

Financial Results Briefing Materials for the Six Months Ended December 31, 2021

Enviro Holdings Inc.
February 7, 2022



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1 . Financial Overview for the Six Months Ended December 31, 2021

Highlights for the Six Months Ended December 31, 2021



Consolidated Financial Results

Net sales	¥27,242 million	(Up 64.0%	YoY)
Operating profit	¥1,494 million	(Up 180.9%	YoY)
Ordinary profit	¥1,759 million	(Up 146.7%	YoY)
Profit*	¥1,270 million	(Up 159.6%	YoY)

Main Topics

- The average ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price) during the period was ¥52,266, trending upward from ¥28,008 of the same period of the previous fiscal year.
- The average market prices of copper, aluminum, nickel and cobalt also increased above those of the same period of the previous fiscal year.
- While domestic crude steel production was strong, overseas demand for ferrous scrap was in a declining trend and its price remained high in Japan, and low overseas as a result of factors including the suppression of crude steel production due to stronger environmental restrictions in China and the resurgence of the spread of COVID-19 abroad, etc.
- Soaring ocean freight rates due to difficulties in booking freighters because of worldwide shortage of shipping containers etc.
- In relation to the movement toward a decarbonized society, the evaluation of use of recycled resource improved due to its effectiveness in reducing CO₂ emissions.
- In the Lithium-ion Battery Recycling business, in addition to rising prices of cobalt and increase in purchase amount from leading battery manufacturers, etc., progress was made in the development of collection, production, analysis, and sales systems.
- Announced a plan to build a new plant (to be completed in December 2022, total investment approximately ¥1.5 billion).

*Profit : Profit attributable to owners of parent

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

Summary of Consolidated Statements of Income



(million yen)

	June/2021	June/2022	YoY	
	1st half	1st half	Increase/ Decrease	Ratio
	Actual	Actual		
Net sales	16,615	27,242	10,627	64.0%
Gross profit	3,411	5,018	1,606	47.1%
Operating profit	532	1,494	962	180.9%
Ordinary profit	713	1,759	1,046	146.7%
Profit before income taxes	718	1,771	1,052	146.4%
Profit*	489	1,270	780	159.6%
Marginal profit*	3,372	4,543	1,171	34.7%
EBITDA*	905	1,834	928	102.5%
Fixed costs*	2,797	3,042	245	8.8%

* Profit= Profit attributable to owners of the parent

* Marginal profit=Net sales - Variable costs

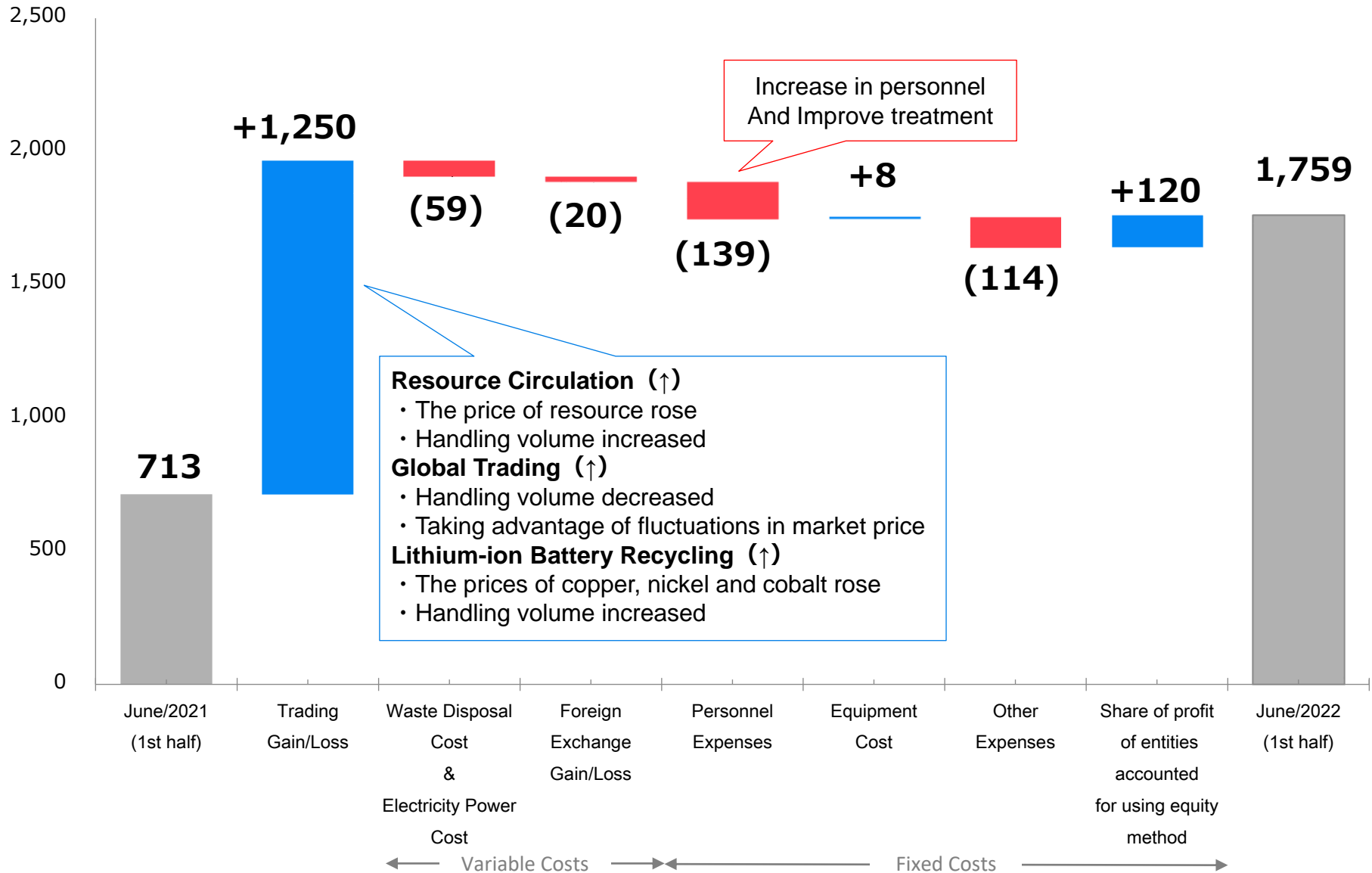
* EBITDA = Operating profit + Depreciation + Amortization of goodwill

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

Analysis of Difference in Consolidated Ordinary Profit (YoY)



(million yen)



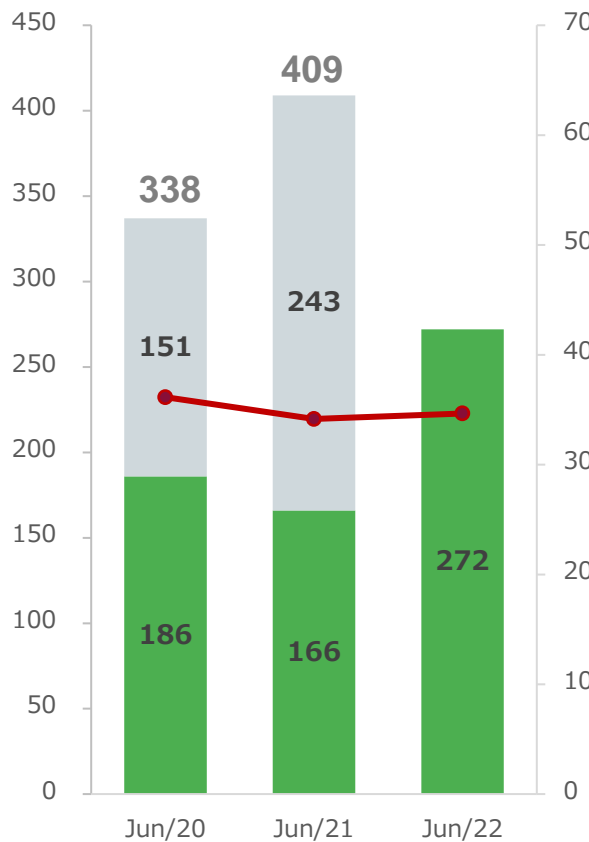
Consolidated Financial Results



Net sales (Handling volume)

Up 64.0%
YoY

(100million yen)

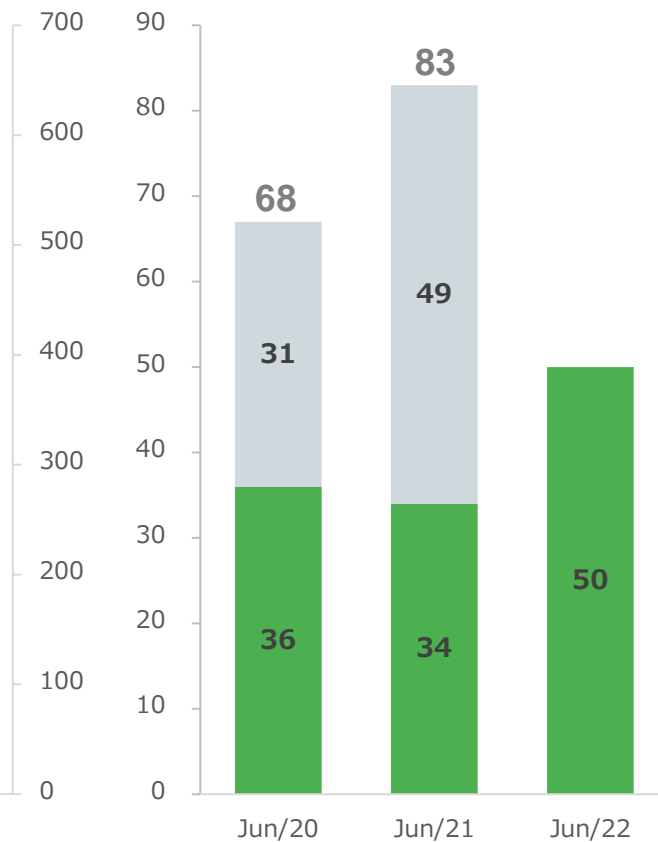


■ 1st half ■ 2nd half ● Handling volume (1st half)

Gross profit

Up 47.1%
YoY

(1,000 t) (100million yen)

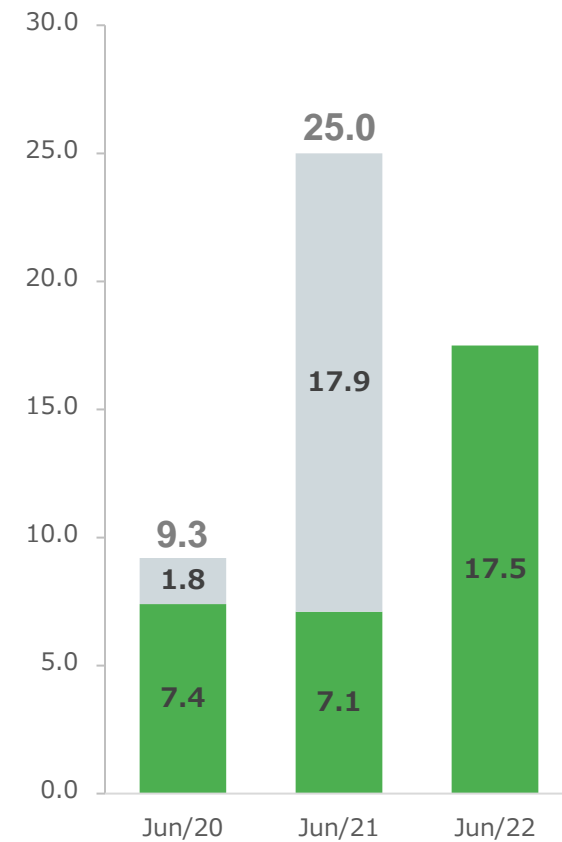


■ 1st half ■ 2nd half

Ordinary profit

Up 146.7%
YoY

(100million yen)



■ 1st half ■ 2nd half

Summary of Business Results by Segment



(million yen)

Net sales	June/2021 1st half	June/2022 1st half			
	Actual	Actual	YoY		Composition Ratio
			Increase/ Decrease	Ratio	
Consolidated	16,615	27,242	10,627	64.0%	100.0%
Resource Circulation Business	5,989	9,891	3,901	65.1%	32.2%
Global Trading Business	12,270	20,233	7,963	64.9%	65.8%
Lithium-ion Battery Recycling Business	125	376	250	199.9%	1.2%
Others	166	243	77	46.2%	0.8%
Adjustment	(1,937)	(3,503)	(1,565)	-	-

Segment profit	June/2021 1st half	June/2022 1st half			
	Actual	Actual	YoY		Composition Ratio
			Increase/ Decrease	Ratio	
Consolidated	713	1,759	1,046	146.7%	100.0%
Resource Circulation Business	737	1,405	668	90.7%	72.0%
Global Trading Business	164	371	206	125.6%	19.0%
Lithium-ion Battery Recycling Business	(80)	92	172	-	4.8%
Others	37	81	44	120.7%	4.2%
Adjustment	(145)	(191)	(46)	-	-

Summary of Business Results by Segment



(million yen)

		June/2021	June/2022			
		1st half	1st half		Composition Ratio	
		Actual	Actual	YoY		
			Increase/Decrease	Ratio		
Resource Circulation Business	Net sales	5,989	9,891	3,901	65.1%	32.2%
	Segment profit	737	1,405	668	90.7%	72.0%
	<ul style="list-style-type: none"> ➤ The average market prices of the ferrous scrap and nonferrous metals increased from the same period of the previous fiscal year. ➤ The profitability of resource recycling increased against the backdrop of physical sorting technologies. ➤ The price gap between high-grade and low-grade scraps temporarily widened as demand for high-grade ferrous scraps produced from large-scale shredders increased. ➤ Handling volume increased due to the impact of purchasing ferrous scrap discharged from large-scale demolition properties. 					
Global Trading Business	Net sales	12,270	20,233	7,963	64.9%	65.8%
	Segment profit	164	371	206	125.6%	19.0%
	<ul style="list-style-type: none"> ➤ While domestic crude steel production was strong, overseas demand for ferrous scrap was in a declining trend and its price remained high in Japan, and low overseas. ➤ Soaring ocean freight rates due to difficulties in booking freighters because of shortage of shipping containers, etc. ➤ Revenue was secured by capturing domestic demand and taking advantage of price fluctuations in sales. ➤ Revenue was secured by passing on prices in our logistics agency services and increasing use of roll-on/roll-off ship, etc. 					

Summary of Business Results by Segment



(million yen)

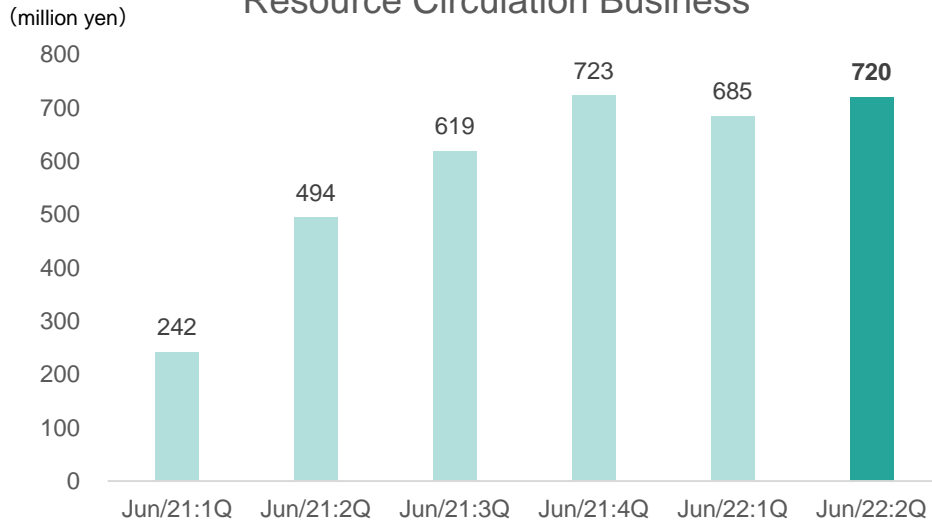
		June/2021	June/2022			
		1st half	1st half		Composition Ratio	
		Actual	Actual	YoY		
			Increase/Decrease	Ratio		
Lithium-ion Battery Recycling Business	Net sales	125	376	250	199.9%	1.2%
	Segment profit	(80)	92	172	-	4.8%
	<ul style="list-style-type: none"> ➤ The average market prices of copper, nickel and cobalt increased from the same period of the previous fiscal year. ➤ Handling volume increased due to purchasing from leading battery manufacturers, and contracts of waste batteries processing by making use of the disposal business license. ➤ Increase in black mass* production ➤ Increase in revenue due to decrease in depreciation resulting from impairment loss implemented in the previous fiscal year. 					
Others	Net sales	166	243	77	46.2%	0.8%
	Segment profit	37	81	44	120.7%	4.2%
	<p>◀Environment Management Consulting Business▶</p> <ul style="list-style-type: none"> ➤ Revenue was secured by a strong stream of orders of consulting to a circular economy, etc., CDP evaluation improvement support, formulation of carbon neutral strategies and TCFD response support. <p>◀Welfare Service Business for People with Disabilities▶</p> <ul style="list-style-type: none"> ➤ Profitability worsened due to the revision of compensation and personnel expenses increased owing to the improved employee treatment. ➤ Plan to close Bright Musashi Kosugi, Pre-employment transition support program facility at the end of February 2022. 					

*Black mass : Cobalt and nickel concentrate containing carbon

Quarterly Ordinary Profit by Segment



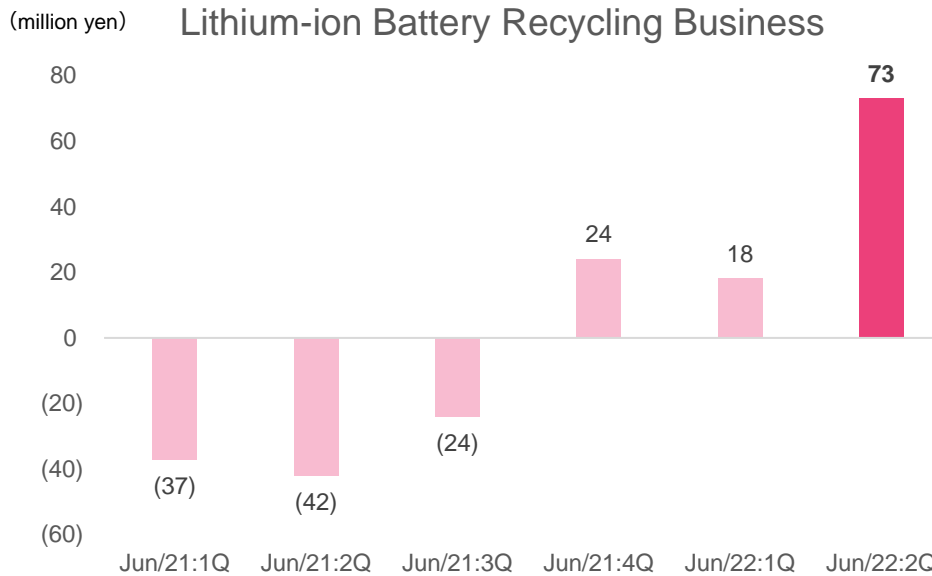
Resource Circulation Business



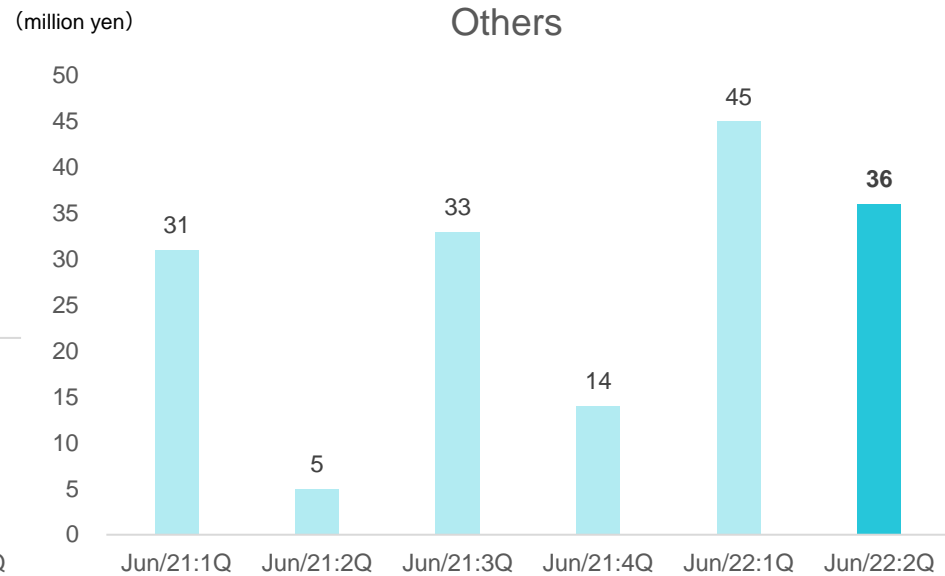
Global Trading Business



Lithium-ion Battery Recycling Business



Others



Summary of Consolidated Balance Sheets



(million yen)

	As of June 30 2021	As of Dec 31 2021	Increase/ Decrease		As of June 30 2021	As of Dec 31 2021	Increase/ Decrease
Current assets	17,500	16,989	(511)	Current liabilities	9,765	9,169	(595)
Non-current assets	9,048	9,654	606	Non-current liabilities	3,450	3,186	(264)
(Property, plant and equipment)	6,119	6,419	300	Total liabilities	13,215	12,355	(859)
(Intangible assets)	66	99	33	Net assets	13,333	14,288	954
(Investments and other assets)	2,862	3,135	273	(Equity)	12,959	13,890	931
Total assets	26,548	26,644	95	Total liabilities and net assets	26,548	26,644	95

Main Topics (Change from June 30, 2021)

- Current assets (Notes and accounts receivable-trade: ¥164 million, Cash and deposits: -¥765 million, Merchandise and finished goods: -¥121 million)
- Non-current assets (Investment securities: ¥254 million, Construction in progress: ¥213 million, Land: ¥150 million)
- Current liabilities (Short-term borrowings: ¥545 million, Notes and accounts payable-trade: -¥627 million, Income taxes payable: -¥122 million)
- Non-current liabilities (Long-term borrowings -¥238 million)
- Equity ratio 52.1% (48.8% as of June 30, 2021)

Summary of Consolidated Cash Flows



(million yen)

	June/2021 1st half	June/2021 2nd half	June/2022 1st half
Cash flow from operating activities	(506)	254	(38)
Cash flow from investing activities	(117)	101	(330)
Cash flow from financing activities	(298)	(2,568)	(364)
Effect of exchange rate change on cash and cash equivalents	(21)	30	17
Net Increase (decrease) in cash and cash equivalents	(943)	(2,181)	(766)
Cash and cash equivalents at beginning of period	10,242	9,298	7,117
Cash and cash equivalents at end of period	9,298	7,117	6,351

Main Topics

- Cash flows from operating activities :

(Inflows) ¥1,771 million in profit before income taxes, ¥343 million in depreciation

(Outflows) ¥630 million in decrease in trade payables, ¥587 million in income tax paid, ¥488 million in decrease in accounts payable-other, ¥258 million in share of profit of entities accounted for using equity method, ¥153 million in increase in trade receivables
- Cash flows from investing activities :

(Inflows) ¥11 million in proceed from sale of property, plant and equipment

(Outflows) ¥326 million in purchase of property, plant and equipment, ¥40 million in purchase of shares of subsidiaries
- Cash flows from financing activities :

(Inflows) ¥545 million in net increase in short-term borrowings, ¥135 million in proceeds from long-term borrowings

(Outflows) ¥577 million in repayments of long-term borrowings, ¥369 million in dividends paid, ¥97 million in repayments of finance lease obligations

2. Forecast for the Fiscal Year Ending June 30, 2022

Forecast for the Consolidated Results for the Fiscal Year Ending June 30, 2022



Forecast for the Consolidated Results

Net sales	¥54,000 million	(Up 31.9%	YoY)
Operating profit	¥2,390 million	(Up 12.2%	YoY)
Ordinary profit	¥2,850 million	(Up 13.6%	YoY)
Profit*	¥1,950 million	(Up 30.7%	YoY)

Prerequisites

Ferrous scrap price	Electrolytic copper price	Gold price	Silver price	Nickel price	Cobalt price	Exchange rate (¥/US\$)
¥50,000/ t	¥1,000,000/t	¥6,000/g	¥85,000/kg	¥1,800/kg	¥4,650/kg	¥105/US\$

Main Topics

- Forecast demand for metal scrap increase although the future is uncertain due to the COVID-19.
- Resource prices are estimated based on the level at the end of the previous fiscal year.
- Increase in collect of gold, silver and copper sediment sludge*.
- Strengthen of Initiatives for wide-area dismantling and cleaning.
- Expansion of import, export, trilateral trade and stockyards.
- Expansion of the existing plants and investigation of the hydrometallurgy business in the Lithium-ion Battery Recycling Business.
- Increase in demand for climate change-related and circular economy consulting.
- Continue to improve productivity and reduce fixed costs by reviewing General and administrative expenses.

*Profit: Profit attributable to owners of the parent

*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, 2022



(million yen)

	June/2021 Full year	June/2022 Full year	YoY		June/2022 1st half	
	Actual	Forecast	Increase/ Decrease	Ratio	Actual	Progress Ratio
Net sales	40,933	54,000	13,066	31.9%	27,242	50.4%
Gross profit	8,364	9,397	1,032	12.3%	5,018	53.4%
Operating profit	2,130	2,390	259	12.2%	1,494	62.5%
Ordinary profit	2,508	2,850	341	13.6%	1,759	61.8%
Profit before income taxes	2,101	2,856	754	35.9%	1,771	62.0%
Profit*	1,491	1,950	458	30.7%	1,270	65.1%
Marginal profit*	8,023	8,800	776	9.7%	4,543	51.6%
EBITDA*	2,868	3,153	285	9.9%	1,834	58.2%
Fixed costs*	5,895	6,379	484	8.2%	3,042	47.7%
ROE	12.1%	14.2%	2.1%	17.3%	—	—

* Profit= Profit attributable to owners of the parent

* Marginal profit=Net sales - Variable costs

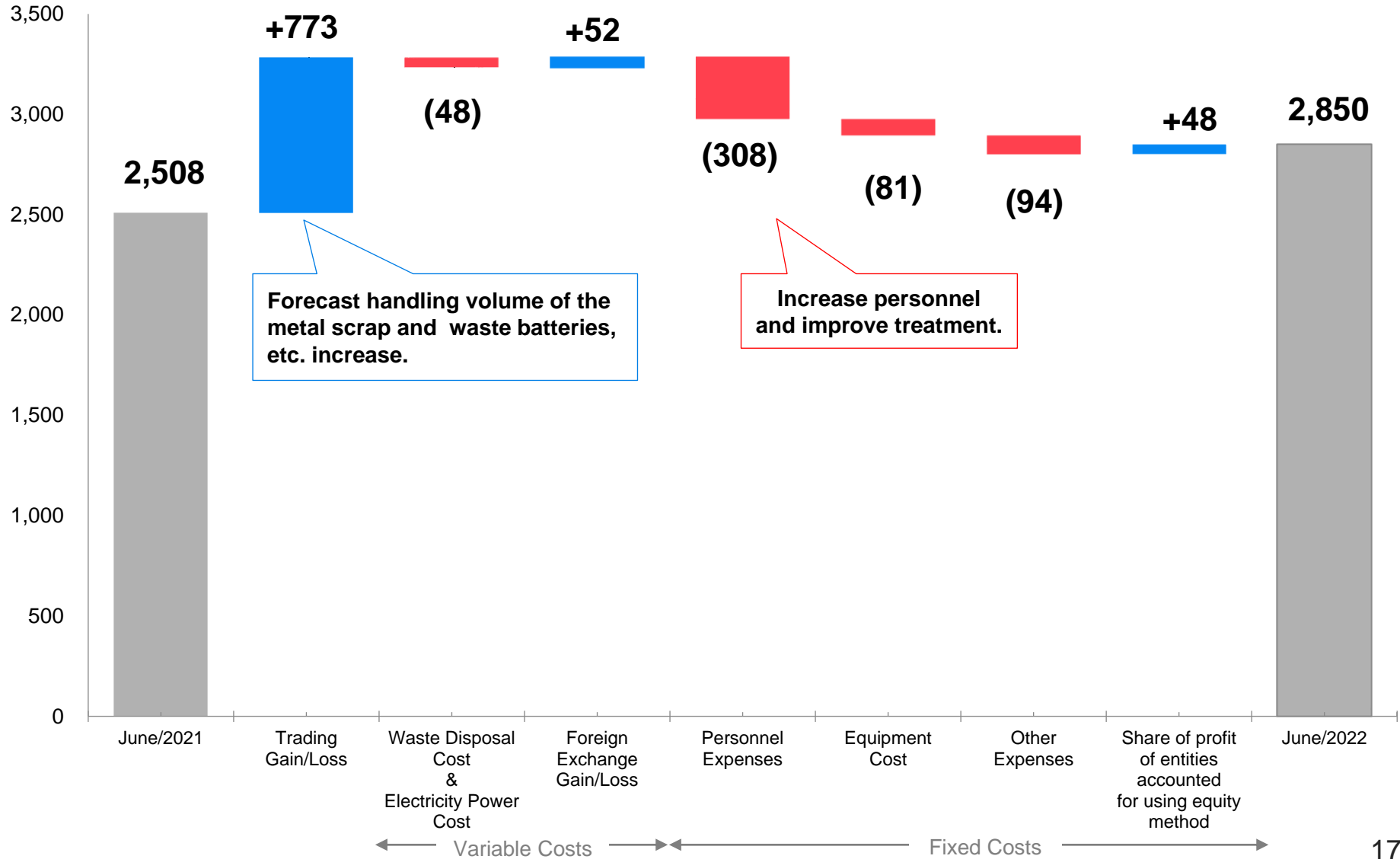
* EBITDA = Operating profit + Depreciation + Amortization of goodwill

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

Analysis of Difference in Consolidated Ordinary Profit (YoY)



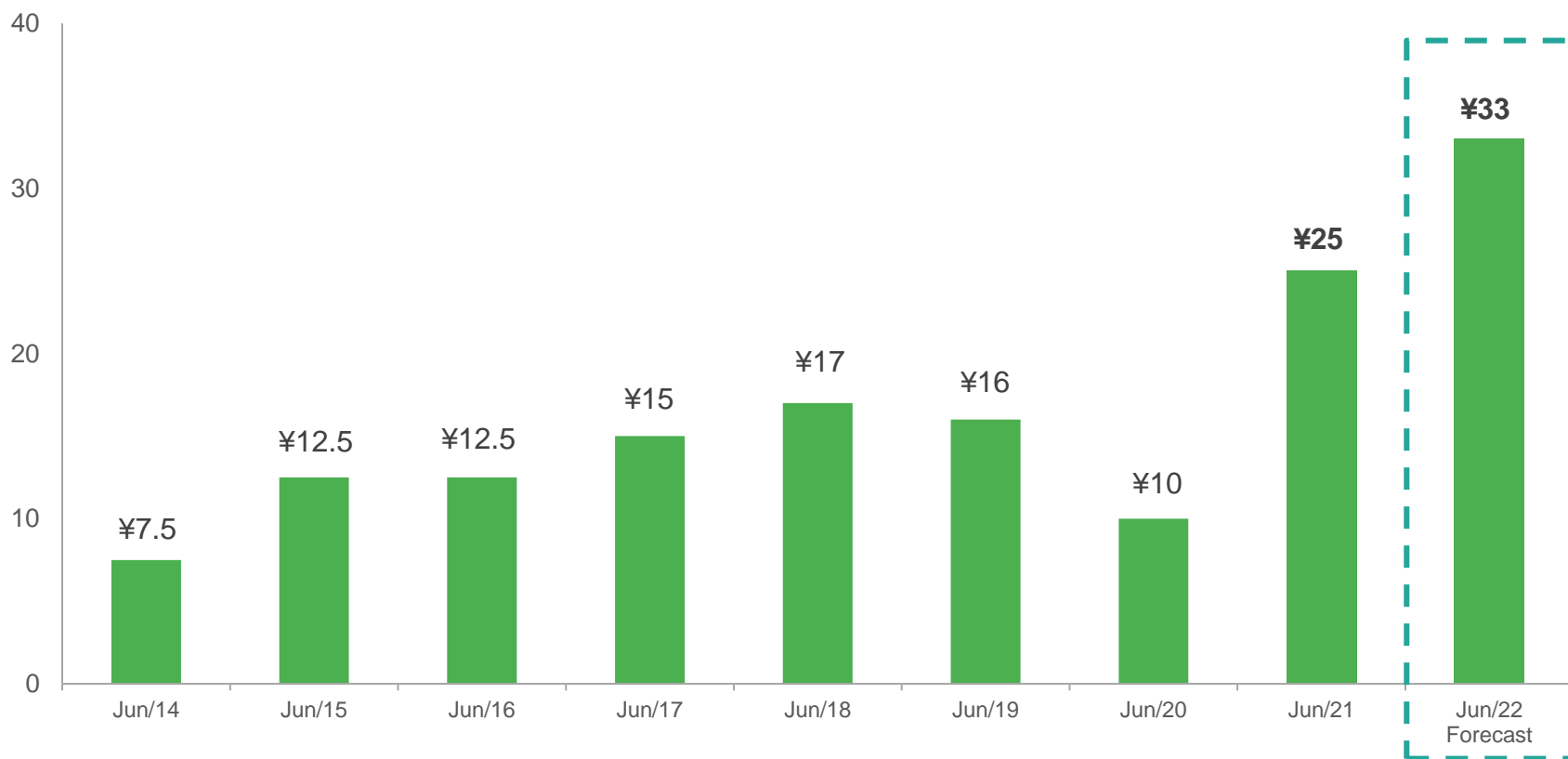
(million yen)



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.



※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.

4. Reference Data

By Segment: Net sales by Material



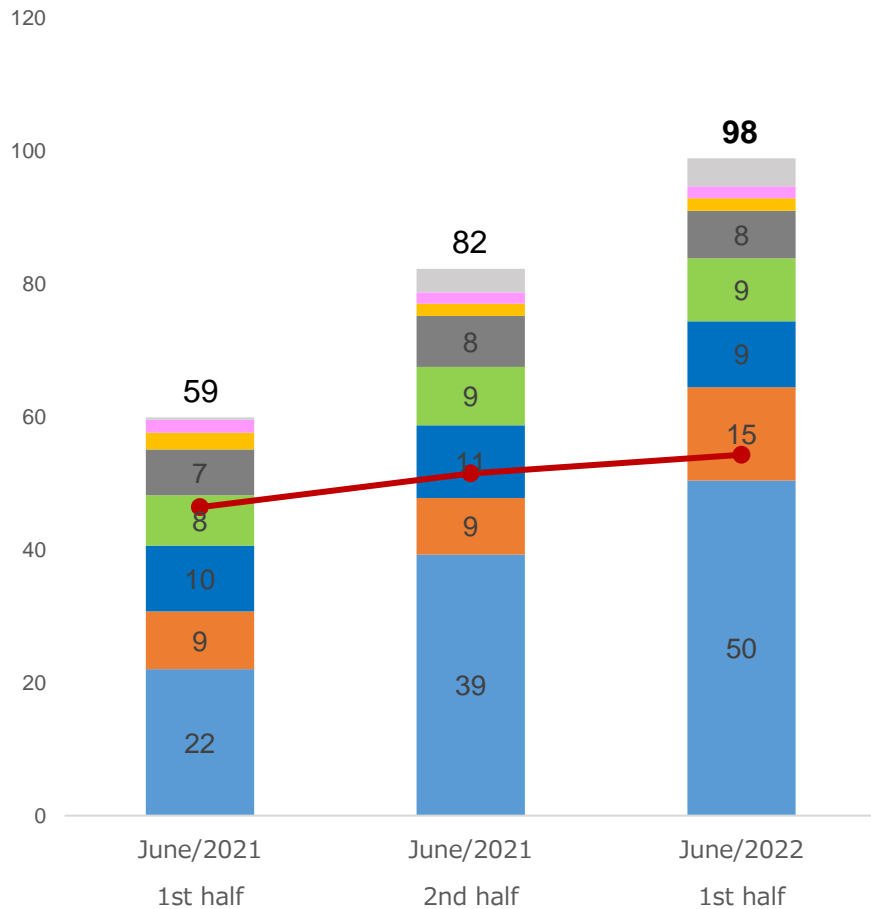
Resource Circulation Business

Net sales and Total handling volume by material

- Ferrous scrap
- Nonferrous metal scrap
- Waste disposal fee
- Rubber products
- Gold and silver, etc.*
- Dismantling and cleaning, etc.
- RPF, Waste paper, etc.
- Others
- Total handling volume

(100 million yen)

(1,000 t) (100 million yen)



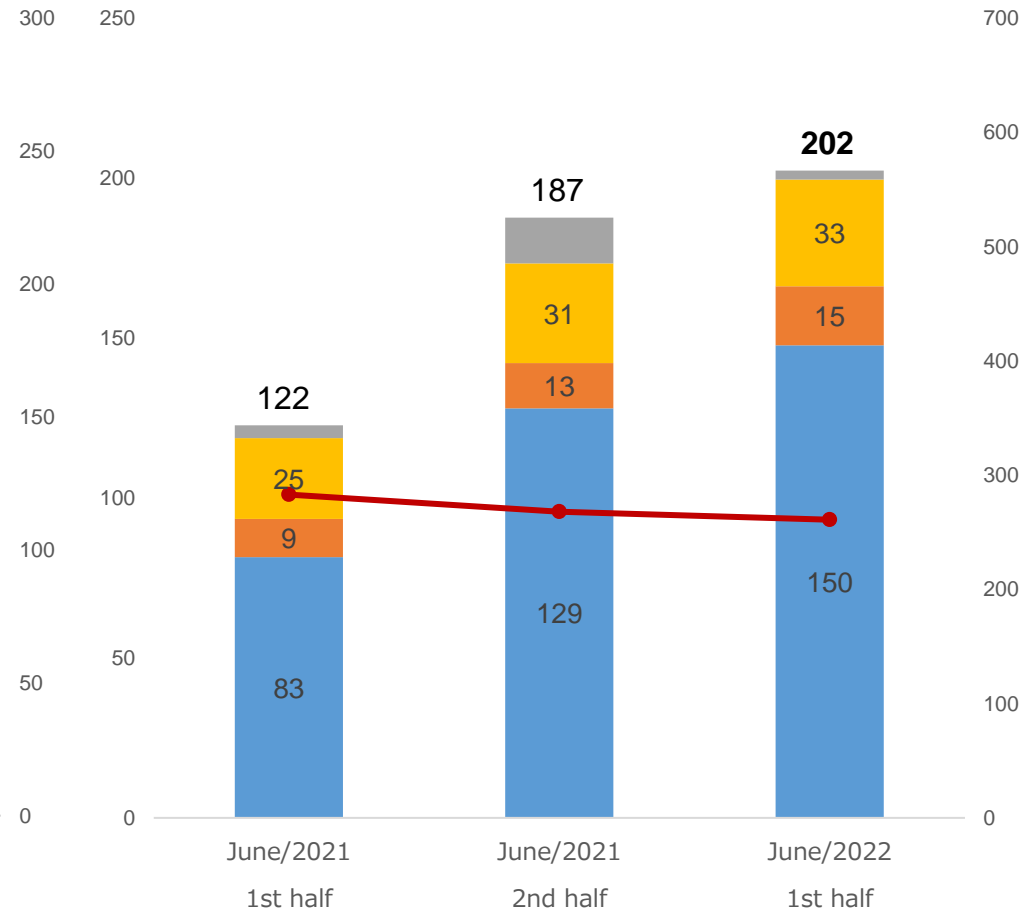
Global Trading Business

Net sales and Total handling volume by material

- Ferrous scrap
- Nonferrous metal scrap
- Used car
- Others
- Total handling volume

(100 million yen)

(1,000 t)



*Gold and silver, etc. : A mix of gold, silver, copper, platinum, and palladium

Handling volume by material

(1,000 t)

Item	June/2020 Full year	June/2021 Full year	June/2022 1st half
Ferrous scrap	601	578	294
Nonferrous metal scrap	33	21	8
Gold, silver & copper sediment sludge*	2	3	1
Rubber products	12	10	6
RPF, Waste paper, etc.	46	57	28
Black mass, etc.*	—	0.6	0.3
Others	23	20	6
Total	719	693	346

(kg)

Item (Precious metals collected)	June/2020 Full year	June/2021 Full year	June/2022 1st half
Gold	70	71	33
Silver	1,069	1,244	579

*Gold, silver and copper sediment sludge: A mix of gold, silver, copper, platinum, and palladium

*Black mass : Cobalt and nickel concentrate containing carbon

Net sales by area

(100 million yen)

Area	June/2020 Full year	June/2021 Full year	June/2022 1st half	
East Asia	Japan	117	197	137
	Korea	82	73	60
	Taiwan	8	13	0
	Others	3	8	3
Southeast Asia	Vietnam	60	93	50
	Others	33	13	5
South Asia	India etc.	4	3	3
West Asia	UAE etc.	6	1	1
South America	Chile etc.	8	2	4
Africa	Uganda etc.	3	1	3
Others	—	10	0	0
Total	338	409	272	

Quarterly Business Results by Segment

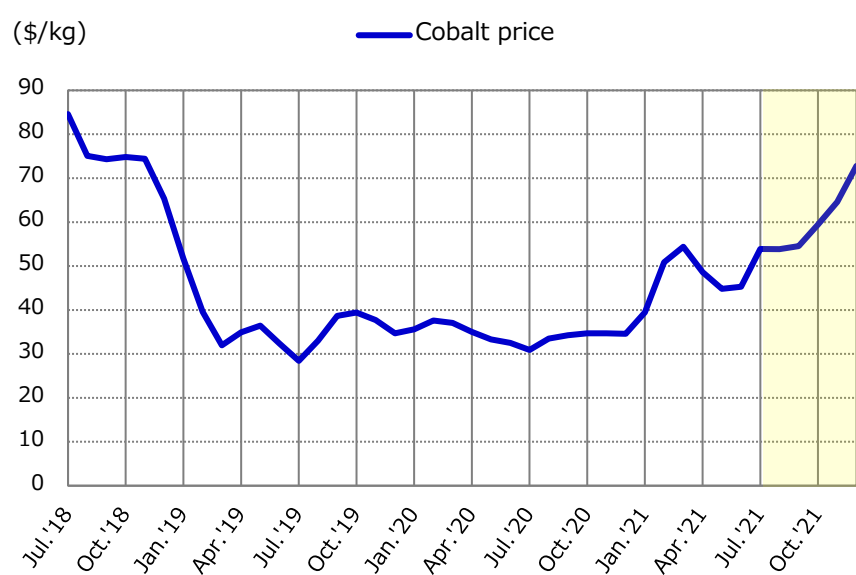
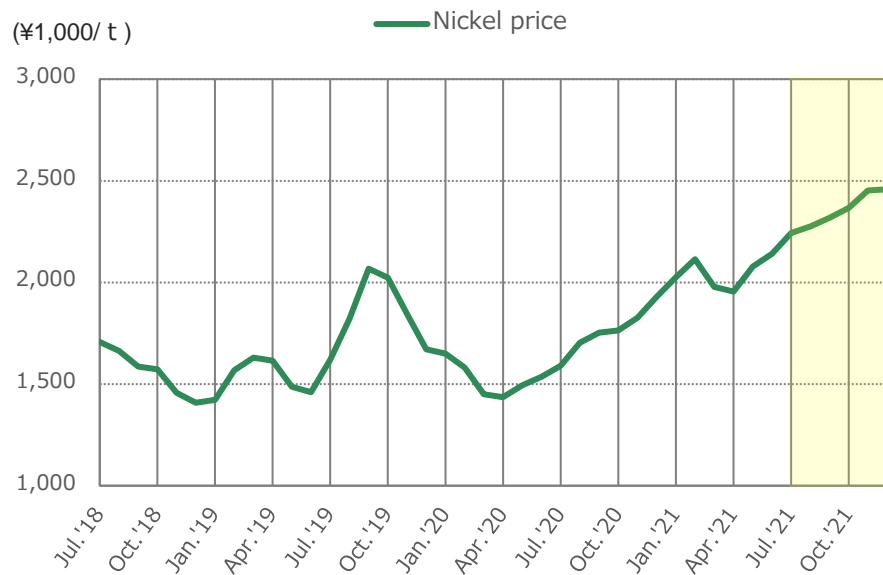
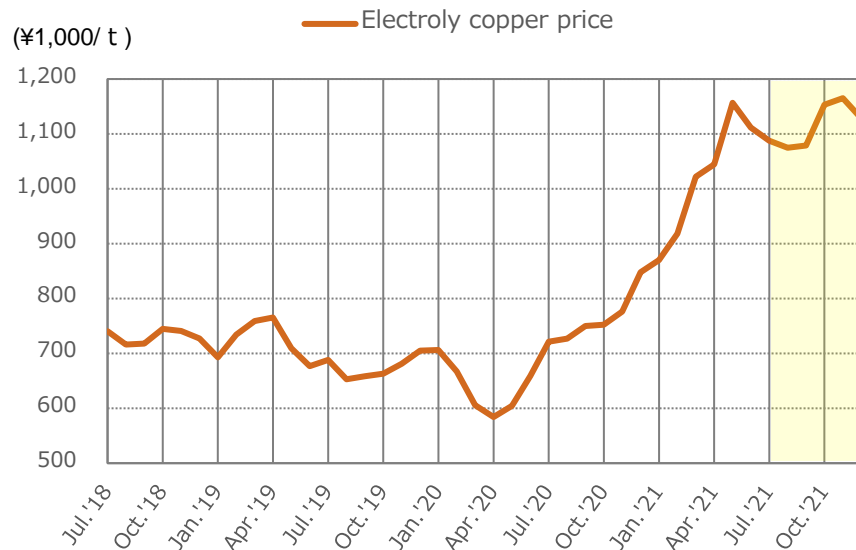
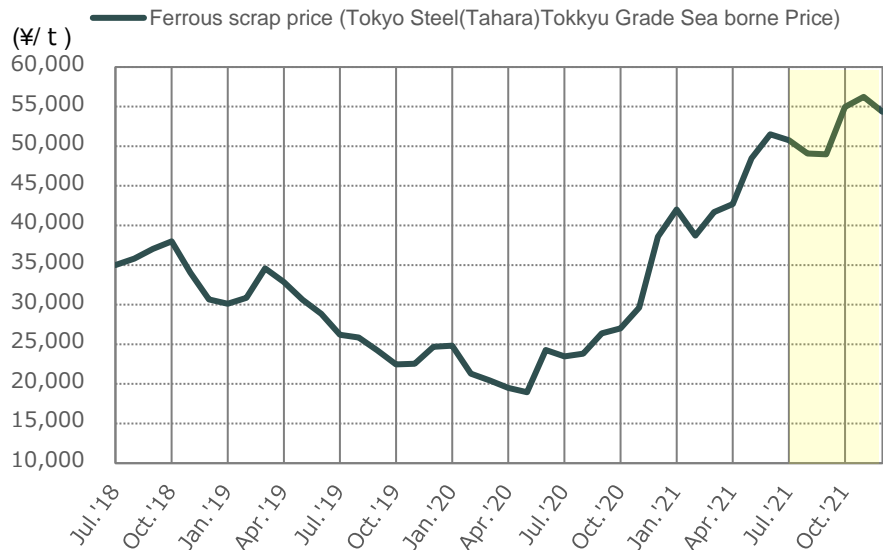


(million yen)

Segment		June/2021						June/2022		
		1Q	2Q	3Q	4Q	Full year	Composition Ratio	1Q	2Q	Composition Ratio
Resource Circulation Business	Net sales	2,795	3,194	3,730	4,496	14,216	30.9%	4,762	5,129	35.1%
	Ordinary profit	242	494	619	723	2,080	74.4%	685	720	80.1%
	Ordinary profit ratio	8.7%	15.5%	16.6%	16.1%	14.6%	—	14.4%	14.0%	—
Global Trading Business	Net sales	5,356	6,914	7,558	11,204	31,033	67.5%	11,109	9,123	62.5%
	Ordinary profit	61	102	264	282	711	25.4%	302	69	7.7%
	Ordinary profit ratio	1.2%	1.5%	3.5%	2.5%	2.3%	—	2.7%	0.8%	—
Lithium-ion Battery Recycling Business	Net sales	62	62	68	162	356	0.8%	147	229	1.6%
	Ordinary profit	(37)	(42)	(24)	24	(80)	(2.9%)	18	73	8.2%
	Ordinary profit ratio	—	—	—	15.0%	—	—	12.9%	32.2%	—
Others	Net sales	94	71	100	86	354	0.8%	127	116	0.8%
	Ordinary profit	31	5	33	14	84	3.0%	45	36	4.0%
	Ordinary profit ratio	32.8%	8.2%	33.0%	16.3%	23.8%	—	35.9%	30.9%	—
Adjustment	Net sales	(870)	(1,066)	(1,198)	(1,891)	(5,026)	—	(1,853)	(1,649)	—
	Ordinary profit	(81)	(63)	(138)	(3)	(287)	—	(130)	(60)	—
	Ordinary profit ratio	—	—	—	—	—	—	—	—	—
Total	Net sales	7,439	9,176	10,259	14,058	40,933	100.0%	14,292	12,950	100.0%
	Ordinary profit	216	496	754	1,040	2,508	100.0%	921	838	100.0%
	Ordinary profit ratio	2.9%	5.4%	7.4%	7.4%	6.1%	—	6.4%	6.5%	—

*Segment profit(loss) is stated as ordinary profit.

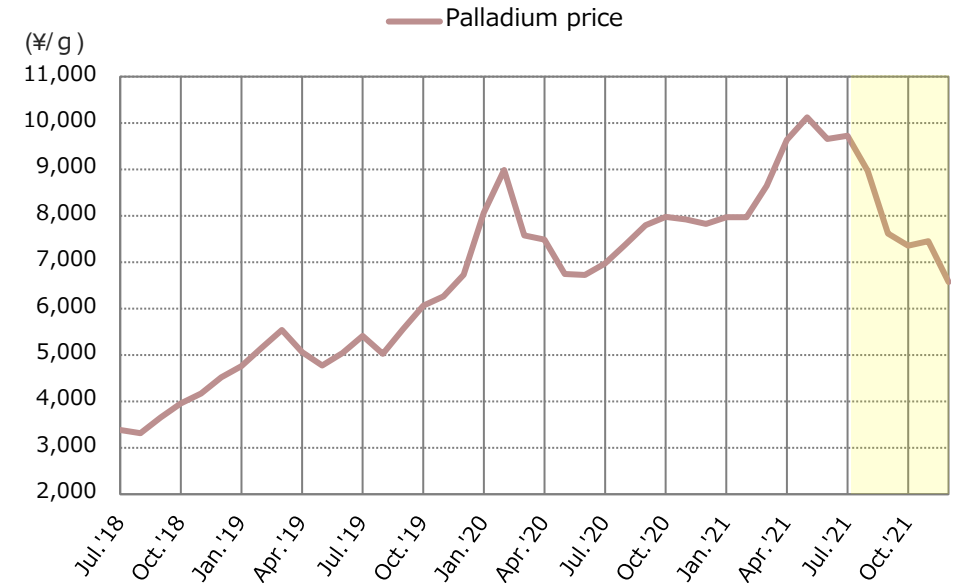
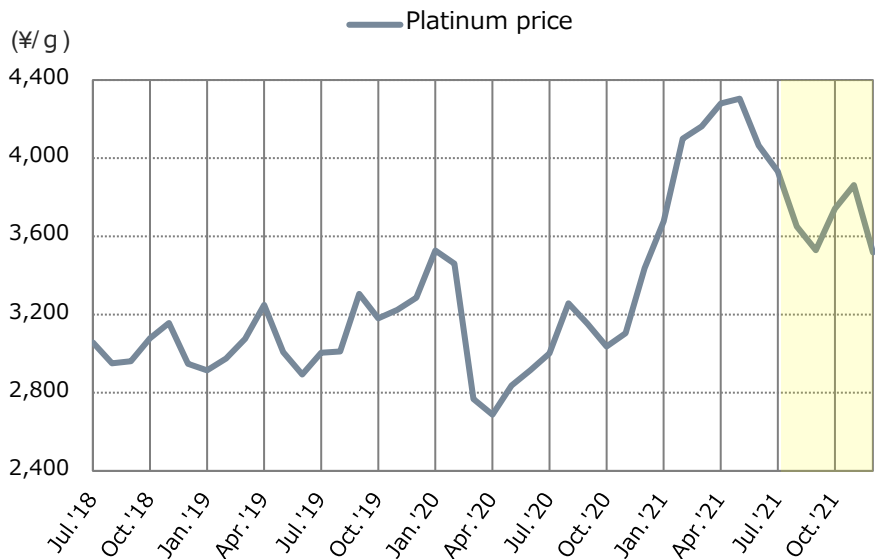
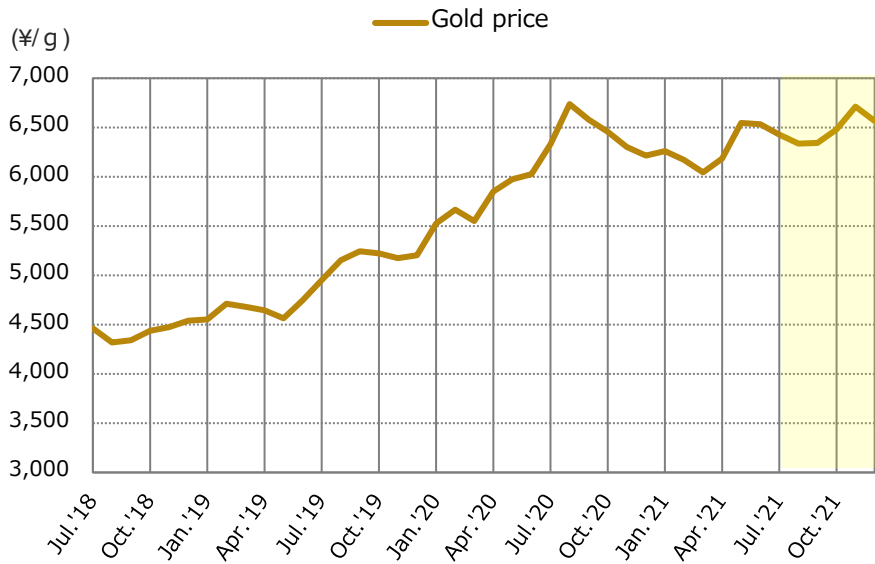
Market Price ①



Sources: Tokyo Steel manufacturing Co., Ltd., Sangyo Press Co., Ltd.

Sources: JX Nippon Mining & Metals Corporation, IRUniverse Co.,Ltd.

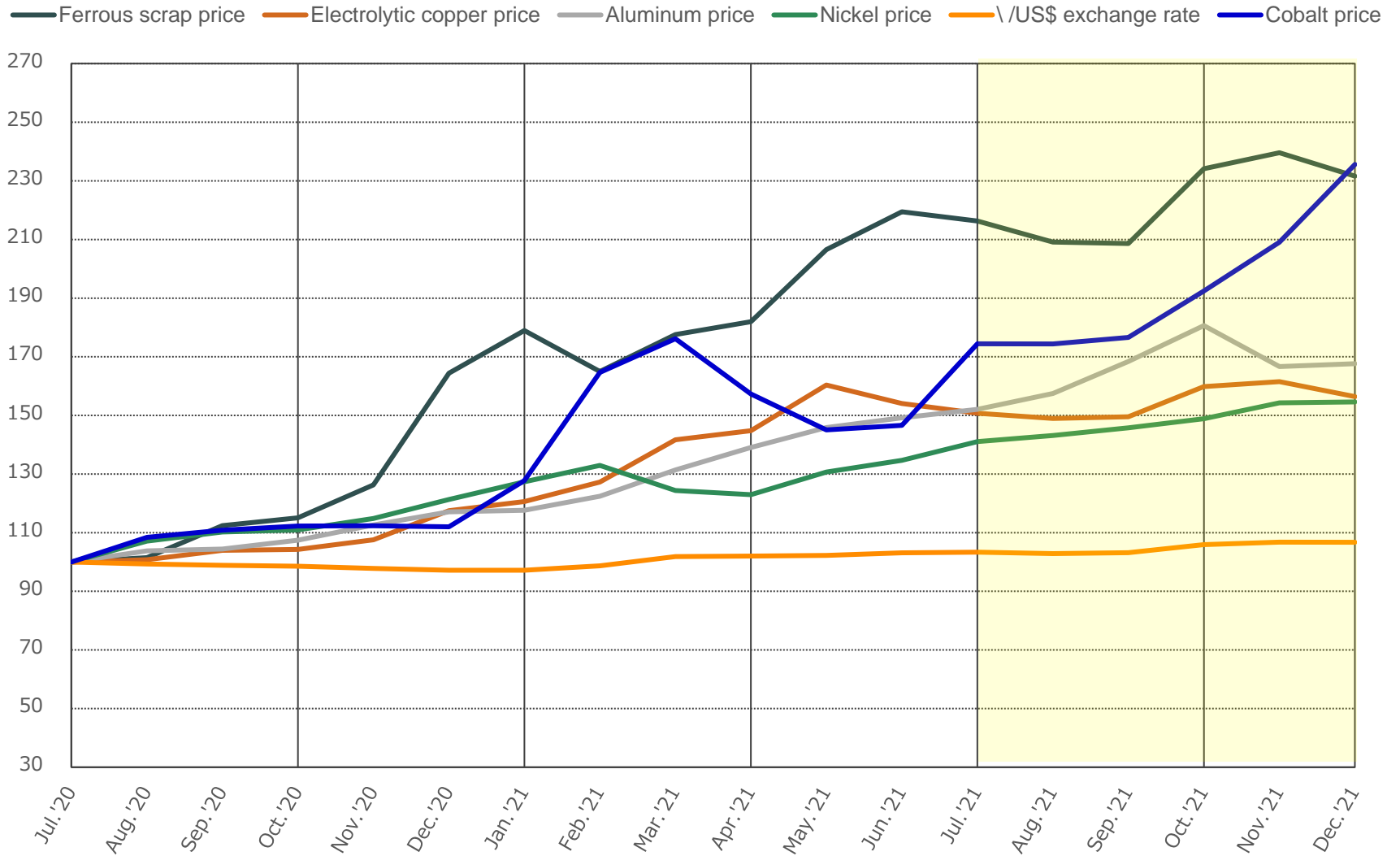
Market Price ②



Market Price ③



Market Price of Metals (INDEX Set July 2020 as 100)



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

- 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.
- This material has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

【Inquiry desk about this material and IR】

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