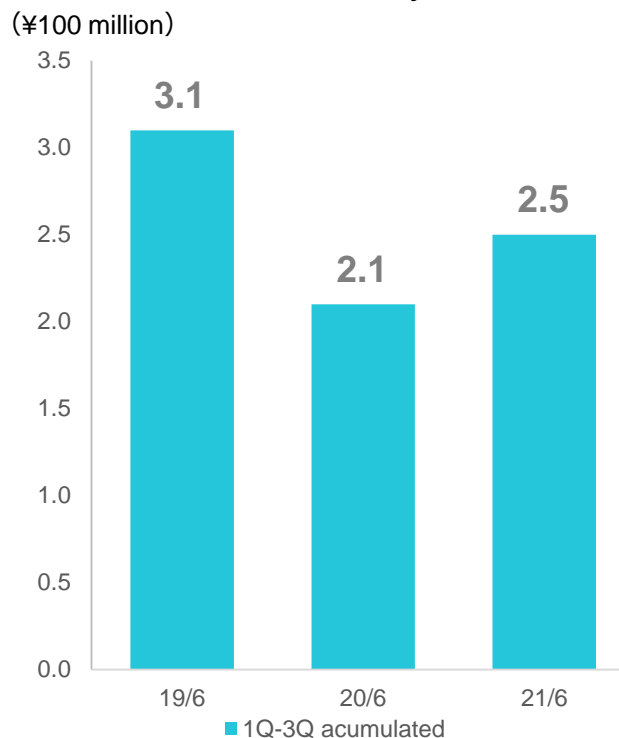
※Reported amounts in graphs are rounded down to the nearest million yen.

# Business Results by Segment 【Others】

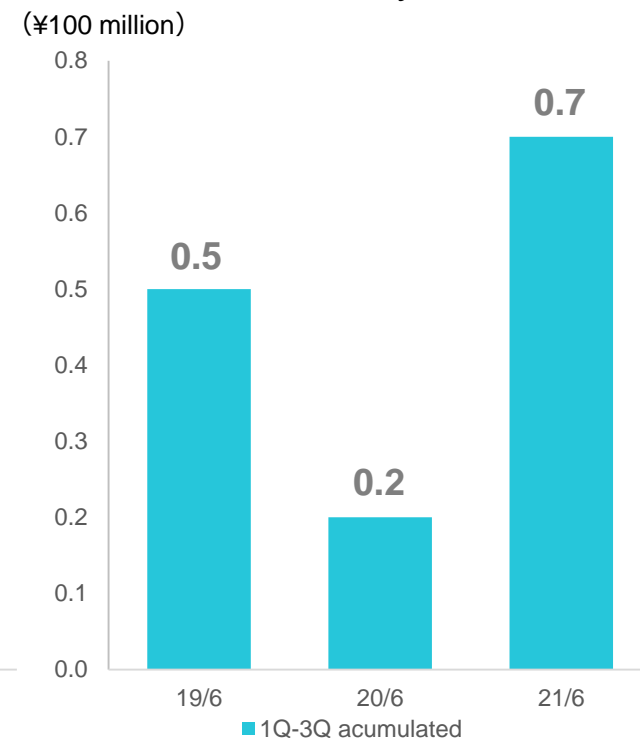
**Net sales**  
Up 20.1%  
Year on year



**Gross profit**  
Up 18.8%  
Year on year



**Ordinary profit**  
Up 213.8%  
Year on year



## 《Environment Management Consulting Business》

- Contributed to revenue by continued orders of support for CDP evaluation improvement, carbon neutral strategy planning and support for adapting to TCFD. Also focused on consulting services for circular economy and so on.

## 《Welfare Service Business for Persons with Disabilities》

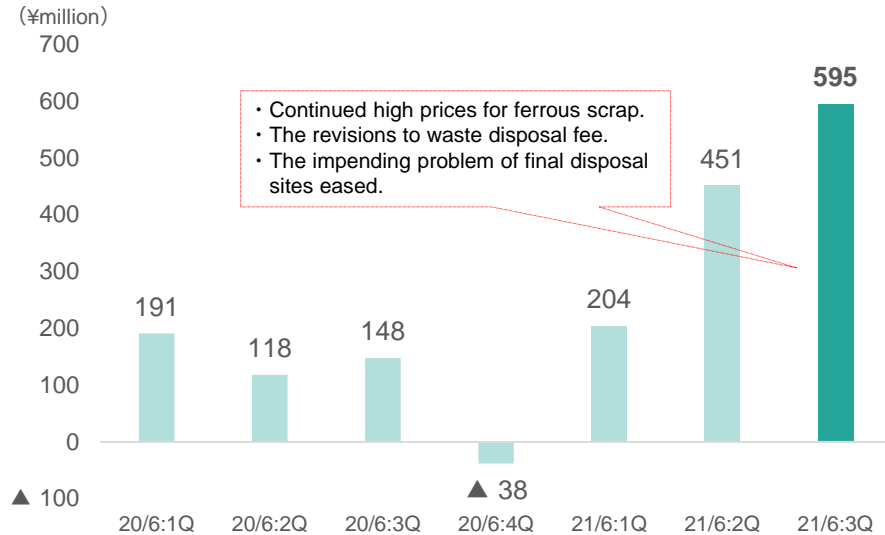
- The usage rate of each facilities remained steady, the higher revenue was secured than the previous fiscal year.

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

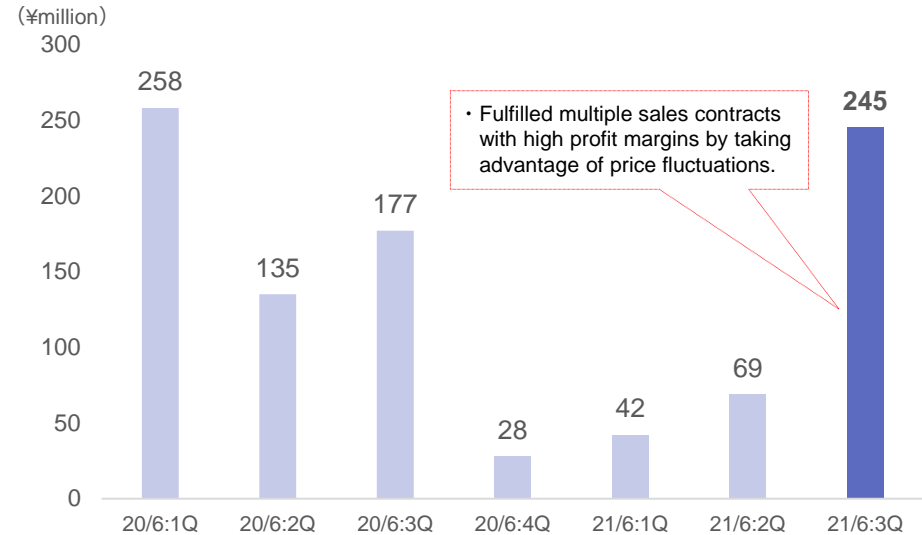
※Others included the results of E3 Inc. up to December 2018.

# Quarterly Ordinary Profit by Segment

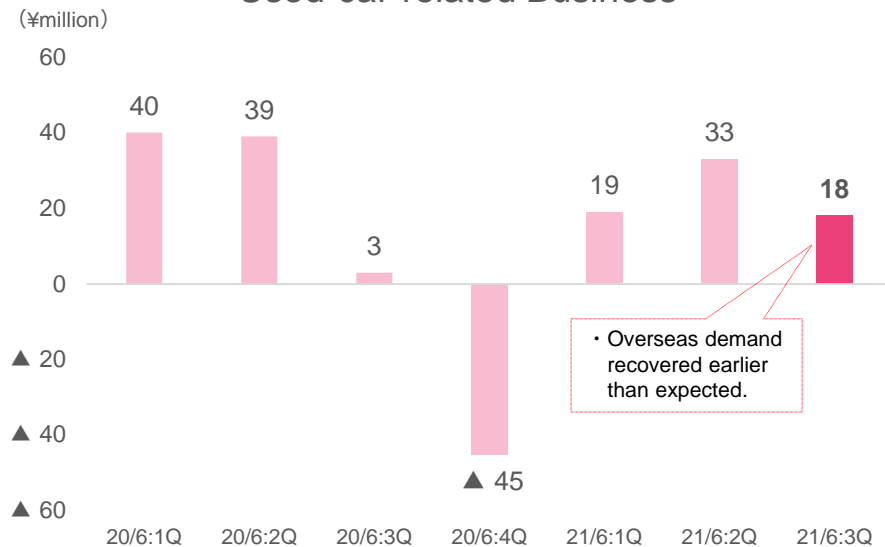
## Resource Circulation Business



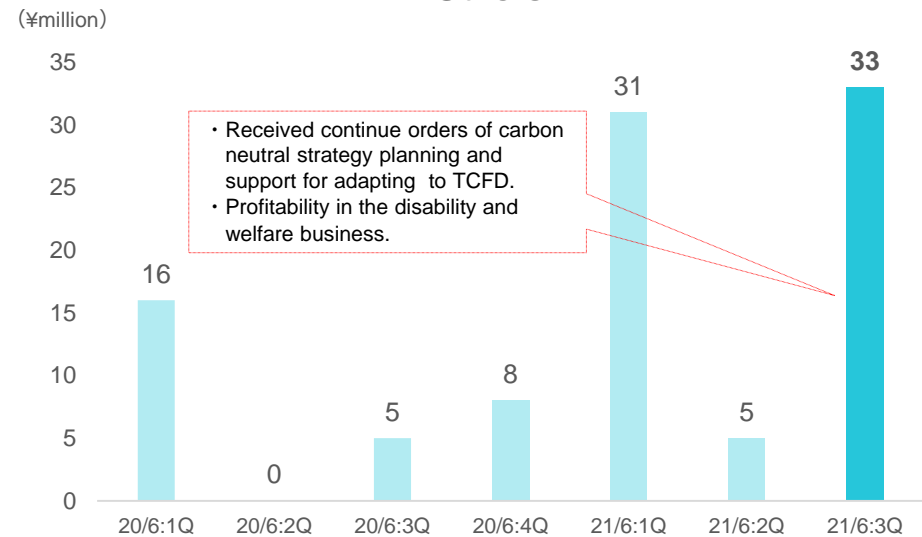
## Global Resource Circulation Business



## Used-car-related Business



## Others



---

## 2. Forecast for the Fiscal Year Ending June 30, 2021

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

## Prerequisites

Item	1Q Average	2Q Average	3Q Average	4Q Prerequisites
Ferrous scrap price	¥23,225/t	¥30,438/t	¥40,866/t	¥40,000/t (¥35,000/t)
Electrolytic copper price	¥732,800/t	¥792,066/t	¥936,733/t	¥1,000,000/t (¥750,000/t)
Gold price	¥6,549/g	¥6,324/g	¥6,158/g	¥6,000/g (¥6,000/g)
Silver price	¥84,565/kg	¥83,141/kg	¥90,989/kg	¥85,000/kg (¥85,000/kg)
Nickel price	¥1,682/kg	¥1,839/kg	¥2,039/kg	¥1,850/kg (¥1,850/kg)
Cobalt price	¥3,487/kg	¥3,620/kg	¥5,123/kg	¥5,000/kg (¥3,500/kg)
Exchange rate (¥/US\$)	¥106/US\$	¥104/US\$	¥105/US\$	¥108/US\$ (¥100/US\$)

Sources: Tokyo Steel manufacturing Co., Ltd., JX Nippon Mining & Metals Corporation, IRuniverseCo.,Ltd., Sangyo Press Co., Ltd., MUFG Bank, Ltd.

※Figures in parentheses represent prerequisites at the February 8 announcement



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



## Forecast for the Consolidated Results

Net sales	¥40,400 million	(Up 19.2% Year on year)
Operating profit	¥1,918 million	(Up 142.7% Year on year)
Ordinary profit	¥2,229 million	(Up 138.4% Year on year)
Profit before income taxes	¥1,908 million	(Up 107.7% Year on year)
<u>Profit</u> ※	¥1,291 million	(Up 114.4% Year on year)

## Main Topics

- Expect that the prices of ferrous scrap and non-ferrous metals will be higher than in the same period of the previous year, and remain high in the 4Q period.
- LIB recycling business has expanded the collection volume of used consumer batteries both domestically and overseas with transactions with battery manufacturers, and also improved production efficiency and quality of black sand by remodeling the black sand production line and establishing a new shredding line. Ordinary loss for the full year is expected to decrease to ¥90 million.
- Establishment of revenue base other than metal scrap, such as waste treatment business.
- Forecast increase in sales of gold, silver and copper sediment sludge.
- Forecast increase in profitability from large-scale demolition and tidying up works.
- Continue to improve productivity and reduce fixed costs by reviewing General and administrative expenses.
- Expect to take time to eliminate logistical impediments due to container shortage.

※Profit: Profit attributable to owners of the parent

※Black sand: Cobalt and nickel concentrate containing carbon

※Gold, silver and copper sediment sludge: a mix of gold, silver, copper, platinum, and palladium

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



(¥million)

	For fiscal year ended June 30, 2020	For fiscal year ending June 30, 2021					
	Actual	Previous forecast	Revised forecast	Year on year		Comparison with previous forecast	
				Increase/ Decrease	Ratio	Increase/ Decrease	Ratio
Net sales	33,879	<b>35,700</b>	<b>40,400</b>	6,520	19.2%	4,700	13.2%
Gross profit	6,861	<b>7,011</b>	<b>8,318</b>	1,457	21.2%	1,307	18.7%
Operating profit	790	<b>1,000</b>	<b>1,918</b>	1,127	142.7%	918	91.8%
Ordinary profit	934	<b>1,250</b>	<b>2,229</b>	1,294	138.4%	979	78.3%
Profit before income taxes	918	<b>1,229</b>	<b>1,908</b>	989	107.7%	678	55.2%
Profit※	602	<b>870</b>	<b>1,291</b>	688	114.4%	421	48.4%
Marginal profit※	6,632	<b>6,914</b>	<b>7,748</b>	1,115	16.8%	833	12.1%
EBITDA※	1,389	<b>1,760</b>	<b>2,655</b>	1,266	91.1%	894	50.8%
Fixed costs※	5,821	<b>5,884</b>	<b>5,848</b>	27	0.5%	▲ 35	▲0.6%
ROE	5.3%	<b>7.3%</b>	<b>10.5%</b>	5.2%	97.8%	3.2%	44.5%

※ 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]

# Forecast for the Business Results for the Fiscal Year Ending June 2021 by Segment

(¥million)

Net sales	For fiscal year ended June 30, 2020	For fiscal year ending June 30, 2021					
	Actual	Previous forecast	Revised forecast	Year on year		Comparison with previous forecast	
				Increase/ Decrease	Ratio	Increase/ Decrease	Ratio
Consolidated	33,879	35,700	<b>40,400</b>	6,520	19.2%	4,700	13.2%
Resource Circulation Business	10,786	12,641	<b>14,179</b>	3,393	31.5%	1,538	12.2%
Global Resource Circulation Business	20,108	21,684	<b>24,805</b>	4,696	23.4%	3,121	14.4%
Used-car-related Business	5,683	5,053	<b>5,577</b>	▲ 106	▲ 1.9%	523	10.4%
Others	295	352	<b>357</b>	62	21.2%	5	1.4%
Adjustment	▲ 2,994	▲ 4,032	▲ <b>4,519</b>	▲ 1,525	-	▲ 487	-

Segment profit	For fiscal year ended June 30, 2020	For fiscal year ending June 30, 2021					
	Actual	Previous forecast	Revised forecast	Year on year		Comparison with previous forecast	
				Increase/ Decrease	Ratio	Increase/ Decrease	Ratio
Consolidated	934	1,250	<b>2,229</b>	1,294	138.4%	979	78.3%
Resource Circulation Business	420	1,014	<b>1,862</b>	1,442	343.0%	848	83.6%
Global Resource Circulation Business	600	349	<b>535</b>	▲ 64	▲ 10.8%	186	53.3%
Used-car-related Business	38	81	<b>103</b>	65	169.7%	22	27.4%
Others	30	72	<b>86</b>	55	179.8%	13	19.0%
Adjustment	▲ 155	▲ 268	▲ <b>359</b>	▲ 203	-	▲ 90	-

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



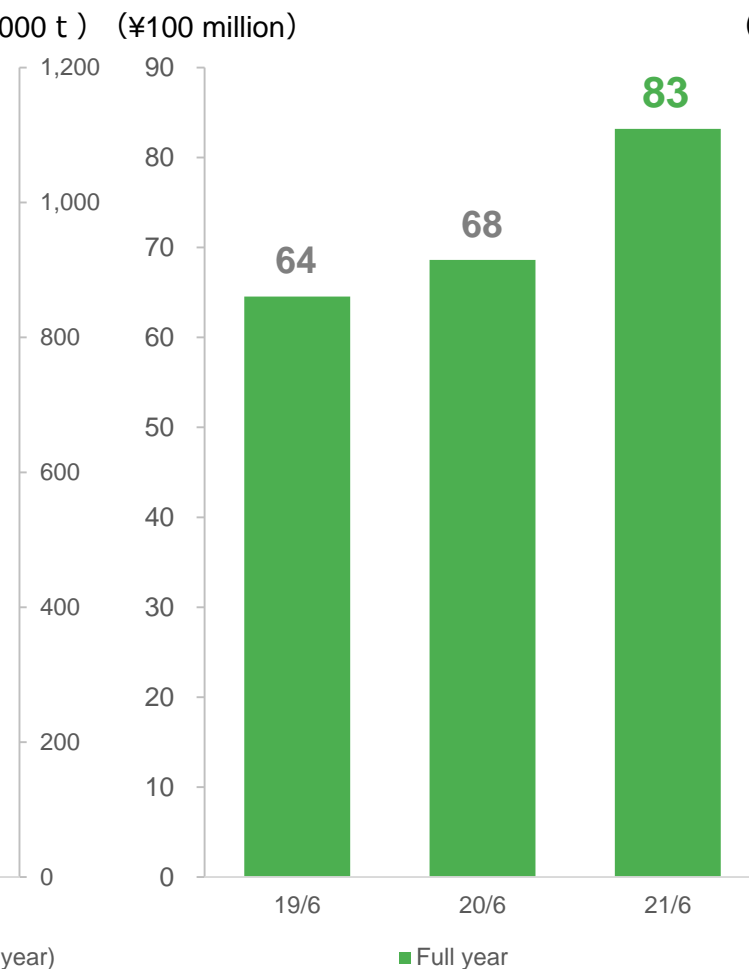
## Net sales (Handling volume)

Up 19.2%  
Year on year



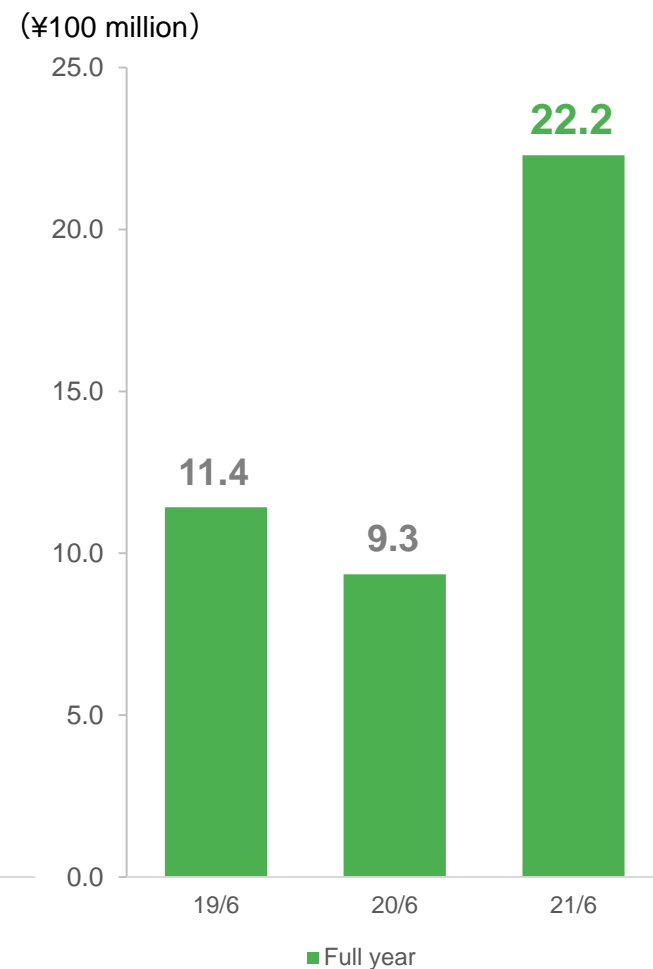
## Gross profit

Up 21.2%  
Year on year



## Ordinary profit

Up 138.4%  
Year on year



### 3. Medium-to Long-Term Initiatives

---

- ① Strengthening the Initiatives to LIB recycling
- ② Carbon Neutral Initiatives
- ③ Corporate Value

# ① Strengthening the Initiatives to LIB recycling

## ■ Record impairment loss

Target company	VOLTA Inc. (100% owned subsidiary)
Amount of impairment loss	¥437 million
Circumstances	In order to accelerate growth in the future, potential risks were not postponed, and we reviewed to the appropriate revenue plan once again.

## ■ Capital increase

Target company	VOLTA Inc. (100% owned subsidiary)
Amount of capital increase	¥400 million (Breakdown: Share capital: ¥200 million, Legal capital surplus: ¥200 million)
Share capital and Legal capital surplus after capital increase	¥800 million (Breakdown: Share capital: ¥400 million, Legal capital surplus: ¥400 million)
Purpose	① To stabilize the financial base by increasing equity capital ② Expansion of the existing plant to expand the LIB recycling business ③ Funds to promote the hydrometallurgy plant construction plan

## ■ Promotion System by Professional Personnel

We invited professional personnel with experience, knowledge, and networks in the smelting and battery materials industries to be advisors, and studies on the establishment of a hydrometallurgical plant will be begun in earnest.

(Reference) Announced on May 14, 2021

- Notice of Revisions to Consolidated Financial Results Forecast and Dividend Forecast (Increase) as well as Recording of Impairment Loss
- Notice of Capital Increase at a Consolidated Subsidiary (Lithium-ion Battery Recycling Subsidiary)

# ① Strengthening the Initiatives to LIB recycling

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 this business.

## VOLTA Existing battery recycling facilities

### Electrode Plates Recycling Line



### BS Production Line



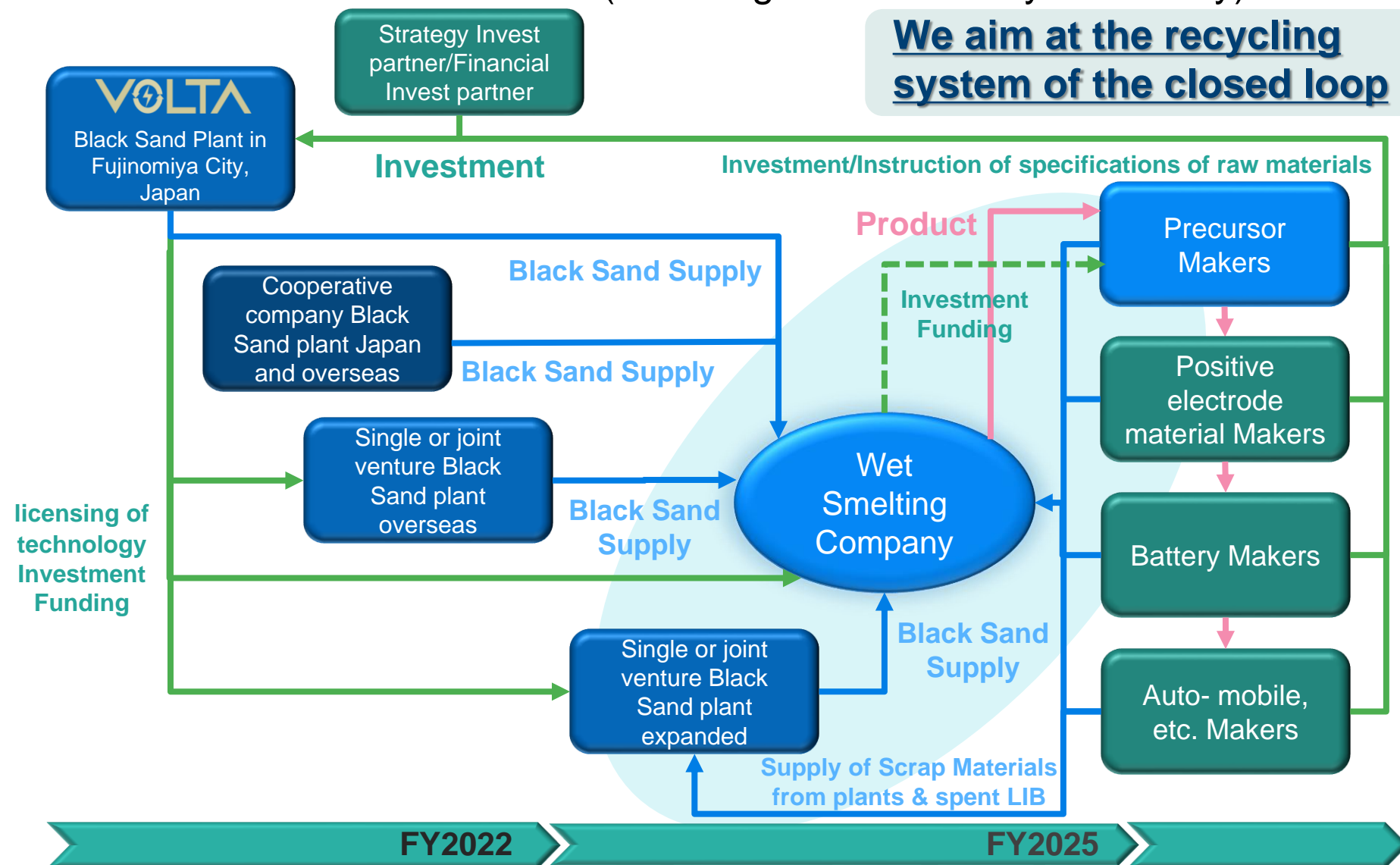
※LIB : Lithium-Ion rechargeable battery

※Active Material : An electrode material of a battery, which involved in a reaction that generates electricity. The active material contains cobalt, nickel, etc.

※BS : (Black Sand) Co, Ni Concentrated Sediment Sludge containing carbon."

# ① Strengthening the Initiatives to LIB recycling (Challenge to the battery to battery)

**We aim at the recycling system of the closed loop**



**To cooperate with companies (competitors, LIB makers, etc.) which will be able to perform co-operation of LIB recycling in a technology, a fund, merchandise**



## ② Carbon Neutral Initiatives

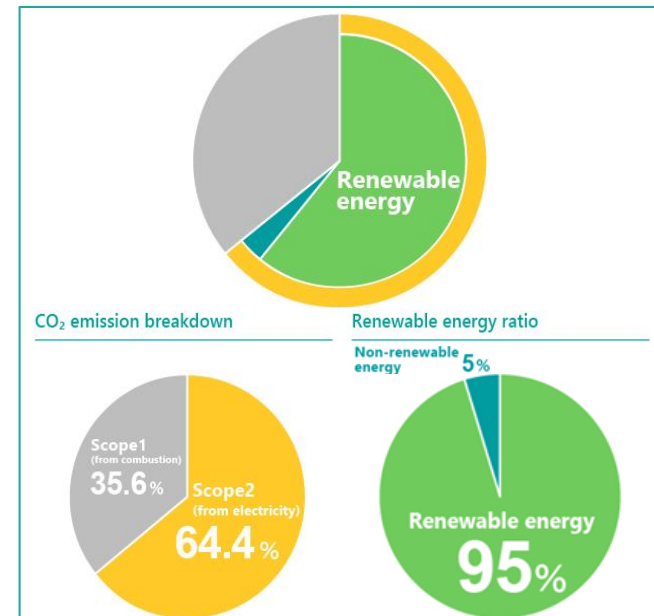
In 2020, Envipro Group declared Carbon Neutral by 2050. About 70% of the CO<sub>2</sub> emissions used in our Group's business come from electricity, and we will steadily reduce CO<sub>2</sub> emissions by promoting RE100.

**【State of progress for the Fiscal Year Ending June 30. 2021】 Carried out switching to RE100 menu for electricity used in business.**

- February 2021 (Hokkaido Pref.) Kuroda Recycle Co., Ltd
- March 2021 (Nagano Pref.) SYN ECO Inc.
- April 2021 (Shizuoka Pref.) ECONECOL Inc. VOLTA Inc.

➡ **For the entire Group, RE100 Achieved approximately 95% Achieved approximately 60% reduction of CO<sub>2</sub> emissions**

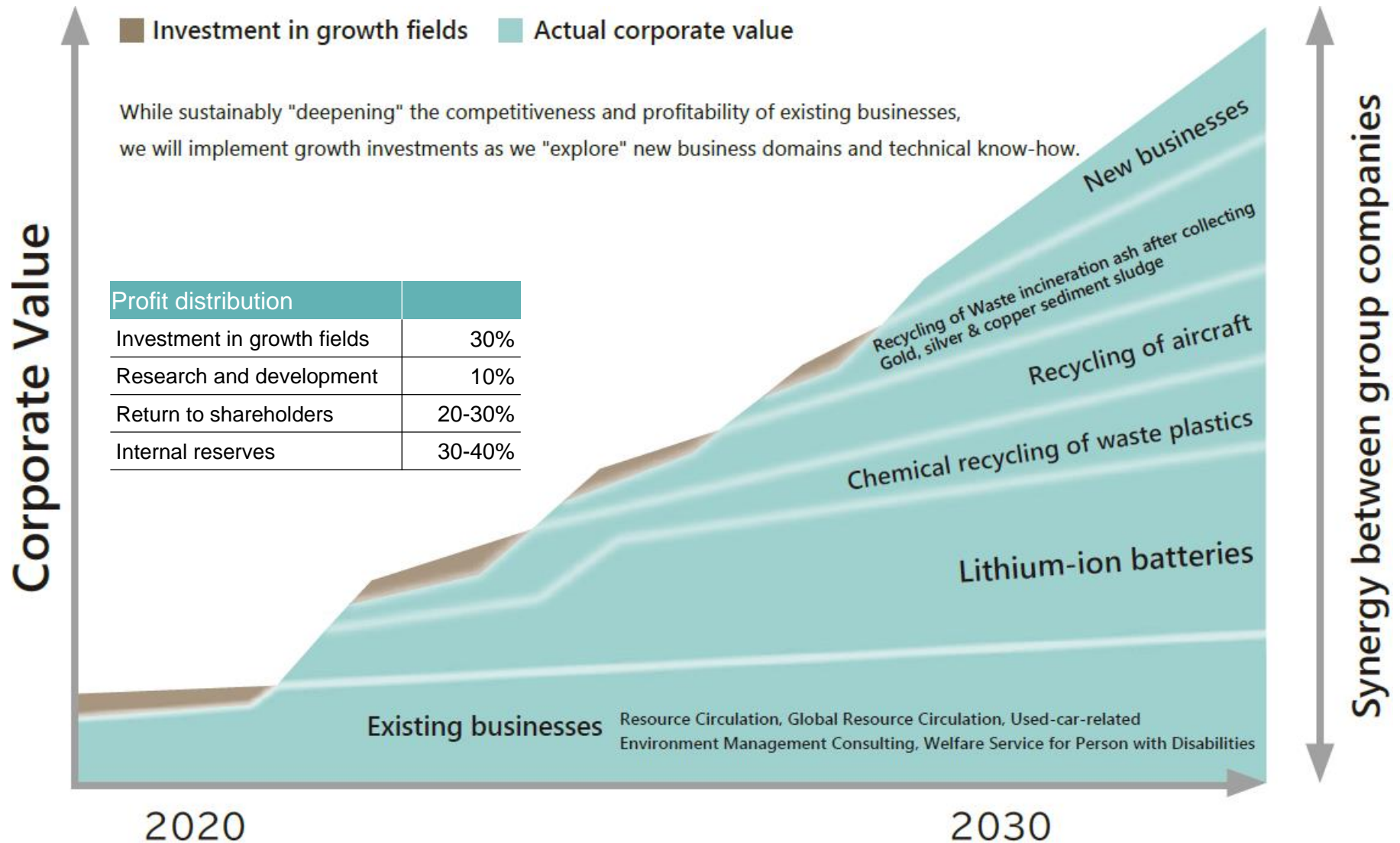
Actual results, achievements and goals for power consumption / renewable energy percentage



### Production by low-carbon process ➡ Supply of lower-carbon resources and products

In addition to sorting and collecting ferrous and non-ferrous metal scrap from various used products, the ENVIPRO Group will actively promote the manufacture and development of low-carbon raw materials and fuels made from waste plastics and waste rubber. We will further promote the spread of the raw material and fuel products produced from waste materials and contribute to the reduction of CO<sub>2</sub> emissions throughout the life cycle, including the procurement of raw materials.

### ③ Corporate Value



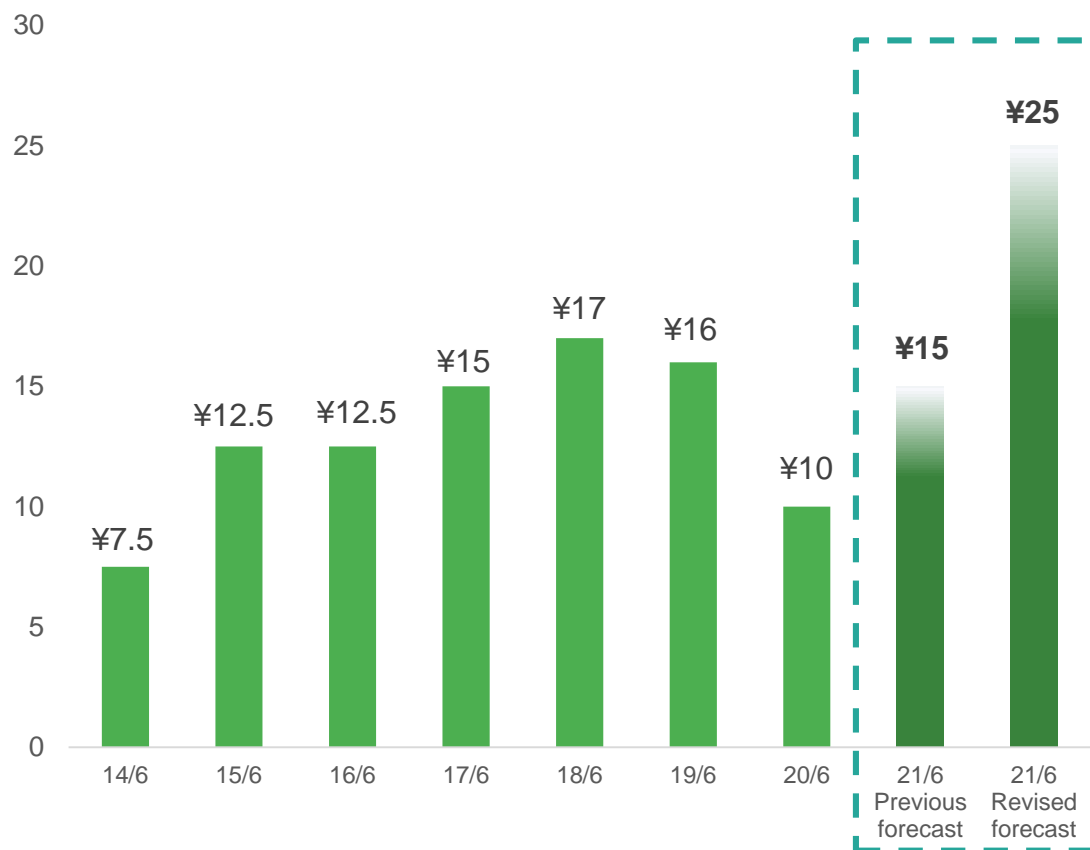
Until a business is stabilized, the increase in corporate value will slow down because it cannot match the initial investment. The brown areas indicate a negative balance caused by this condition.

---

## 3 . 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.



### Revision of Dividend Forecast (Dividend Increase)

- ✓ Shareholder return
- ✓ Record-high profit forecast

Dividend Forecast for the fiscal year  
ending June 30 2021

**Dividend per share: ¥25**

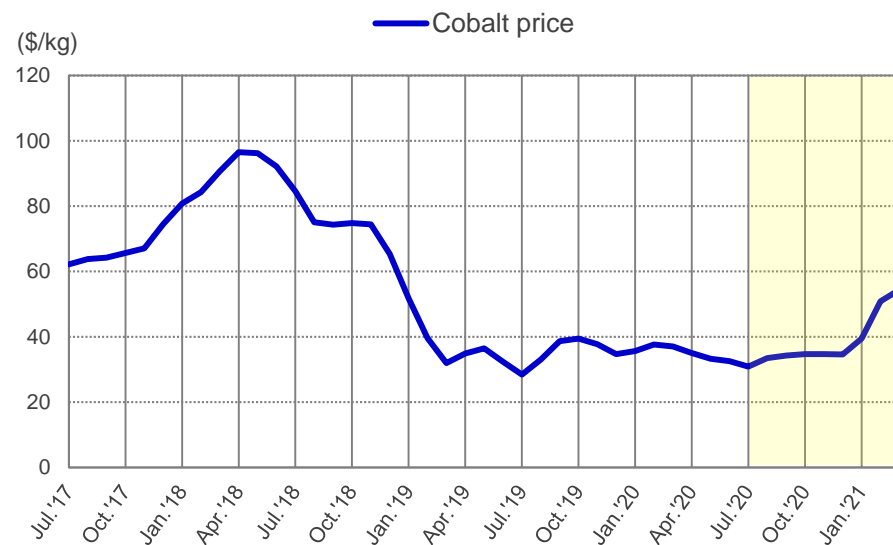
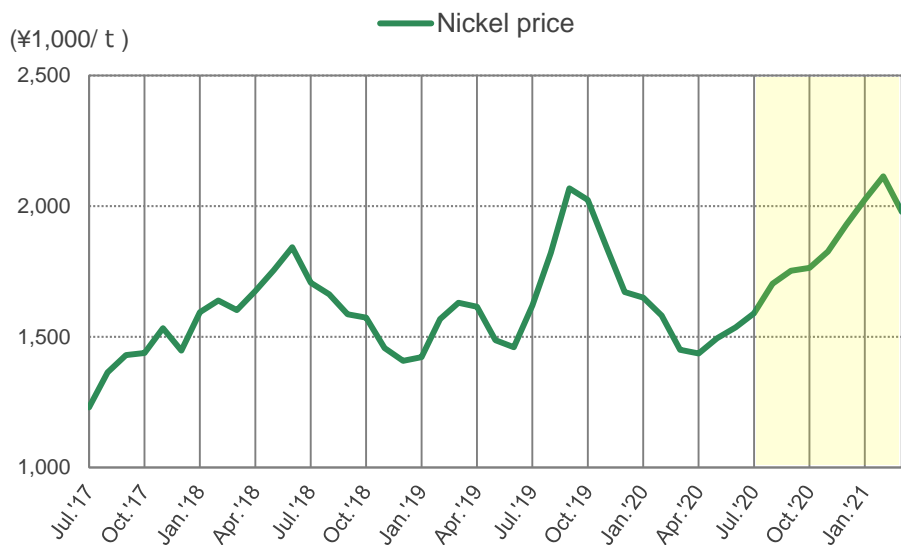
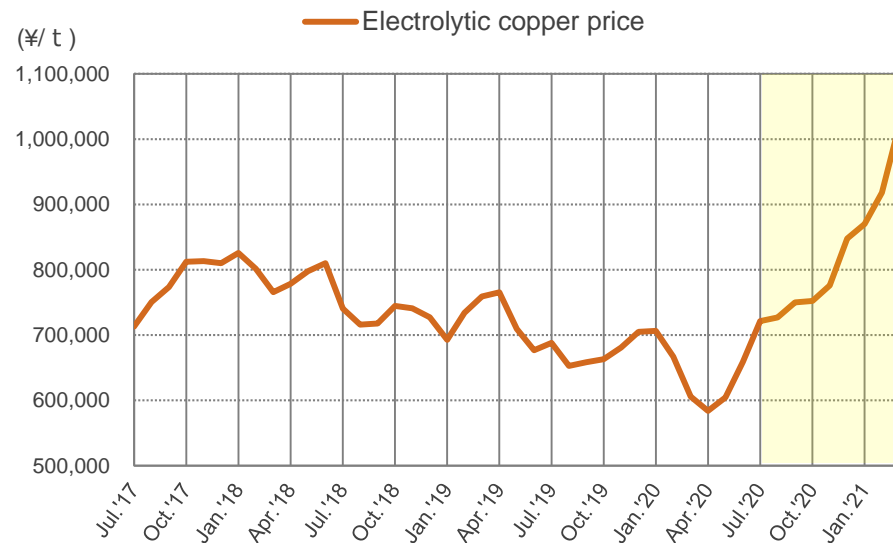
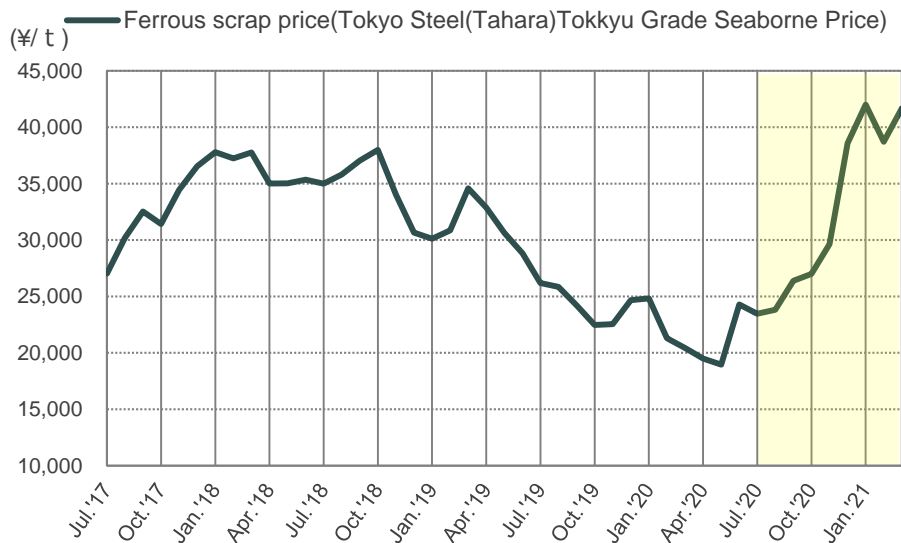
※With January 1, 2018 as the effective date, a 2-for-1 stock split of common stock was conducted.

※Dividends per share are calculated, assuming that the stock split has been in effect since before the fiscal year ended June 30, 2014.

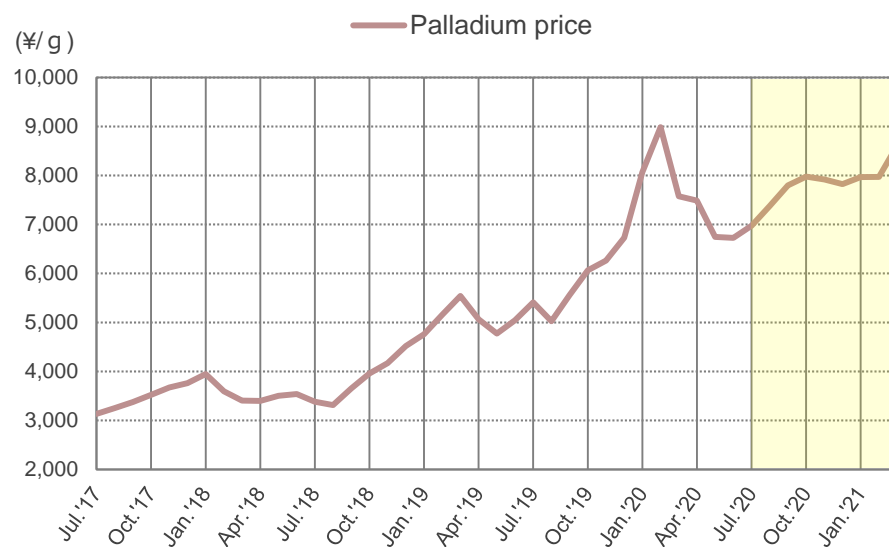
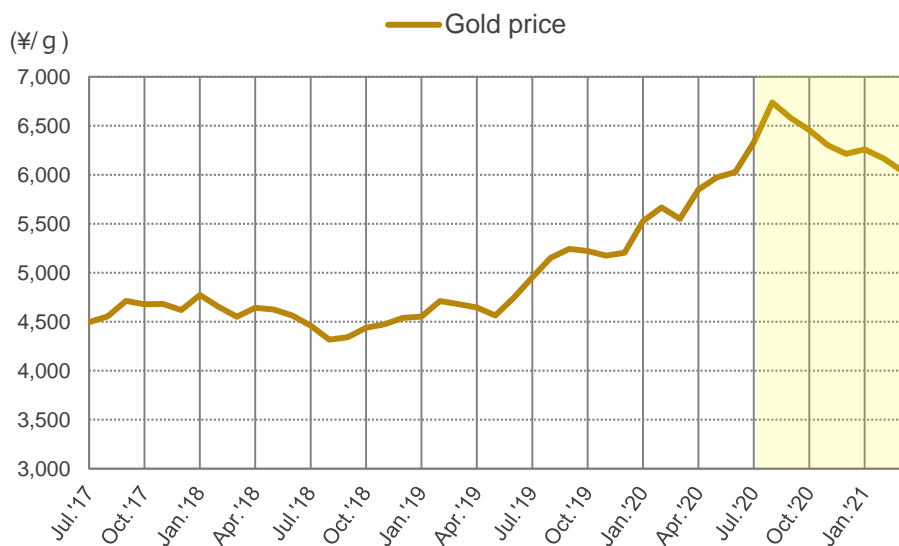
---

## 5. Reference Data

# Market Price ①

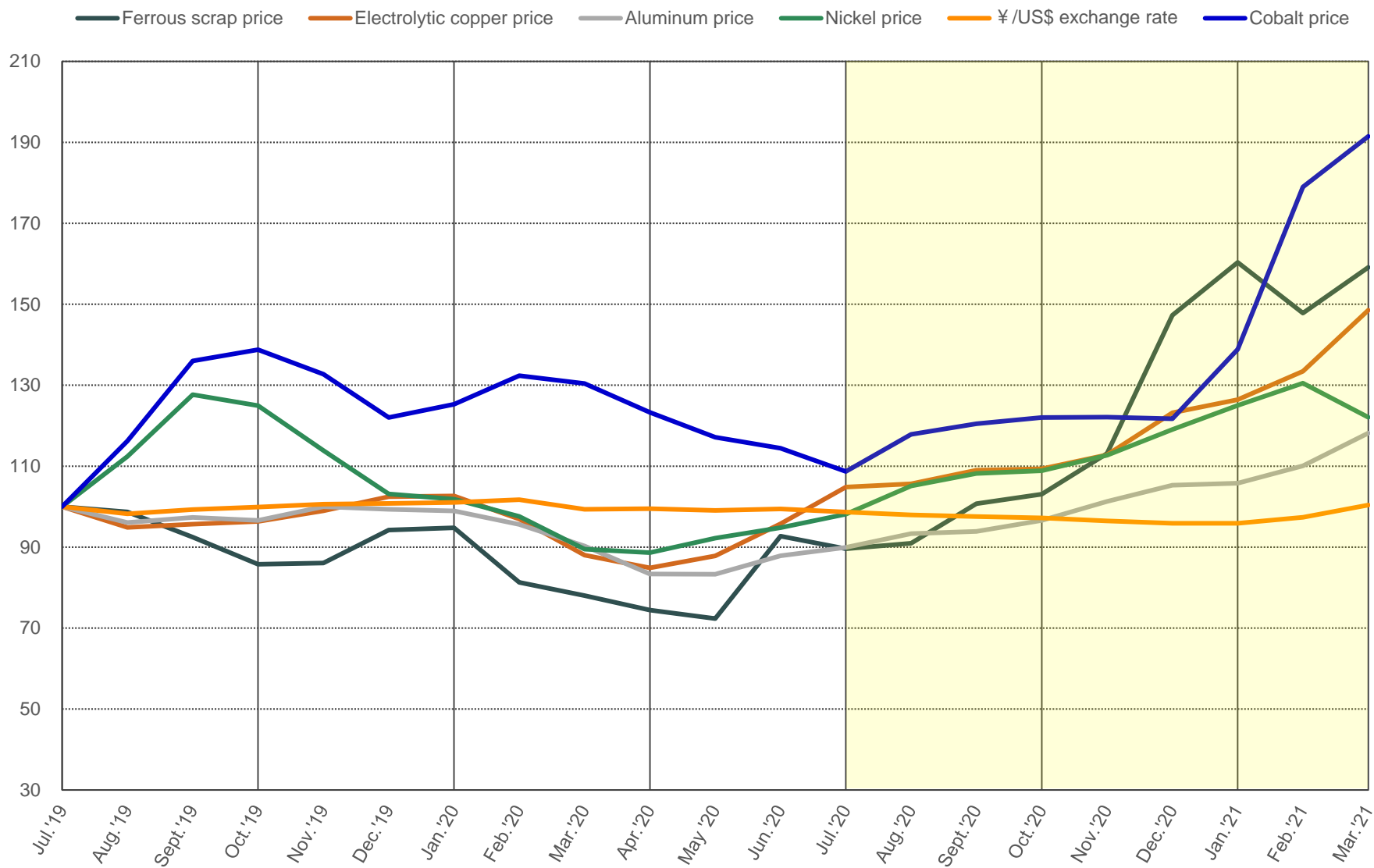


# Market Price ②



# 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.
- 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.

【Inquiry desk about this material and IR】

Corporate Planning Department, ENVIPRO HOLDINGS Inc.

TEL +81-544-21-3160

URL <https://www.envipro.jp/>