

Financial Results Briefing Materials for the Fiscal Year Ended June 30, 2023

Envipro Holdings Inc.
(TSE Code : 5698)

August 10, 2023

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Consolidated Financial Results

Net sales	¥49,189 million	(Down 14.2%	YoY)
Operating profit	¥1,542 million	(Down 53.9%	YoY)
Ordinary profit	¥1,901 million	(Down 54.4%	YoY)
Profit*	¥1,236 million	(Down 60.3%	YoY)

Main Topics

- The average ferrous scrap price (Tokyo Steel Tahara Tokkyu Grade Seaborne Price) was ¥49,082/t during the fiscal year ended June 30, 2023. (In the same period of the previous fiscal year ¥55,520/t)
- The average price of cobalt was lower than in the same period of the previous fiscal year, although the average prices of lithium, nickel and copper rose year on year.
- Increase in electricity costs caused by higher energy prices, occurrence of foreign exchange losses resulting from the drastically strengthening yen.
- Restructuring of 2 overseas affiliates that handle used cars-related products. (Loss on liquidation of business: ¥160 million)
- New plant, M&A
 - Resource Circulation Business: At a New plant to collect gold, silver and copper sediment sludge, etc., facilities started operations sequentially from February 2023. (Fuji City, Shizuoka)
 - : Making Nitto Kako Co., Ltd. a consolidated subsidiary
 - (Resource Circulation Business: Manufacture and sale of rubber and resin products, Consolidated P/L in 4Q period)
 - Lithium-ion Battery Recycling Business: A new plant started operation in October 2022 (Fuji City, Shizuoka)
 - : Acquired land/building for a new plant with target of June 2024 starting operation (Hitachinaka City, Ibaraki)

Summary of Consolidated Statements of Income - FY 2023



(¥ million)

	June/2022	June/2023			June/2023		
	Actual	Actual	YoY		Forecast announced on Feb 10, 2023	Compared with forecast announced on Feb 10, 2023	
			Increase/Decrease	Ratio		Increase/Decrease	Ratio
Handling volume (1,000t)	706	625	(80)	(11.4%)	-	-	-
Net sales	57,319	49,189	(8,129)	(14.2%)	50,000	(810)	(1.6%)
Gross profit	10,628	8,499	(2,129)	(20.0%)	-	-	-
Operating profit	3,343	1,542	(1,800)	(53.9%)	1,900	(357)	(18.8%)
Ordinary profit	4,166	1,901	(2,264)	(54.4%)	2,200	(298)	(13.5%)
Profit before income taxes	4,176	1,759	(2,417)	(57.9%)	-	-	-
Profit*	3,111	1,236	(1,874)	(60.3%)	1,400	(163)	(11.7%)
Marginal profit*	9,968	8,744	(1,224)	(12.3%)	-	-	-
EBITDA*	4,042	2,475	(1,567)	(38.8%)	-	-	-
Fixed costs*	6,325	7,364	1,038	16.4%	-	-	-
ROE	21.6%	7.7%	(13.9%)	(64.4%)	-	-	-

*Profit: Profit attributable to owners of the parent

*Marginal profit = Net sales - Variable costs

*EBITDA = Operating profit + Depreciation + Amortization of goodwill

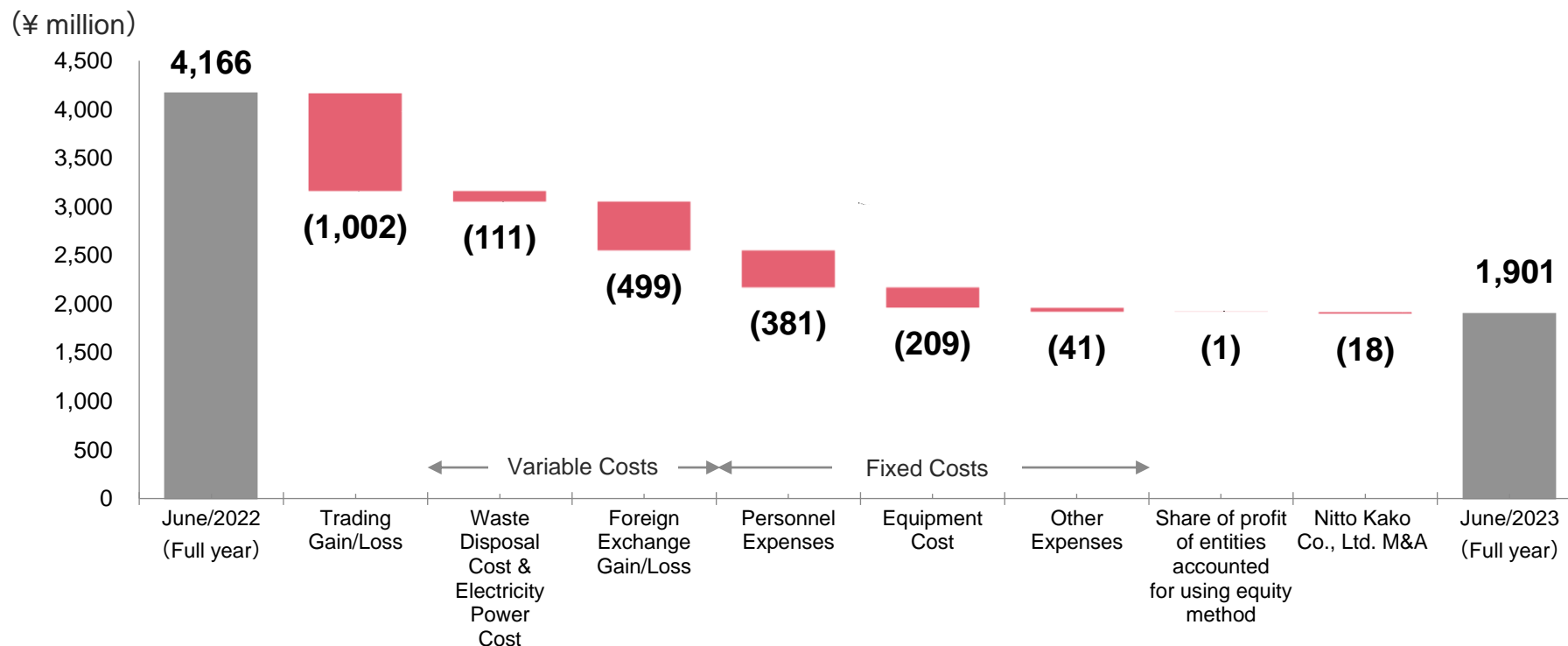
*Fixed costs = [Cost of sales · Selling, General & administrative expenses · fixed cost equivalency of Non-operating expenses] – [Foreign exchange gains · non-operating income except equity method profit]

Analysis of Difference in Consolidated Ordinary Profit (YoY)



Main Topics

- **Trading Gain/Loss :** Significant decrease in Resource Circulation Business and Global Trading Business; increase in Lithium-ion Battery Recycling business
- **Foreign Exchange Gain/Loss :** Foreign exchange losses occurred compared to foreign exchange gains in the previous period
- **Personnel Expenses :** Increased personnel, regular salary increase and base increase of more than ¥10,000
- **Equipment Cost :** Investment in new plants and new facilities (Gold, silver and copper sediment sludge collection function, LIB recycling function, etc.)
- **Other Expenses :** Financial advisor fees for M&A of Nitto Kako Co., Ltd.



Summary of Business Results by Segment



(¥ million)

Segment		June/2022	June/2023			
		Actual	Actual	YoY		Composition Ratio
				Increase/Decrease	Ratio	
Resource Circulation Business	Handling volume (1,000t)	274	262	(12)	(4.6%)	–
	Net sales	20,397	18,852	(1,544)	(7.6%)	34.0%
	Ordinary profit	2,752	1,565	(1,186)	(43.1%)	63.6%
	Ordinary profit ratio	13.5%	8.3%	(5.2%)	(38.5%)	–
Global Trading Business	Handling volume (1,000t)	537	465	(72)	(13.4%)	–
	Net sales	42,989	34,485	(8,504)	(19.8%)	62.2%
	Ordinary profit	1,147	220	(926)	(80.8%)	9.0%
	Ordinary profit ratio	2.7%	0.6%	(2.0%)	(76.0%)	–
Lithium-ion Battery Recycling Business	Net sales	1,347	1,635	288	21.4%	3.0%
	Ordinary profit	478	575	96	20.2%	23.4%
	Ordinary profit ratio	35.5%	35.2%	(0.4%)	(1.1%)	–
Others	Net sales	443	463	20	4.6%	0.8%
	Ordinary profit	120	99	(21)	(17.7%)	4.0%
	Ordinary profit ratio	27.3%	21.5%	(5.8%)	(21.3%)	–
Adjustment	Net sales	(7,857)	(6,247)	1,610	–	–
	Ordinary profit	(332)	(558)	(226)	–	–
Consolidated	Handling volume (1,000t)	706	625	(80)	(11.4%)	–
	Net sales	57,319	49,189	(8,129)	(14.2%)	100.0%
	Ordinary profit	4,166	1,901	(2,264)	(54.4%)	100.0%
	Ordinary profit ratio	7.3%	3.9%	(3.4%)	(46.8%)	–

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

Summary of Business Results by Segment



(¥ million)

		June/2022	June/2023			
		Actual	Actual	YoY		Composition Ratio
				Increase/Decrease	Ratio	
Resource Circulation Business	Net sales	20,397	18,852	(1,544)	(7.6%)	34.0%
	Segment profit	2,752	1,565	(1,186)	(43.1%)	63.6%
Global Trading Business	Net sales	42,989	34,485	(8,504)	(19.8%)	62.2%
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Summary of Business Results by Segment



(¥ million)

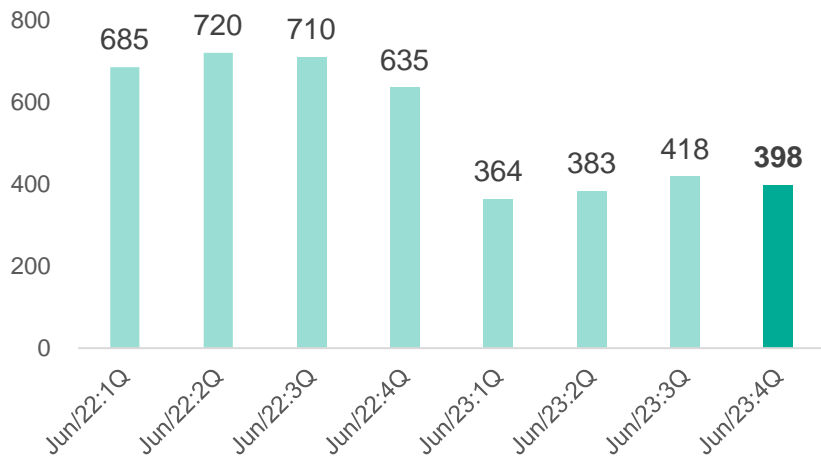
		June/2022	June/2023			
		Actual	Actual	YoY		Composition Ratio
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Lithium-ion Battery Recycling Business	Net sales	1,347	1,635	288	21.4%	3.0%
	Segment profit	478	575	96	20.2%	23.4%
Others	Net sales	443	463	20	4.6%	0.8%
	Segment profit	120	99	(21)	(17.7%)	4.0%

Quarterly Ordinary Profit by Segment

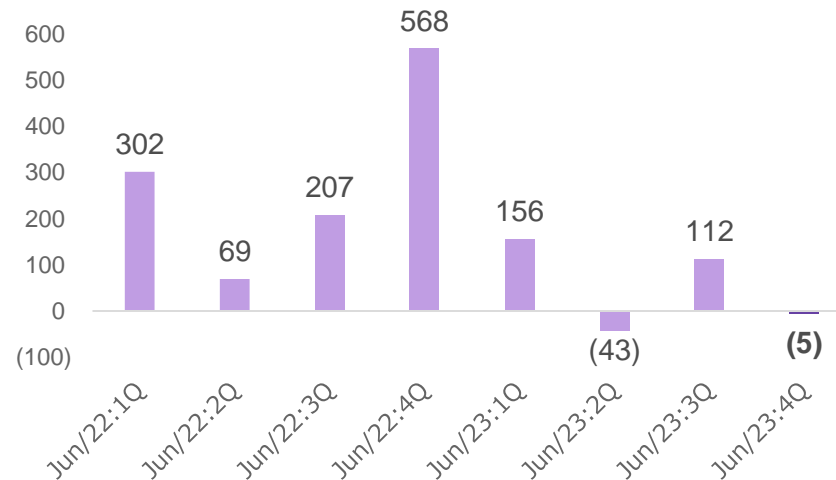


(¥ million)

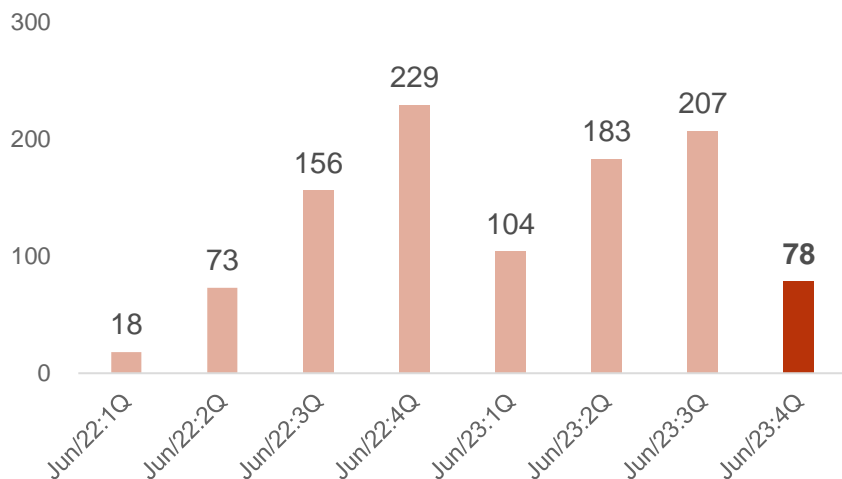
Resource Circulation Business



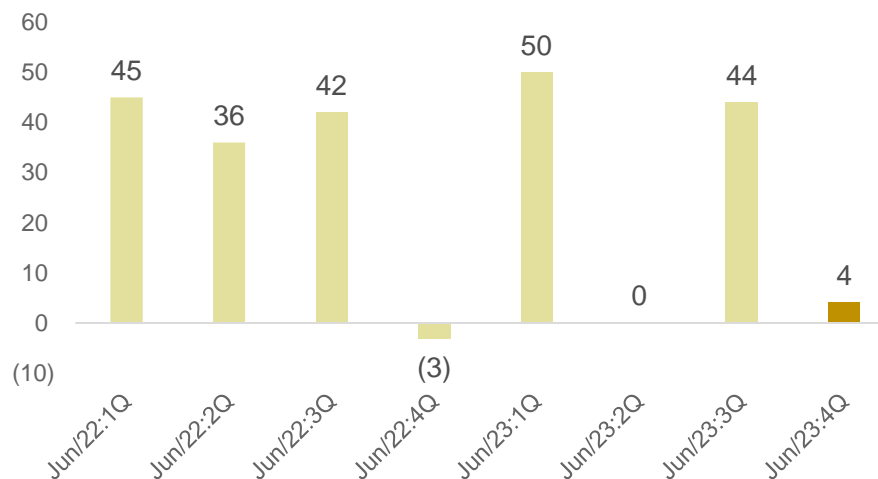
Global Trading Business



Lithium-ion Battery Recycling Business



Others



Summary of Consolidated Balance Sheets



(¥ million)

	As of Jun. 30 2022	As of Jun. 30 2023	Increase/ Decrease		As of Jun. 30 2022	As of Jun. 30 2023	Increase/ Decrease
Current assets	18,448	19,088	639	Current liabilities	9,968	10,415	447
Non-current assets	10,515	14,598	4,083	Non-current liabilities	2,776	6,446	3,670
(Property, plant and equipment)	7,161	10,844	3,683	Total liabilities	12,744	16,861	4,117
(Intangible assets)	96	148	52	Net assets	16,219	16,825	606
(Investments and other assets)	3,257	3,605	347	(Equity)	15,808	16,386	577
Total assets	28,963	33,686	4,723	Total liabilities and net assets	28,963	33,686	4,723

Main Topics (Change from June 30, 2022)

- A main factor of increase asset and liability items is due to making Nitto Kako Co., Ltd. a consolidated subsidiary in 3-4Q period.
- Current assets (Other current assets: ¥1,832 million, Notes receivable-trade: ¥579 million, Cash and deposits: -¥1,667 million, Accounts receivable-trade: -¥350 million)
- Non-current assets (Buildings and structures: ¥1,704 million, Land: ¥1,149 million, Machinery, equipment and vehicles: ¥1,125 million, Construction in progress: -¥383 million, Deferred tax assets: -¥118 million)
- Current liabilities (Notes and accounts payable-trade: ¥1,072 million, Other current liabilities: ¥763 million, Short-term borrowings: -¥1,110 million, Income taxes payable: -¥455 million)
- Non-current liabilities (Long-term borrowings: ¥3,056 million, Retirement benefit liability: ¥523 million)
- Equity ratio 48.6% (54.6% as of June 30, 2022)

Summary of Consolidated Statements of Cash Flows



(¥ million)

	June/2022	June/2023	Increase / Decrease
Cash flows from operating activities	3,873	2,332	(1,541)
Cash flows from investing activities	(1,404)	(3,838)	(2,434)
Cash flows from financing activities	(765)	(92)	673
Effect of exchange rate change on cash and cash equivalents	92	(62)	(154)
Net increase (decrease) in cash and cash equivalents	1,796	(1,668)	(3,464)
Cash and cash equivalents at beginning of period	7,117	8,913	1,796
Cash and cash equivalents at end of period	8,913	7,245	(1,668)

Main Topics

- Cash flows from operating activities : (Inflows)
 - ¥1,868 million in decrease in trade receivables
 - ¥1,759 million in profit before income taxes
 - ¥935 million in depreciation
 (Outflows) ¥1,063 million in changes in other, ¥808 million in income taxes paid
 ¥521 million in share of profit of entities accounted for using equity method
- Cash flows from investing activities : (Inflows)
 - ¥71 million in proceeds from sales of property, plant and equipment
 - ¥57 million in proceeds from withdrawal of time deposits
 (Outflows) ¥2,627 million in purchase of sales of property, plant and equipment
 ¥1,303 million in purchase of shares of subsidiaries resulting in change in scope of consolidation
- Cash flows from financing activities : (Inflows)
 - ¥4,213 million in proceeds from long-term borrowings
 (Outflows) ¥2,300 million net decrease in short-term borrowings
 ¥1,027 million in repayments of long-term borrowings
 ¥741 million in dividends paid

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Main Topics

Consolidated

- Instillation of the corporate philosophy and cultivating a good corporate culture (Making a disciplined group of autonomous individuals with emergent abilities)
- Promotion of strategies (Deepening and withdrawal from existing businesses, development of new businesses, and utilization of alliances)
- Promotion of initiatives to realize management with awareness of cost of capital and stock price

Resource Circulation

- Increase in handling volume (Making Nitto Kako Co., Ltd. a group company, market recovery, productivity improvement)
- Expansion of Gold, silver and copper sediment sludge collection business (New facilities in Fuji and Hakodate are in full-scale operation, research on ash recycling, etc.)
- Expansion of dismantling and cleaning works nationwide (Increase of supervisory engineers, dismantling CE research, etc.)
- Realization of concrete examples of Product CE (CE Center, promotion of Tire-to-Tire, etc.)
- Promotion of Local CE (Local collection models in Nagano and Akita Prefectures, response to the new waste plastic law, etc.)

Global Trading

- Increase in handling volume (Recovery from the previous year's drop, strengthening of cooperation with domestic and overseas electric furnaces, etc., and utilization of collection yards (ports))
- Increase in handling volume in Europe by utilizing the branch in the Netherlands
- Expansion of logistics service area by opening a branch in the UAE

Lithium-ion Battery Recycling

- Narrowing of profit spread and increase in handling volume of batteries (30% increase from the previous year)
- Start operation of Ibaraki plant (Target operation in June 2024)
- Securing a site for a new plant for BM production, considering commercialization of hydrometallurgy (Reviewing operation timing of FY2025)

Others

- Promotion of DX (Development of CO₂ emissions calculation system and support system of CDP answering)
- Increase the number of consultants
- Promotion of welfare services for people with disabilities through cooperation between welfare and environment or agriculture.

*CE: Circular Economy

*BM (Black mass): Concentrated residue of lithium, cobalt and nickel sorted from lithium-ion batteries that have been discharged, dried and crushed

Forecast for the Consolidated Results - FY2024



Prerequisites

Ferrous scrap price	Electrolytic copper price	Gold price	Silver price	Nickel price	Cobalt price	Exchange rate
¥50,000/t	¥1,200/kg	¥7,500/g	¥85,000/kg	¥2,800/kg	¥4,000/kg	¥125/US\$

(¥ million)

	June/2023	June/2024		
	Actual	Forecast	YoY	
			Increase/ Decrease	Ratio
Handling volume (1,000t)	625	800	174	27.8%
Net sales	49,189	58,000	8,810	17.9%
Gross profit	8,499	10,740	2,240	26.4%
Operating profit	1,542	1,800	257	16.7%
Ordinary profit	1,901	2,250	348	18.3%
Profit before income taxes	1,759	2,250	490	27.9%
Profit*	1,236	1,670	433	35.1%
Marginal profit	8,744	11,080	2,335	26.7%
EBITDA	2,475	3,150	674	27.2%
Fixed costs	7,364	9,332	1,967	26.7%
ROE	7.7%	9.8%	2.1%	27.6%

*Profit: Profit attributable to owners of the parent

Forecast for the Consolidated Results - FY2024



(¥ million)

Segment		June/2023	June/2024			
		Actual	Forecast	YoY		Composition Ratio
				Increase/Decrease	Ratio	
Resource Circulation Business	Handling volume (1,000t)	262	275	12	5.0%	–
	Net sales	18,852	25,000	6,147	32.6%	37.5%
	Ordinary profit	1,565	2,070	504	32.2%	70.0%
	Ordinary profit ratio	8.3%	8.3%	(0.0%)	–	–
Global Trading Business	Handling volume (1,000t)	465	610	144	31.1%	–
	Net sales	34,485	40,000	5,514	16.0%	60.2%
	Ordinary profit	220	750	529	240.1%	25.3%
	Ordinary profit ratio	0.6%	1.9%	1.2%	–	–
Lithium-ion Battery Recycling Business	Net sales	1,635	1,000	(635)	(38.9%)	1.5%
	Ordinary profit	575	60	(515)	(89.6%)	2.0%
	Ordinary profit ratio	35.2%	6.0%	(29.2%)	–	–
Others	Net sales	463	500	36	7.9%	0.8%
	Ordinary profit	99	80	(19)	(19.7%)	2.7%
	Ordinary profit ratio	21.5%	16.0%	(5.5%)	–	–
Adjustment	Net sales	(6,247)	(8,500)	(2,252)	–	–
	Ordinary profit	(558)	(710)	(151)	–	–
Consolidated	Handling volume (1,000t)	625	800	174	27.8%	–
	Net sales	49,189	58,000	8,810	17.9%	100.0%
	Ordinary profit	1,901	2,250	348	18.3%	100.0%
	Ordinary profit ratio	3.9%	3.9%	0.0%	–	–

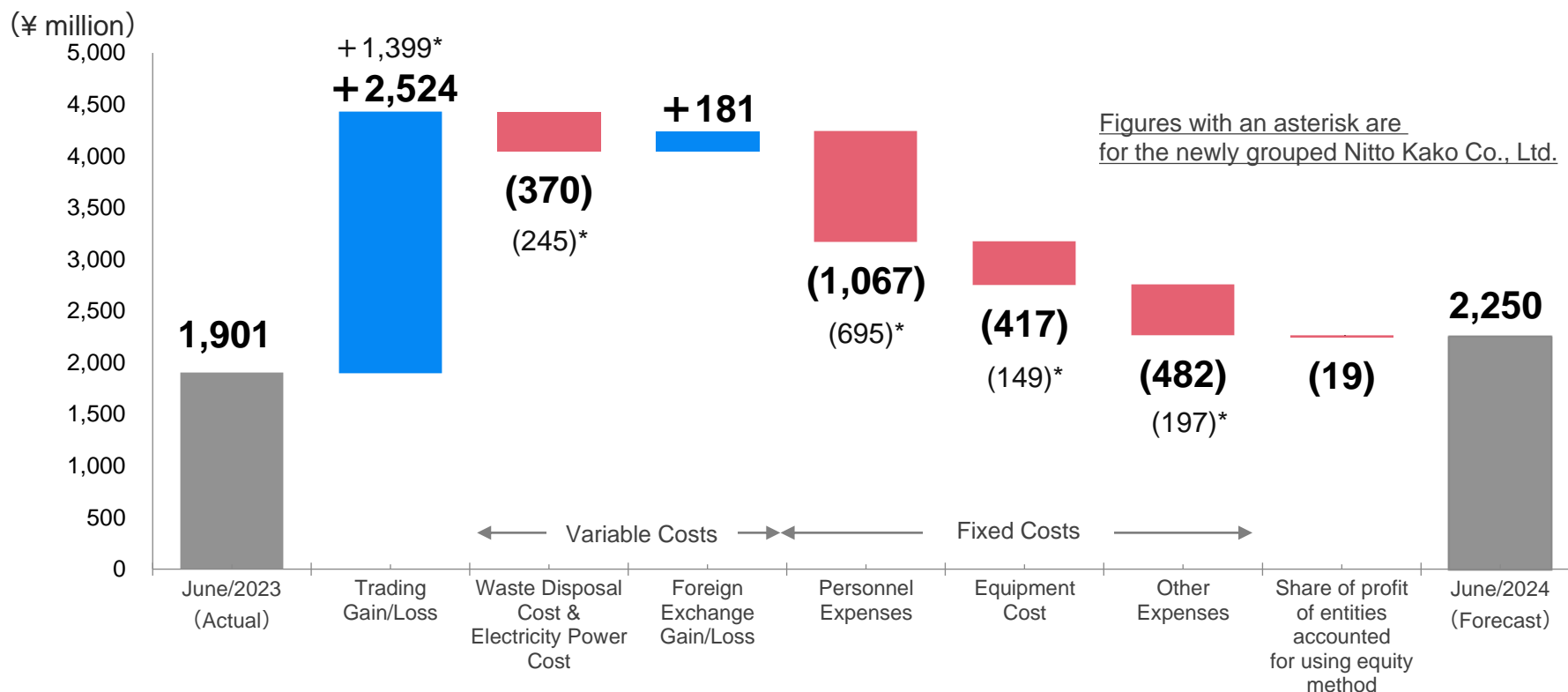
*Segment profit (loss) is stated as ordinary profit.

Analysis of Difference in Consolidated Ordinary Profit (YoY)



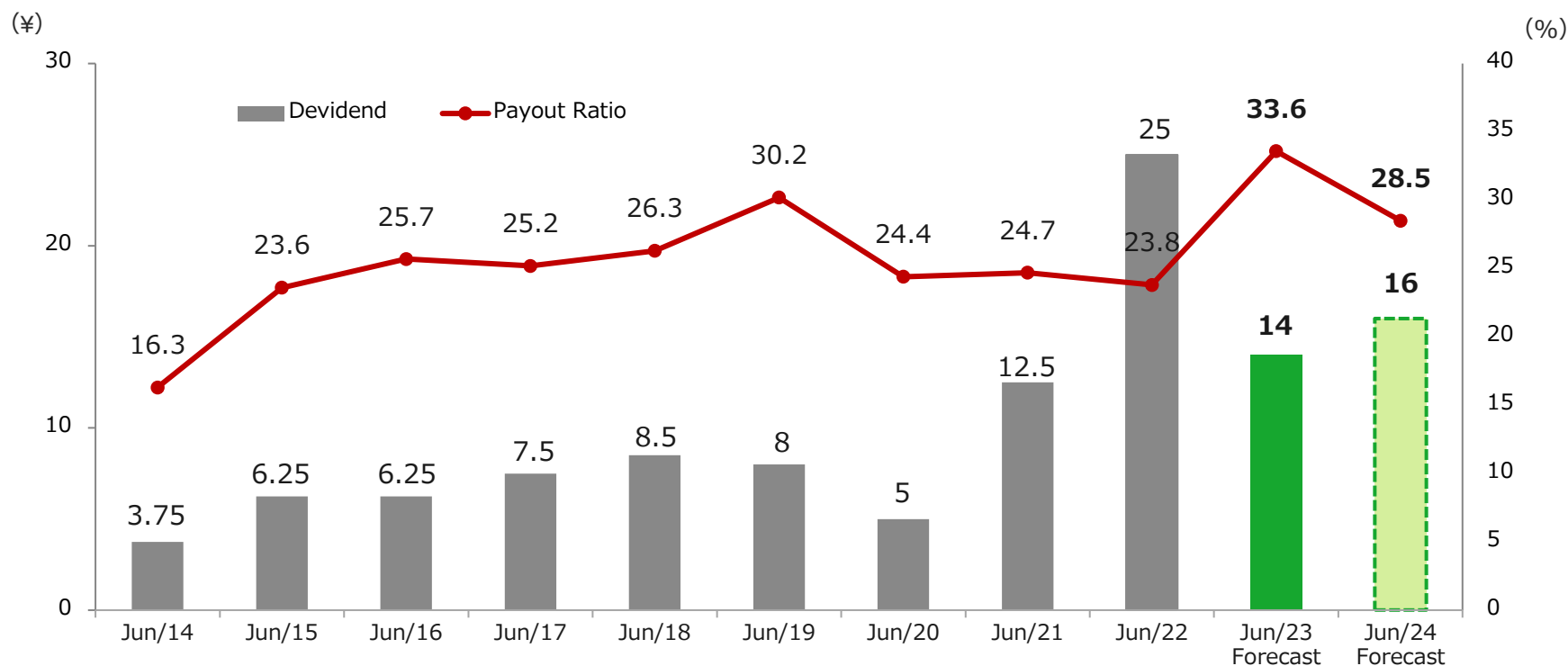
Main Topics

- **Trading Gain/Loss :** Significant increase in Resource Circulation Business and Global Trading Business; decrease in Lithium-ion Battery Recycling business
- **Electricity Power Cost :** Increase in energy prices, operation of new plants
- **Personnel Expenses :** Human capital investment (Securing personnel for business promotion, increase in personnel, regular salary increase and base increase)
- **Equipment Cost :** Operation of new plants and new facilities (Gold, silver and copper sediment sludge collection function, LIB recycling function, etc.)
- **Other Expenses :** Increase in machinery repair costs, expenses related to new plants, etc.



Change in basic dividend policy to further enhance profit return

- 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 set a target **consolidated payout ratio of 25-35%** as an indicator of performance-based profit sharing. (Before the change 20-30%)

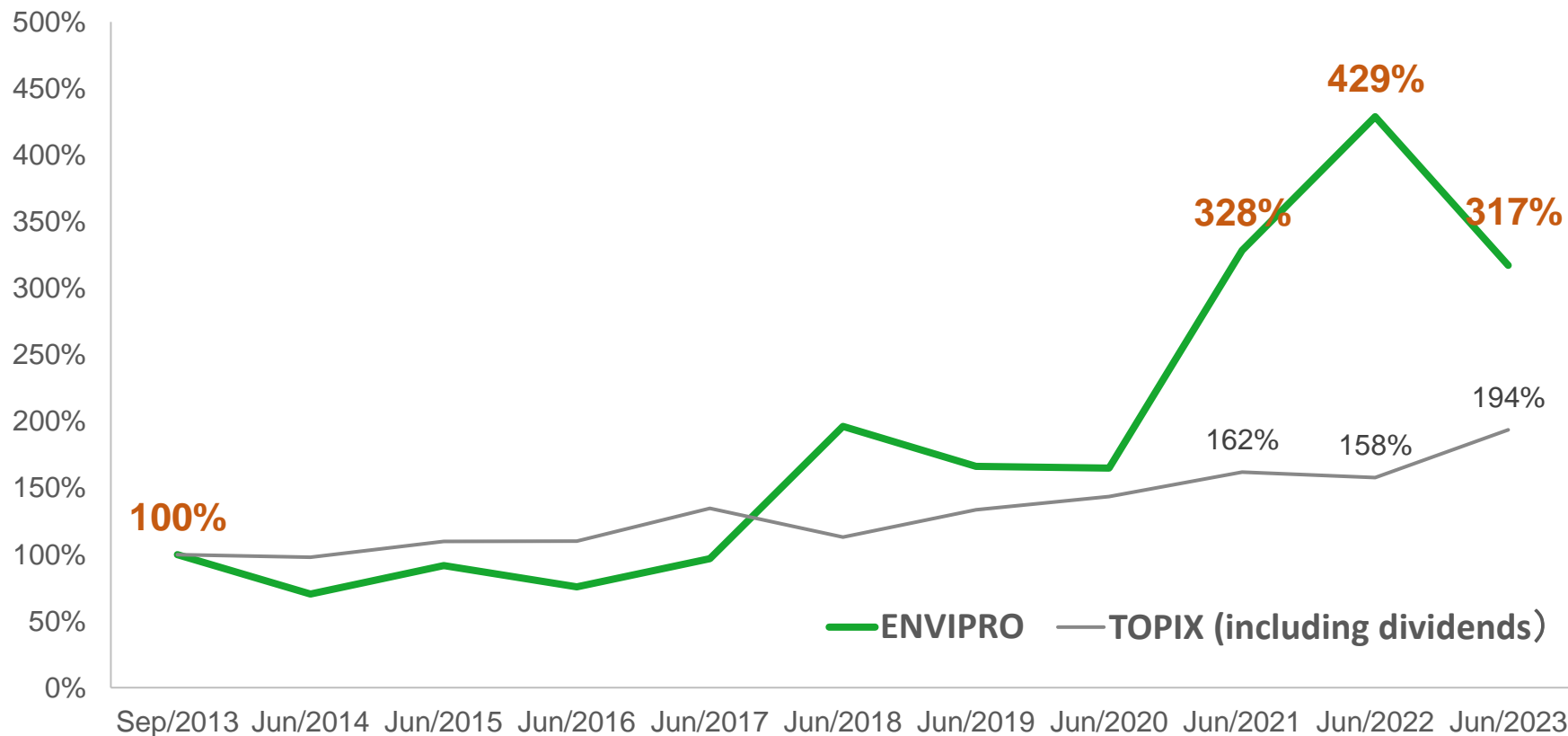


*With January 1, 2018 as the effective date, a 2-for-1 stock split of common stock was conducted.

With April 20, 2022 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 mentioned above has been in effect since before the fiscal year ended June 30, 2014.

Total Shareholder Return (TSR) since listing



	Sep. 25, 2013 Closing price	End of June 2014	End of June 2015	End of June 2016	End of June 2017	End of June 2018	End of June 2019	End of June 2020	End of June 2021	End of June 2022	End of June 2023
Share price	204	140	178	139	174	369	300	292	614	794	552
Dividends per share	-	3.75	6.25	6.25	7.5	8.5	8	5	12.5	25	14

*The closing price on September 25, 2013 is regarded as 100.

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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



Global Trading Business

Net sales and Total handling volume by material

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



Consolidated: Handling volume by material / Net sales by area



Handling volume by material

Item	(1,000t)		
	June/2022	June/2023	YoY Ratio
Ferrous scrap	588	512	(12.9%)
Nonferrous metal scrap	17	19	8.5%
Gold, silver & copper sediment sludge*	3	3	8.6%
Rubber products	12	13	10.4%
RPF, Waste paper, etc.	56	53	(4.4%)
Black mass, etc.*	0.8	1.1	29.0%
Others	26	21	(20.7%)
Total	706	625	(11.4%)

Item (Precious metals collected)	(kg)		
	June/2022	June/2023	YoY Ratio
Gold	61	53	(12.9%)
Silver	1,071	830	(22.5%)

Net sales by area

Area	(¥100 million)			
	June/2022	June/2023	YoY Ratio	
East Asia	Japan	296	271	(8.4%)
	Korea	118	94	(19.8%)
	Taiwan	14	16	11.1%
	Others	8	11	38.5%
Southeast Asia	Vietnam	97	50	(47.6%)
	Others	9	23	137.9%
South Asia	India etc.	6	1	(77.5%)
West Asia	UAE etc.	8	8	(0.7%)
South America	Chile etc.	9	8	(1.8%)
Africa	Kenya etc.	2	0	(58.5%)
Others	—	2	3	62.8%
Total	573	491	(14.2%)	

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

*Black mass: Concentrated residue of lithium, cobalt and nickel sorted from lithium-ion batteries that have been discharged, dried and crushed

Quarterly Business Results by Segment



(¥ million)

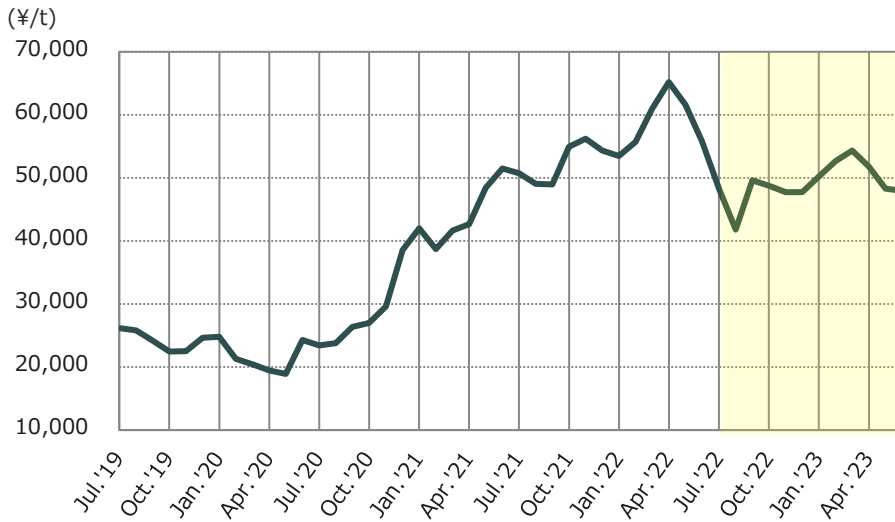
Segment		June/2022					June/2023				
		1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year
Resource Circulation Business	Handling volume (1,000t)	71	66	68	67	274	64	65	64	67	262
	Net sales	4,762	5,129	5,130	5,374	20,397	4,179	4,349	4,697	5,625	18,852
	Ordinary profit	685	720	710	635	2,752	364	383	418	398	1,565
	Ordinary profit ratio	14.4%	14.0%	13.9%	11.8%	13.5%	8.7%	8.8%	8.9%	7.1%	8.3%
Global Trading Business	Handling volume (1,000t)	150	111	128	147	537	99	117	111	136	465
	Net sales	11,109	9,123	9,743	13,012	42,989	7,872	8,958	8,045	9,608	34,485
	Ordinary profit	302	69	207	568	1,147	156	(43)	112	(5)	220
	Ordinary profit ratio	2.7%	0.8%	2.1%	4.4%	2.7%	2.0%	(0.5%)	1.4%	(0.1%)	0.6%
Lithium-ion Battery Recycling Business	Net sales	147	229	409	561	1,347	326	448	525	334	1,635
	Ordinary profit	18	73	156	229	478	104	183	207	78	575
	Ordinary profit ratio	12.9%	32.2%	38.3%	40.8%	35.5%	32.0%	41.0%	39.5%	23.6%	35.2%
Others	Net sales	127	116	123	75	443	135	87	131	109	463
	Ordinary profit	45	36	42	(3)	120	50	(0)	44	4	99
	Ordinary profit ratio	35.9%	30.9%	34.5%	(4.6%)	27.3%	37.7%	(0.4%)	33.6%	4.3%	21.5%
Adjustment	Net sales	(1,853)	(1,649)	(2,034)	(2,320)	(7,857)	(1,340)	(1,435)	(1,619)	(1,851)	(6,247)
	Ordinary profit	(130)	(60)	(110)	(30)	(332)	(107)	(77)	(287)	(85)	(558)
Consolidated	Handling volume (1,000t)	188	157	168	192	706	141	160	150	173	625
	Net sales	14,292	12,950	13,372	16,703	57,319	11,174	12,408	11,781	13,826	49,189
	Ordinary profit	921	838	1,007	1,399	4,166	569	445	494	392	1,901
	Ordinary profit ratio	6.4%	6.5%	7.5%	8.4%	7.3%	5.1%	3.6%	4.2%	2.8%	3.9%

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

Market Price



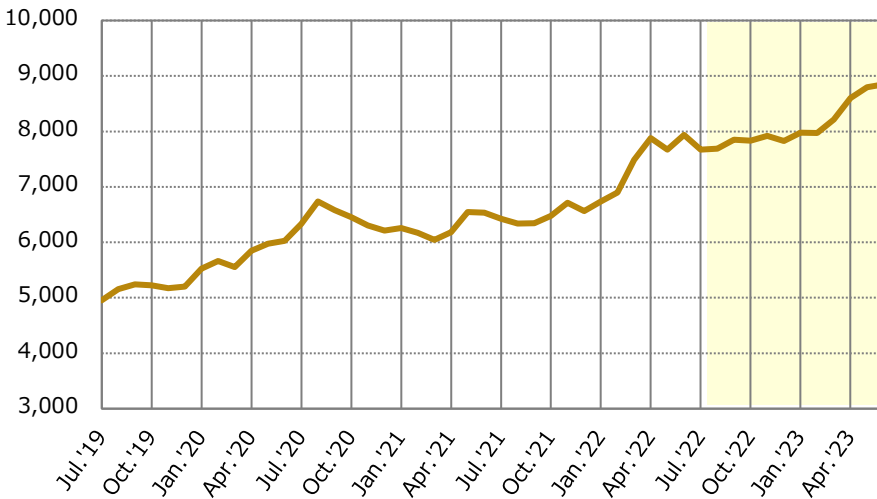
— Ferrous scrap price (Tokyo Steel (Tahara) Tokkyu Grade Seaborne Price)



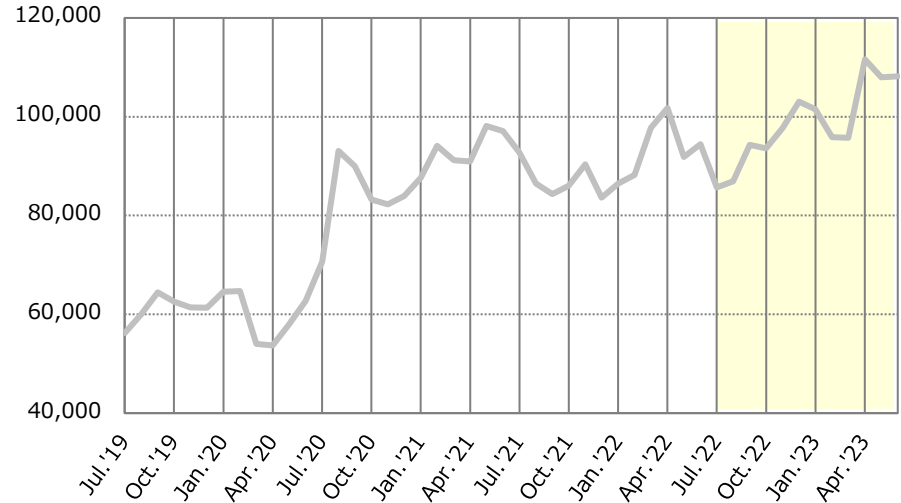
— Electrolytic copper price



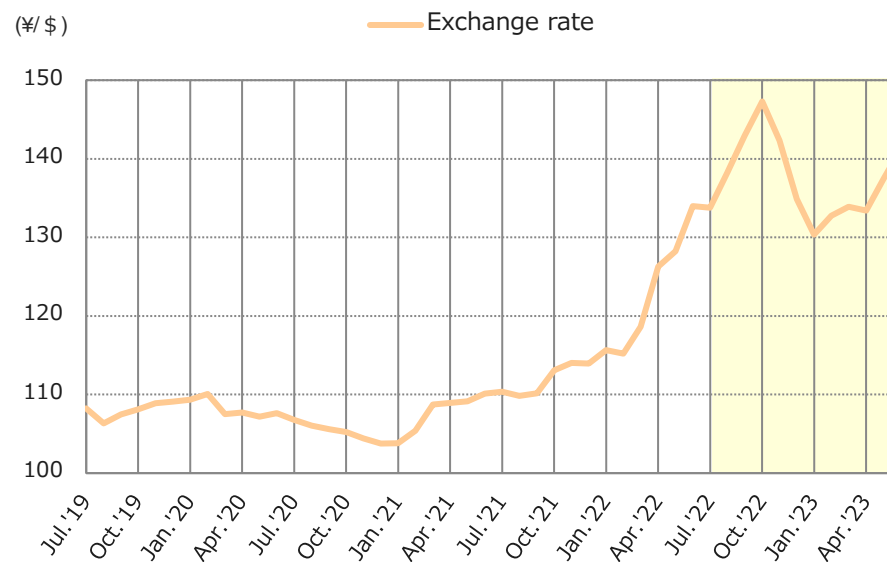
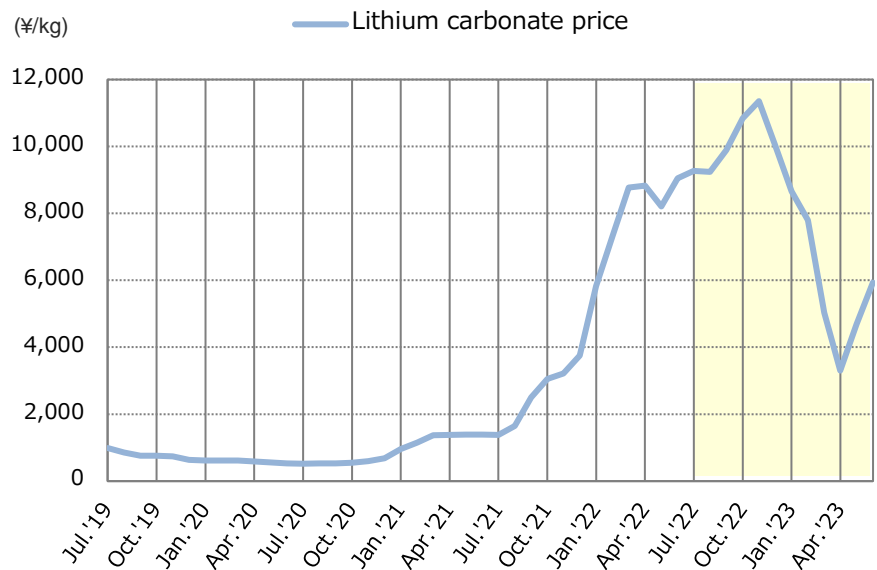
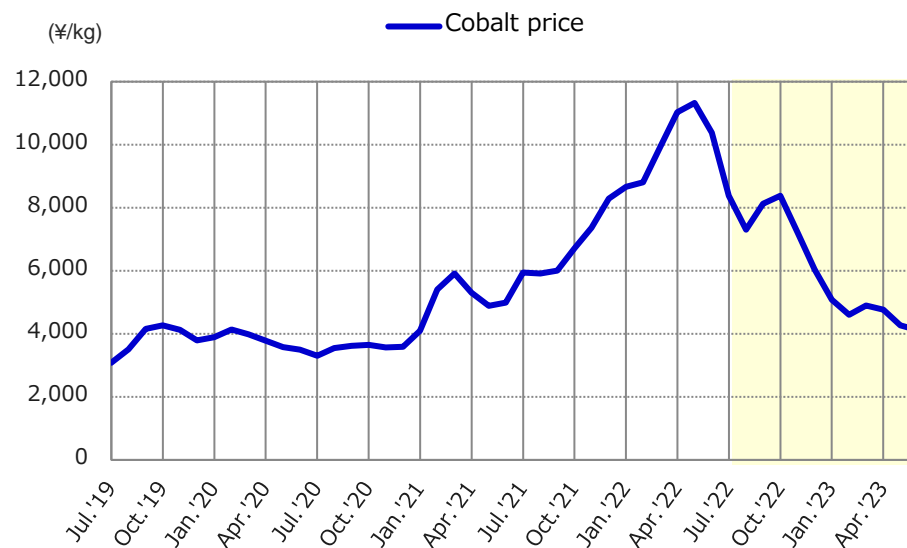
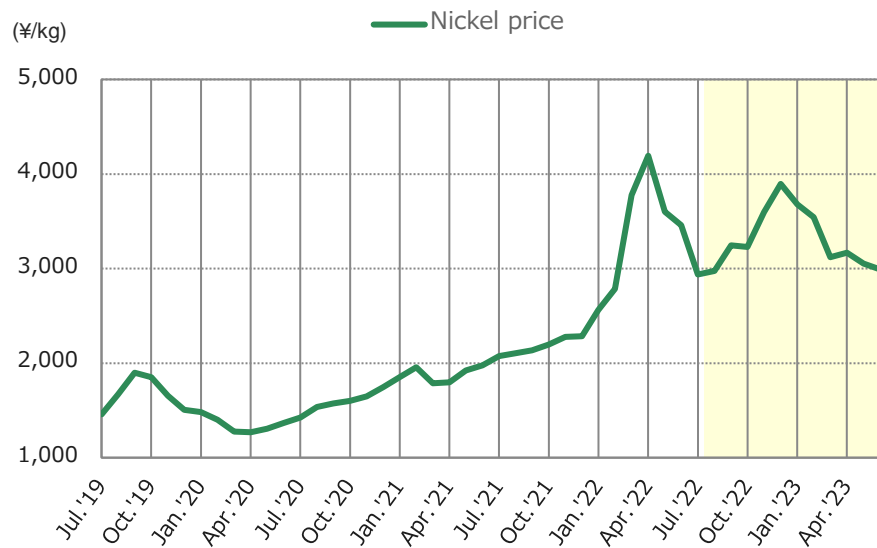
— Gold price



— Silver price



Market Price



Important notes about this material

This material is intended to provide investors with information to understand the current status of ENVIPRO HOLDINGS Inc.

Although the contents in this material are described based on generally recognized socio-economic situations, etc., and certain assumptions that our company regarded as reasonable, they may change without prior notice of any kind because of the change in the business environment.



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