

Medium-Term Management Plan (Mid-Term Plan 2028)

Envipro Holdings Inc.
(TSE Code : 5698)

August 22, 2023

Today, the world is making major moves to achieve carbon neutrality by 2050.

A significant means of achieving carbon neutrality is a circular economy. It is an area where we can draw on the technologies and expertise we have cultivated over many years. We have especially to realize the importance of the roles we play.

So, we defined the concept behind our strategy for realizing carbon neutrality as “Lead a circular economy (CE)”. We will address two different facts of CE. One is the “CE supporting manufacturing”, and the other is the “CE supporting local communities”.

In addition to base metals, we also recycle minor metals, rare earths and precious metals. We are also exploring the advanced recycling of polymers such as plastics and rubbers. We will focus our efforts on the development of a collection system that is necessary for recycling and new recycling technologies. We will carry out a number of specific high level practices for the circular economy.

In combination with our separate overseas strategies, these business activities will surely bring us significant growth. This growth directly means that we will better serve society. Therefore, we will concentrate on the growth of business without any hesitation.

To flexibly respond to drastically changing market conditions, we have recently formulated a rolling five-year Medium-Term Plan as we did last year.

I hope that this announcement will help you understand our corporate culture, strategy and growth aspirations.

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2 . Medium-Term Management Plan (Mid-Term Plan 2028)

Our Rolling Method



The Company is in a period of change, and in order to respond flexibly to the recent rapid changes in the market, the Company intends to reconsider its five-year Medium-Term Management Plan each fiscal year and roll it out.

Jun. 2022

Jun. 2023

Jun. 2024

Jun. 2025

Jun. 2026

Jun. 2027

Jun. 2028

Jun. 2029

Mid-Term Plan 2026

Mid-Term Plan 2027

Mid-Term Plan 2028

Announced this time

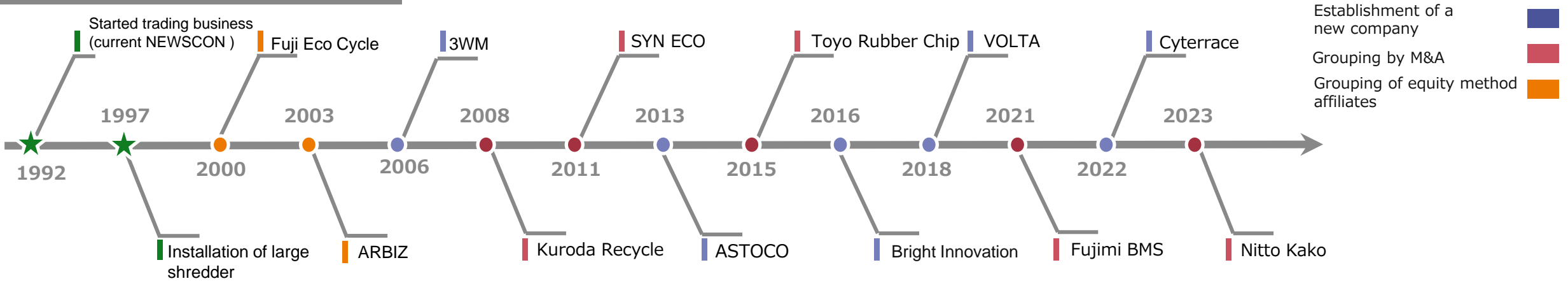
Mid-Term Plan 2029

Schedule for next fiscal year

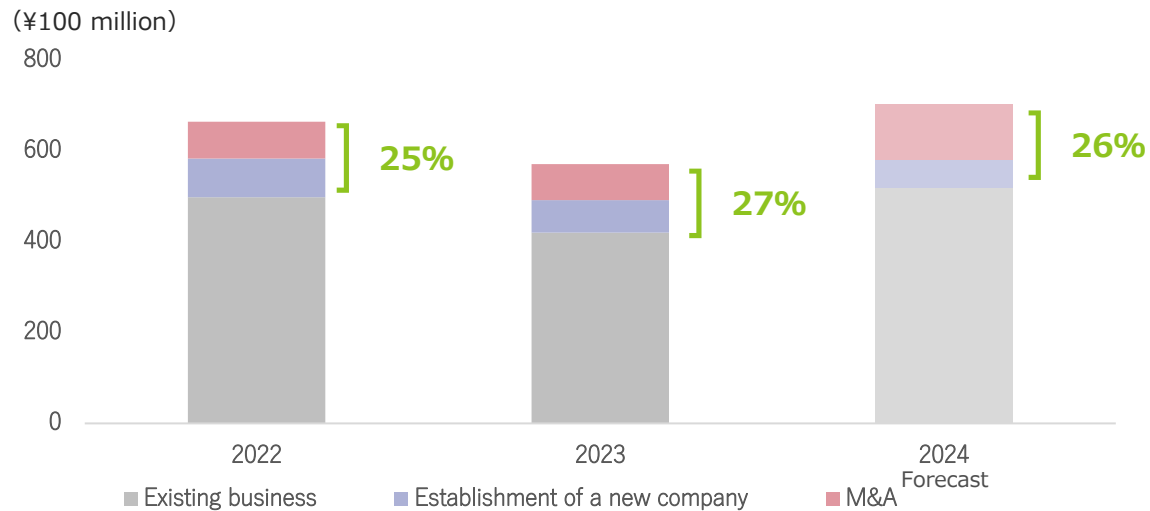
Review of Growth by New Companies

- We have achieved growth as one of our promising new businesses was developed into a new company.
- The goals of our M&A activities were chiefly expanding the scope of the recycling of rubber, wood and other materials and reconstructing businesses taking advantage of our expertise.

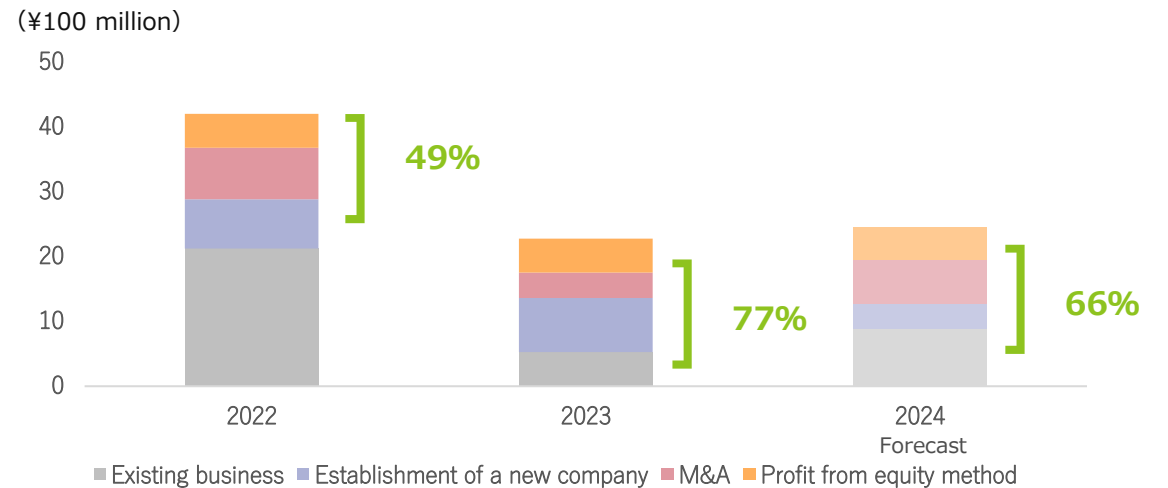
New Companies, M&A History



Changes in Net Sales Composition Ratio



Changes in Ordinary Profit Composition Ratio



*The above graph is calculated from sales and profit before offsets.

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Corporate Philosophy

「Creative Company」 「Circular Company」 「Company Pursuing Virtue」

The key values of the Envipro group, and its corporate DNA
(no timeline)

Mission

Contribute to create a sustainable society

The Envipro group's significance in the world, and its purpose and aspirations on a defined timeline
(limited time until 2050)



Strategy Concept

Lead a circular economy

Organizational Image

A disciplined group of autonomous individuals with emergent abilities

Long-Term Trends

GX
Green Transformation

DX
Digital Transformation

Medium- and Short-Term Trends

Demand for the establishment of a green value chain

Growing international competition for resources

Surfacing social issues related to waste plastics

Data utilization in non-IT businesses

Increase in utilization of IoT, AI, Robotics

Increasing competition for human resources

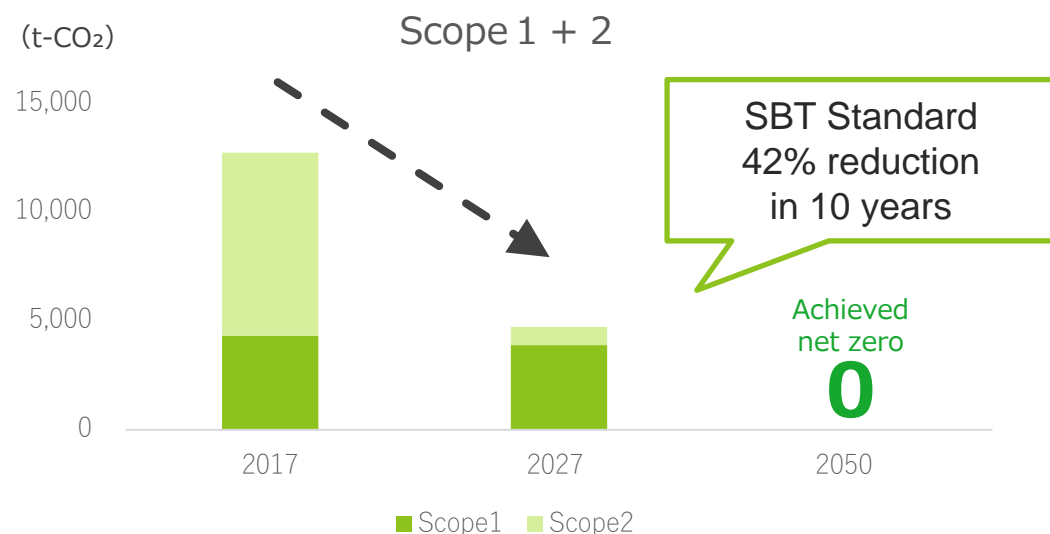
Identifying Materiality

- Increasing demand for green materials in the supply chain
 - ① Increasing demand for ferrous scrap due to building of additional electric furnaces
 - ② Increasing demand for nonferrous metals and minor metals due to electrification
 - ③ Promotion of advanced resource circulation of waste plastics
- Reducing labor required in the production process, promotion of data utilization in business activities
- Investment in human resources to promote business activities

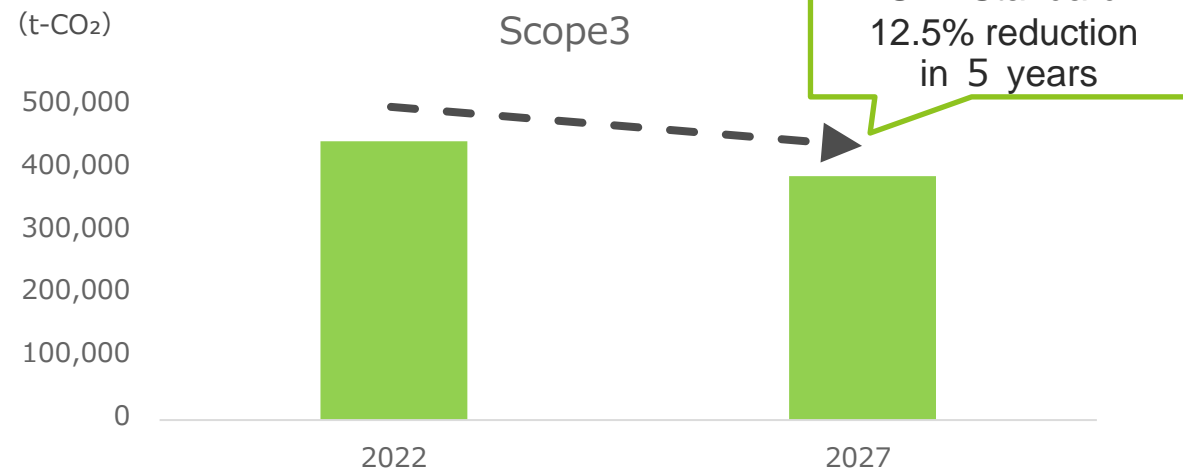
Realization of Decarbonized Society by 2050

Transformation into a manufacturer of materials obtained from aboveground resources through low-carbon processes (QCDC)

To achieve levels of Q (quality), C (cost), and D (delivery time) that are comparable to a first-class manufacturing company. Moreover, to create a manufacturing process featuring an added factor, C (carbon neutrality).



Our target: **63%** reduction in Scope 1+2 (2017-2027)
50% reduced by FY2022 (compared to FY2017)



Our target: **12.5%** reduction in Scope 3 (2022-2027)
 Expansion of calculation categories from FY2022

Promoted RE100* and steadily reduced CO₂ emissions at plants

Production through low-carbon processes → Supply of low-carbon raw materials and fuels

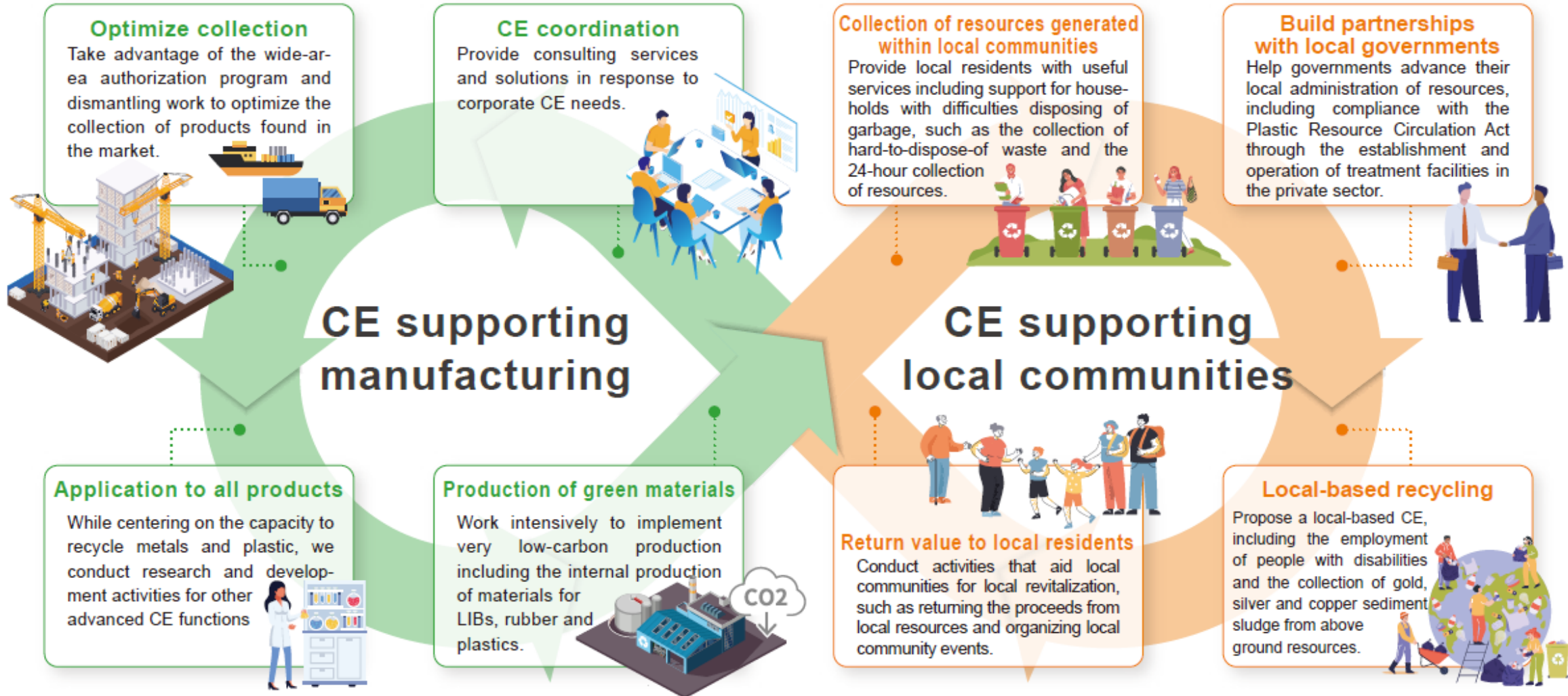
*RE100: An international initiative for companies that aim to procure 100% of the electricity required for their business operations from renewable energy sources.

*In July 2018, we became the world's first company in the recycling industry to join RE100.

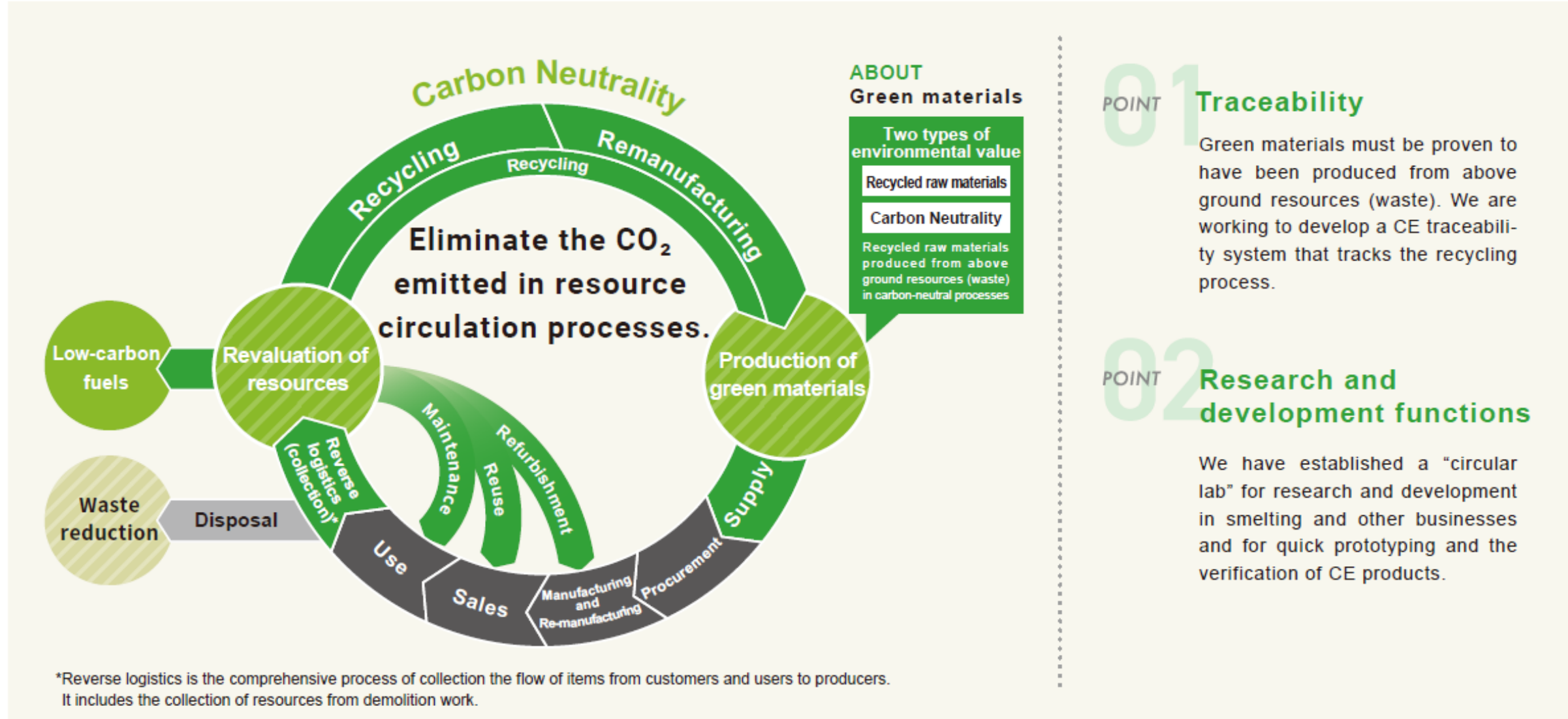
*Renewable energy ratio and CO₂ emission reductions were revised in the previous fiscal year due to the effect of newly grouped company.

Strategy Concept **Lead a circular economy**

Achieve a number of specific examples of “CE supporting manufacturing” and “CE supporting local communities” ahead of competitors. Take the initiative to increase the momentum of the circular economy across the country and contribute to a sustainable society.



As a CE professional, we will use many different methods to revalue the products that have been produced and used by society.



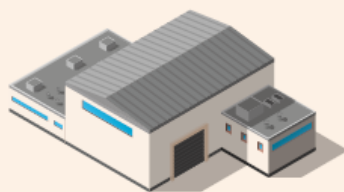
Local issues

- ☑ Declining population
- ☑ Deterioration of public services
- ☑ Reduction of local governments' GHG emissions



Local-based CE facilities

We will operate the CE facilities that are best suited to the local community, meeting the CE needs of individual regions and local governments which vary.



Resource Circulation Facilities

Equipped with sorting and compressing systems, they process plastics, household appliances, LIBs and other local resources in the most suitable manner for material and chemical recycling.



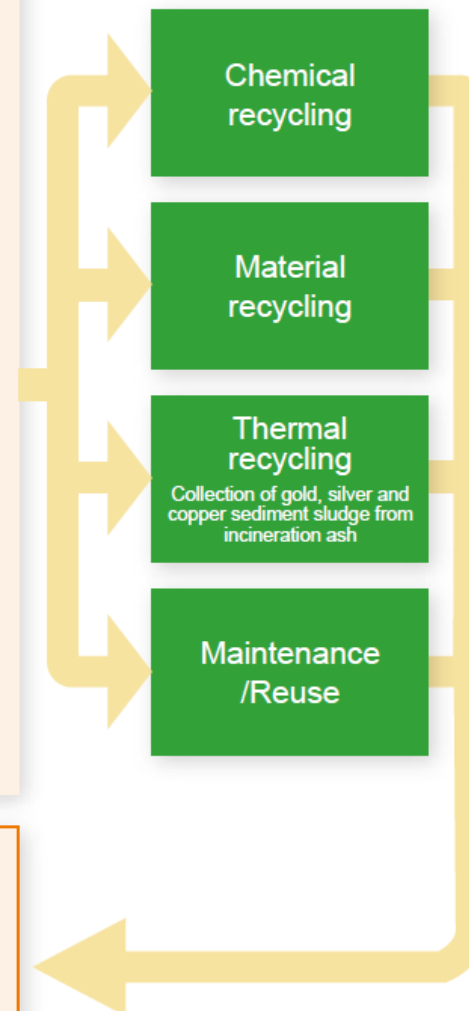
Operating stations where you can bring resources at any time

Supplementing local governments' collection services several times a month, we offer services that are useful to local residents, including the acceptance of oversized waste and hard-to-dispose-of waste.



Environment-welfare cooperation and agriculture-welfare cooperation

Welfare cooperation that links recycling and agriculture to people looking for job opportunities to resolve local employment and job issues.



Local communities

Return of value to local residents

- Revitalize local communities through local events and other initiatives
- Return value created through circulation to local sports teams and public facilities
- Build communities that are comfortable and easy to live in

Mid-Term Plan 2028 Financial Targets



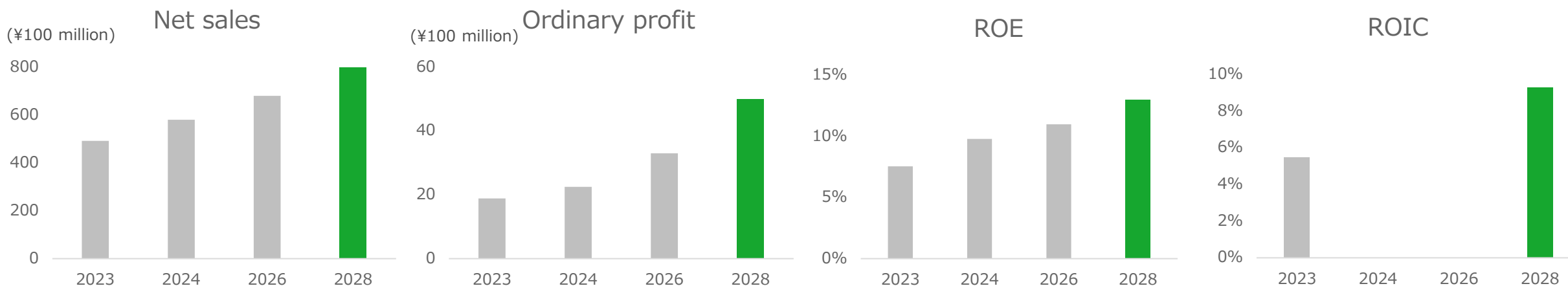
	Net sales	Ordinary profit	ROE	ROIC
Jun. 2028	¥80bn CAGR(2023→2028) 10%	¥5bn CAGR(2023→2028) 21%	13%	9%

Jun. 2026	¥68.0bn	¥3.3bn	11%	-%
Jun. 2024	¥58.0bn	¥2.2bn	10%	-%
Jun. 2023	¥49.1bn	¥1.9bn	8%	6%

*ROIC = (Ordinary profit x (1 - Effective tax rate)) / (Equity + Interest-bearing liabilities)
 *Equity and interest-bearing liabilities are averages of the beginning and end of the period.

Prerequisites (After July 2023)

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	¥130/US\$



Financial Targets by Segments

- Resource Circulation Business, steadily generate profits in the cleanup and dismantling business, polymer (plastic, rubber, etc.) CE business, and gold, silver and copper sediment sludge collection from incinerator ash, etc., and create a new business model with CE supporting manufacturing and CE supporting local communities.
- Global Trading Business will recover from the decrease in net sales and profit in the previous fiscal year and then expand in scale and establish a new business model.
- Lithium-ion Battery Recycling Business will proactively invest to secure large shares of growing markets.

(¥100 million)

Net sales	2023	2024	2026	2028
Consolidated	491	580	680	800
Resource Circulation Business	188	250	285	330
Global Trading Business	344	400	450	515
Lithium-ion Battery Recycling Business	16	10	15	27
Others	4	5	6	9
Adjustment	(62)	(85)	(76)	(81)

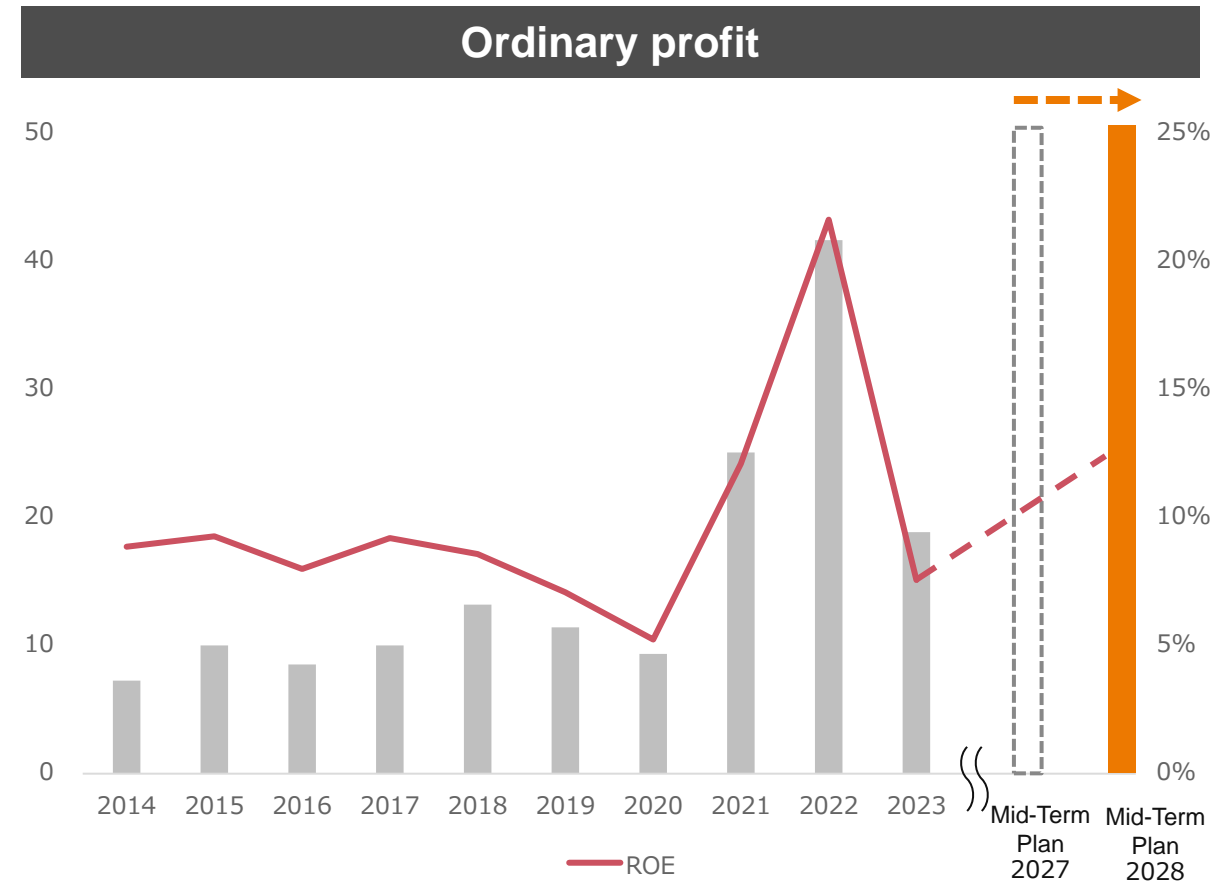
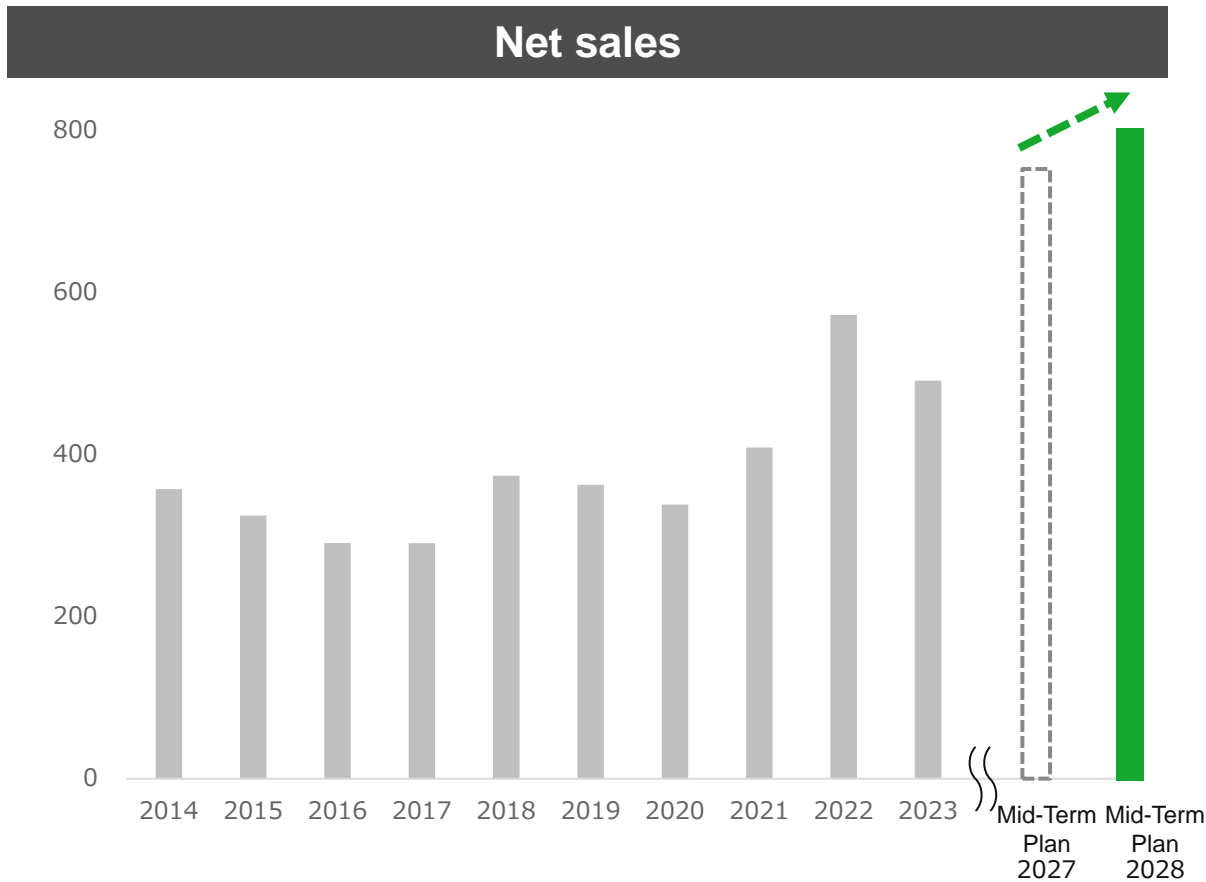
Ordinary profit	2023	2024	2026	2028
Consolidated	19.0	22.5	33.0	50.0
Resource Circulation Business	15.6	20.7	25.0	36.5
Global Trading Business	2.2	7.5	12.0	15.0
Lithium-ion Battery Recycling Business	5.7	0.6	2.5	5.0
Others	0.9	0.8	1.5	3.0
Adjustment	(5.5)	(7.1)	(8.0)	(9.5)

*Amounts are rounded down.

Comparison with Mid-Term Plan 2027

- In 2020, economic activities were stagnant due to COVID-19. From 2021 onwards, we took advantage of the rise in the market prices of resources to gain high profits.
- The decrease of net sales and profit in the previous fiscal year was attributable to the soaring energy prices and investments in human capital. Accordingly, the achievement of the ordinary profit target in the Mid-Term Plan 2027 was delayed one year.
- During the Mid-Term Plan 2028 we will work intensively to transform our portfolio.

(¥100 million)

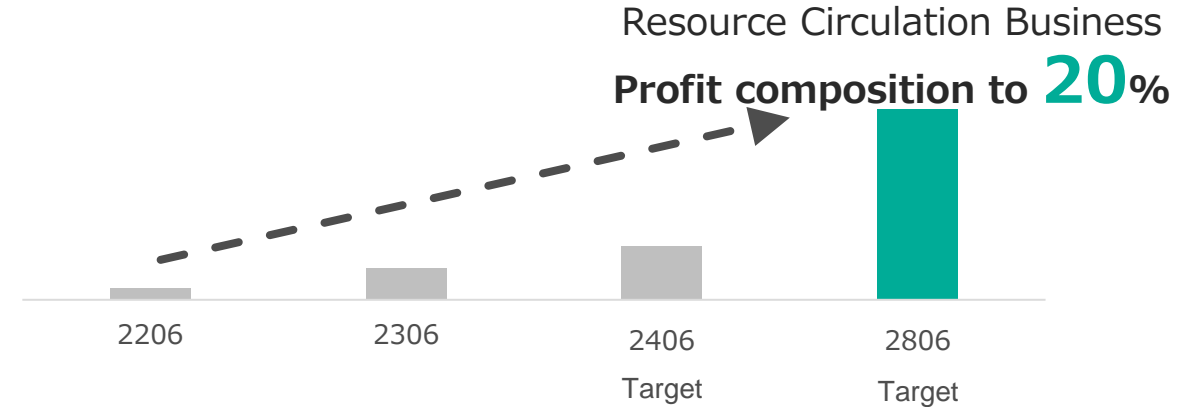


Increased demand for dismantling work due to the transition to decarbonization, partnerships with financial institutions and others accelerate business growth

Market Trends in Demolition Businesses Related to Decarbonization

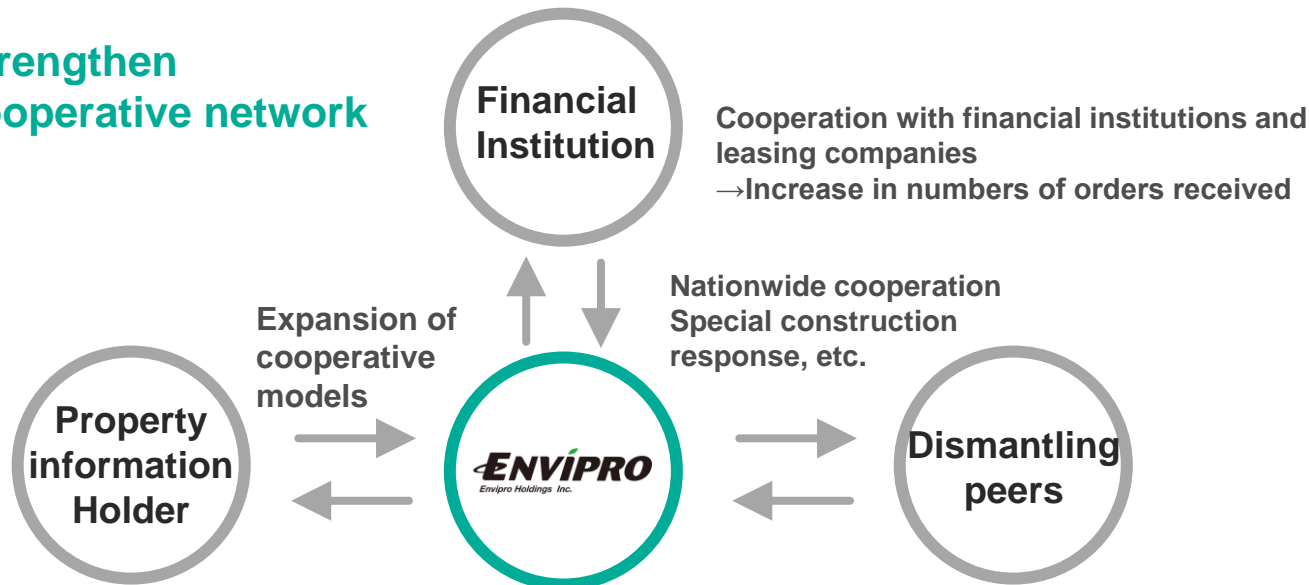
- 01 End of life coming for large facilities in early period of decarbonization.
 - Photovoltaic power generation equipment
 - Onshore wind power generation facilities, etc.
- 02 Restructuring of manufacturing and other businesses related to decarbonization
 - Automobile related
 - Petroleum related, etc.
- 03 New future demands related to decarbonization
 - Large storage batteries
 - Offshore wind power generation facilities, etc.

Dismantling Business Results and Targets (Ordinary profit including equity in earnings)



Initiatives for Growth

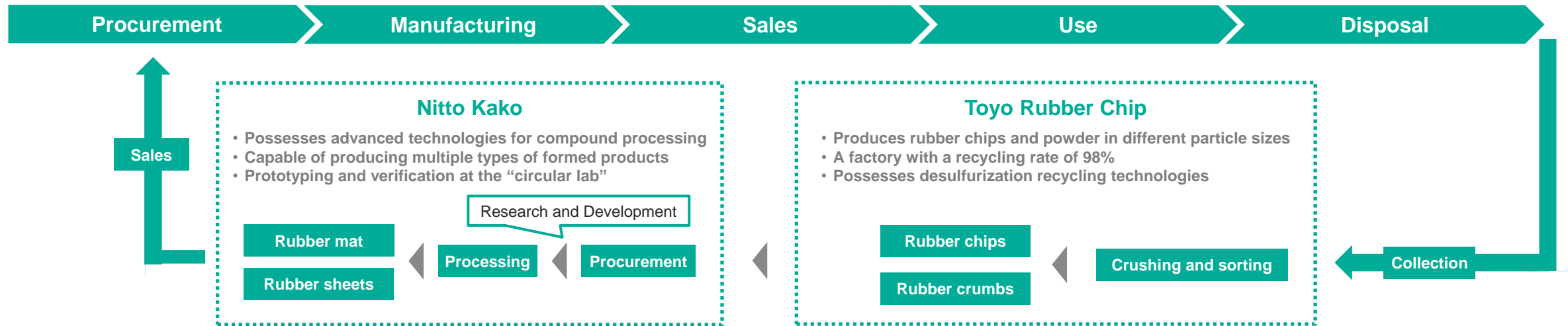
Strengthen cooperative network



Research on Dismantling CE

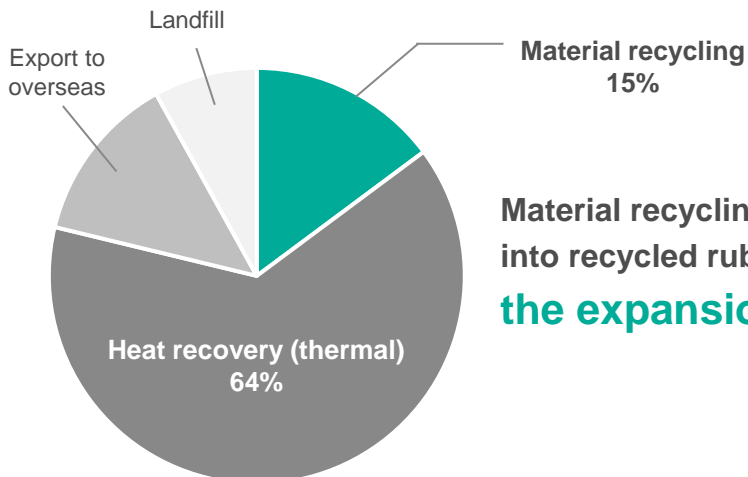
- 01 Response to large-scale facilities through ocean transportation
- 02 Advanced recycling of wind turbine blades
- 03 Collection of minor metals and rare earths

The tender offer of Nitto Kako resulted in the completion of a carbon-free production scheme and paved the way for a rubber CE.



CE example: A circular economy for tires

Sustainable market of tires for trucks and buses



Material recycling of rubber used for heat recovery into recycled rubber and rubber powder leads to **the expansion of the market.**

Strengths of Toyo Rubber Chip

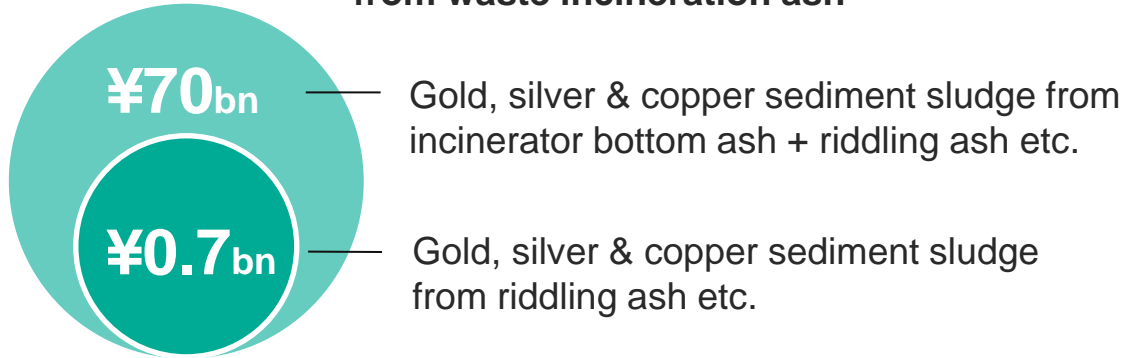
- Producing artificial turf infills and other sustainable products using waste tires with different formulae
 *One of Japan's leading companies in terms of waste tire processing capacity and market share in the supply of recycled raw materials
- Developing and producing ultrafine particles derived from waste tires
 → The first in Japan to study tire crushing technologies using a refrigeration crushing technology

Strengths of Nitto Kako

- Production of rubber mats and other circular products from waste tire chips and tire powder
- Nitto Kako is processing ultrafine particles derived from waste tires produced by Toyo Rubber Chip into compounds
 → Aiming to produce raw materials for sustainable tires

Number of contracts increased to 35 from 23 in the previous year

Gold, silver & copper sediment sludge market from waste incineration ash

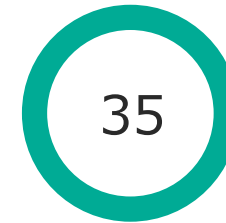


*According to our research

Progress in collection of gold, silver & copper sediment sludge from riddling ash etc.

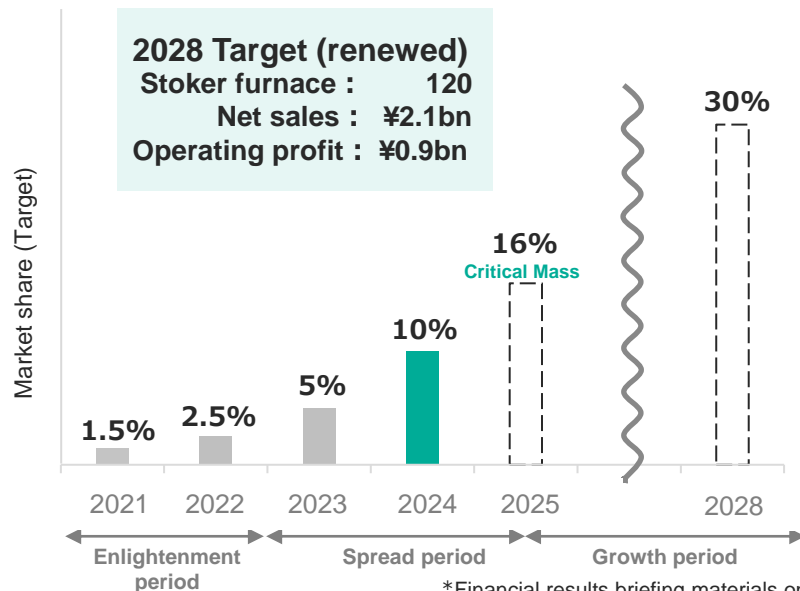


Number of targeted local governments



Number of contracts*

*Number of contracts, including 20 expected to be adopted in new furnaces



*Financial results briefing materials on February 22, 2021

For Further Growth

- 01 Collection of gold, silver & copper sediment sludge from incinerator bottom ash and recycling of incinerator bottom ash (ash block production, ash calcination, ash melting)
- 02 Installation of incinerator bottom ash recycling line directly connected to incinerator
- 03 Heavy metal removal and collection of gold, silver & copper sediment sludge from ash

- The **1 million** ton handling volume is a significant KPI target for this segment.
- Sluggish overseas demand for resources slowed the resources export business. Meanwhile, the movement towards the circulation of resources is gathering momentum in Japan amid the intensification of the race for resources.
- Logistics agency business is growing steadily with the addition of customs clearance services, and a UAE branch is scheduled to start operation in November.

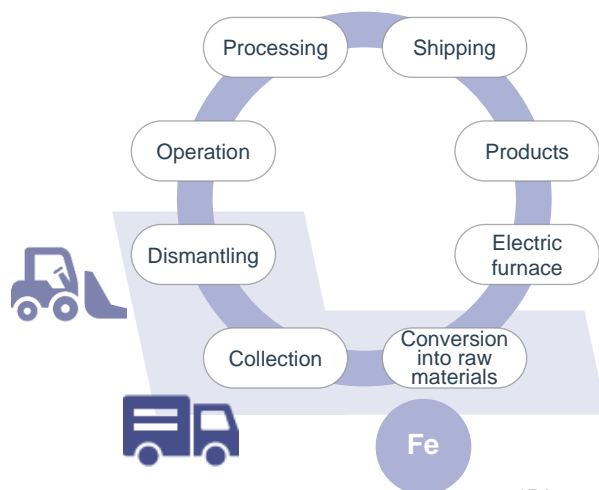
(1) Develop schemes to strengthen relationships with Japanese electric furnace manufacturers

Market summary

- In Japan, a system for circulating steel and other resources is being constructed.

Our strengths

- Play a role in “resource logistics” using a good deal of information and commercial distribution
- Collaborate within the Group to provide services covering the processes from “dismantling” to “conversion into raw materials” in the diagram below



*Diagram of the circulation of ferrous scrap

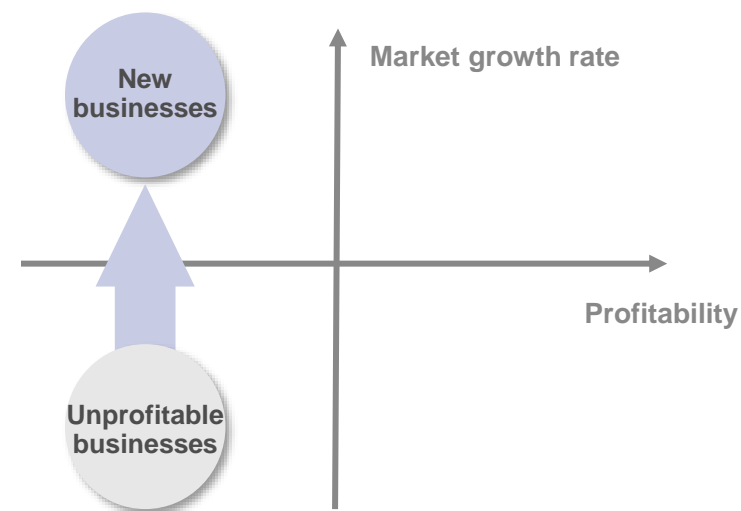
(2) Change the overseas business portfolio according to market conditions

Unprofitable businesses

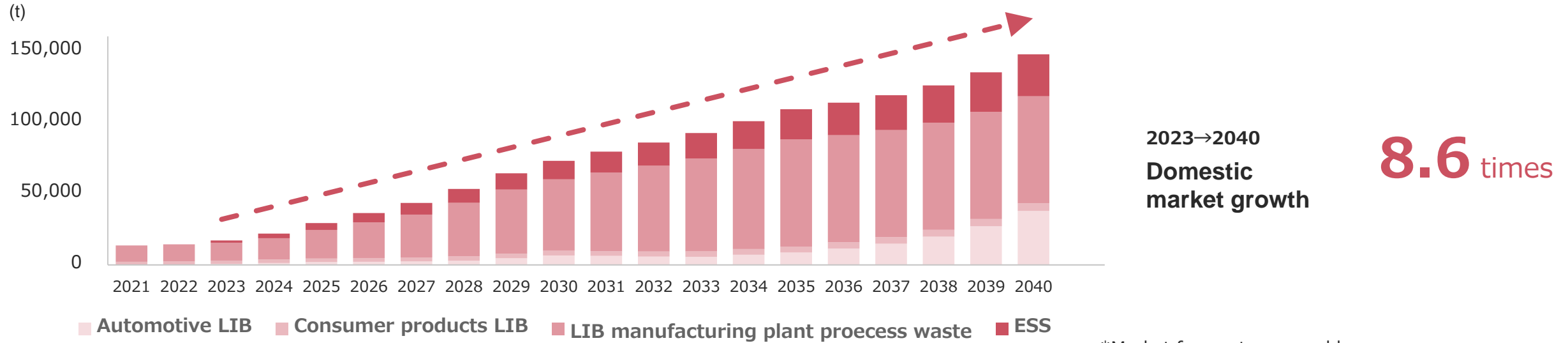
- Withdrawal of 3WM Japan Coast
- Withdrawal of 3WM Uganda

New actions

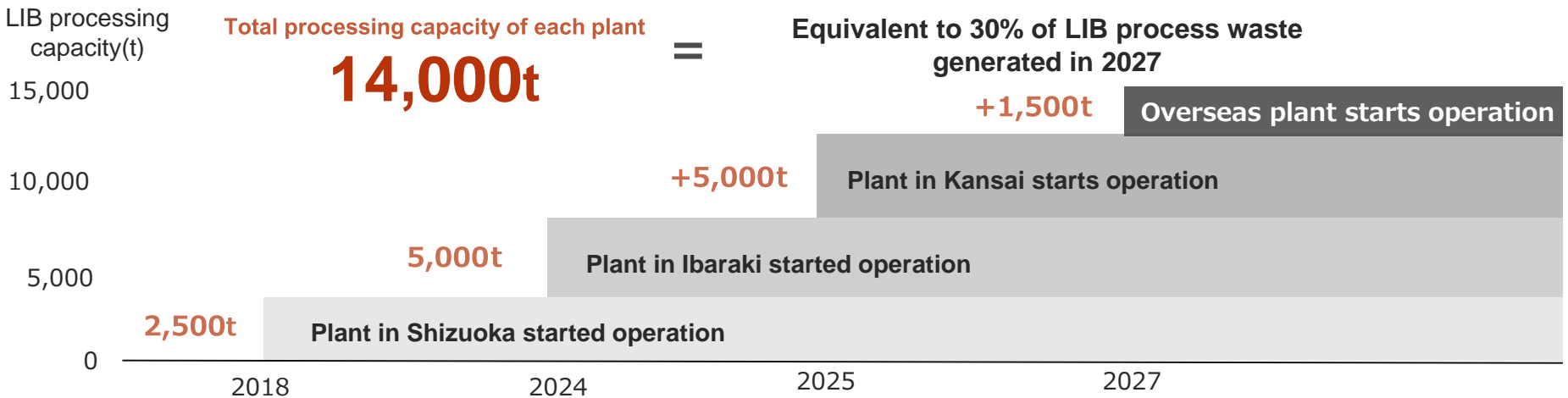
- Launch a branch office in the Netherlands (started operation in August)
- Expansion of imports and trilateral trade
- UAE branch office for commissioned logistics (scheduled to open in November)
- Search for prospective sites for overseas LIB plants
- Import business models from overseas
- Expand business models in Japan to overseas sites



Process waste → ESS(Energy Storage System) → waste LIB . . . Respond flexibly to market growth



Expand production capacity to achieve the top share in a growing market



- Future Growth**
- (1) Commercialization of hydrometallurgy (The target for 2025 has been revised)
 - (2) Wide-area collection of LFP in response to DPP
 - (3) Collecting graphite from BM
 - (4) Crushing technology under nitrogen-filled conditions
- *DPP : Digital Product Passport
*LFP : Lithium iron phosphate battery

Play significant roles in the CE strategy based on high reliability and contact with large customers

CE coordination and provision of solutions

Consulting

Circular economy
 CE strategy and model development
 Create a plastic circulation model
 Waste management support
 Wide-area waste treatment recognition system

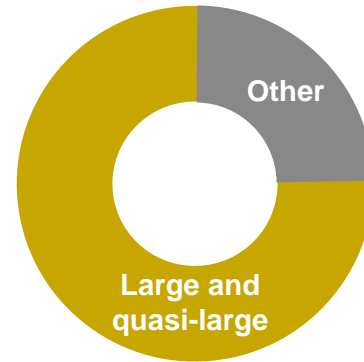
Carbon neutrality
 Formulate policies and strategies for combating climate change
 Response to the TCFD recommendations
 Support for SBT, CDP and other ESG evaluations
 Calculation of CO₂ reduction effect



CE solutions
(Capabilities of Group companies)

- Handling many different kinds of waste
- Capacity to handle the waste emitted across the country
- Carbon-free production at RE100 plants
- Research and development capabilities

Consulting track record



Percentage of customers that are large companies **75%**

Repeat order rate **88%**

* Large companies: Net sales of 1 trillion yen or more
 Quasi-large companies: Net sales of 100 billion yen to 1 trillion yen
 Other: Companies with net sales of 100 million yen or less

Understand the trends and respond to the latest needs

1. Deepen existing businesses

CDP questionnaires not answered by **3,675** companies/4,002 companies
 * Ratio to 4,002 listed companies in Japan

2. Promote DX (software development)

- Develop **traceability** systems
- Develop **CO₂ emissions calculation** systems

3. Respond to new needs

- **Global** consulting
- **Online** consulting
- **Biodiversity** (TNFD, etc.)

Advance diversity and resolve local issues at the same time to realize CE supporting local communities

Agriculture-welfare cooperation

A program that encourage people with disabilities to participate in society in the form of engagement in agriculture to feel proud and fulfilled based on a model for resolving the various issues faced by agriculture at the same time

Advantages for workers

- **Increase income** for workers
- Offer **rewarding** jobs
- Operate business sites adjacent to farms to increase user engagement in agriculture

Contribution to Nagano Prefecture

- Resolve the **labor shortage** in agriculture (through working outside facilities, employment and other initiatives)
- Expand vegetable growing in **Nagano**

Environment-welfare cooperation

A business model in which people with disabilities collect resources etc. from disassembled computers to address environmental issues

Cooperation within the Group

- Percentage of Group employees that are people with disabilities*: **4.2%**
- Assigned to the recycling operations of Group companies
- Strengthen collaboration with Group companies to expand practices to **Kanagawa** and elsewhere

Strengths of ASTOCO Inc.

- Manual sorting skills to perform detailed separation and sorting functions
- Flexible support for personnel in picking, disassembly and other operations

* As of June 1, 2023, excluding Nitto Kako and Cyterrace

Our Investment Policy



Investment in Existing Businesses

- Expansion of plants
- Introduction of new technology, promotion of DX
- Environmental improvement, strengthening of safety measures, deterioration updates



Investment in Growth Businesses

- Lithium-ion battery recycling business
- Advanced plastic recycling business
- Secure human resources and intellectual property



Investment in M&A etc.

- Accelerating growth
- Synergy creation
- Alliance with growing companies

IRR **15%**

ROI **10%**

Major investments in the last 3 years

Fuji plant (Resource recycling plant)	¥1.82 bn
Ibaraki plant (LIB recycling plant)	¥0.86 bn
Tender offer of Nitto Kako	¥2.07 bn

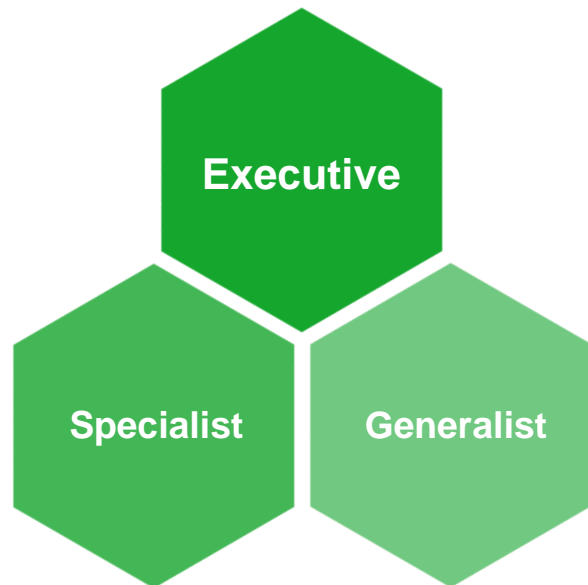
Investment in Strategic Human Resource

- Establishment of Strategic Business Division and Business Development Division
- Establishment of Overseas Business Division
- Expansion of Engineering Division

Human Capital Investment

Set a target of creating **100** business promoters

Set KPI → Regular discussions including executive members



Candidates for president of HD and group companies

Personnel with experience in business start-up, global development, finance, business investment decisions, etc.

Leader in advanced technology utilization

Personnel who promote business by utilizing deep expertise in specific fields such as DX, IP management, R&D, etc.

Project promotion leaders

Personnel with broad knowledge and multiple perspectives in the subject area and who coordinate the personnel in charge of each field.

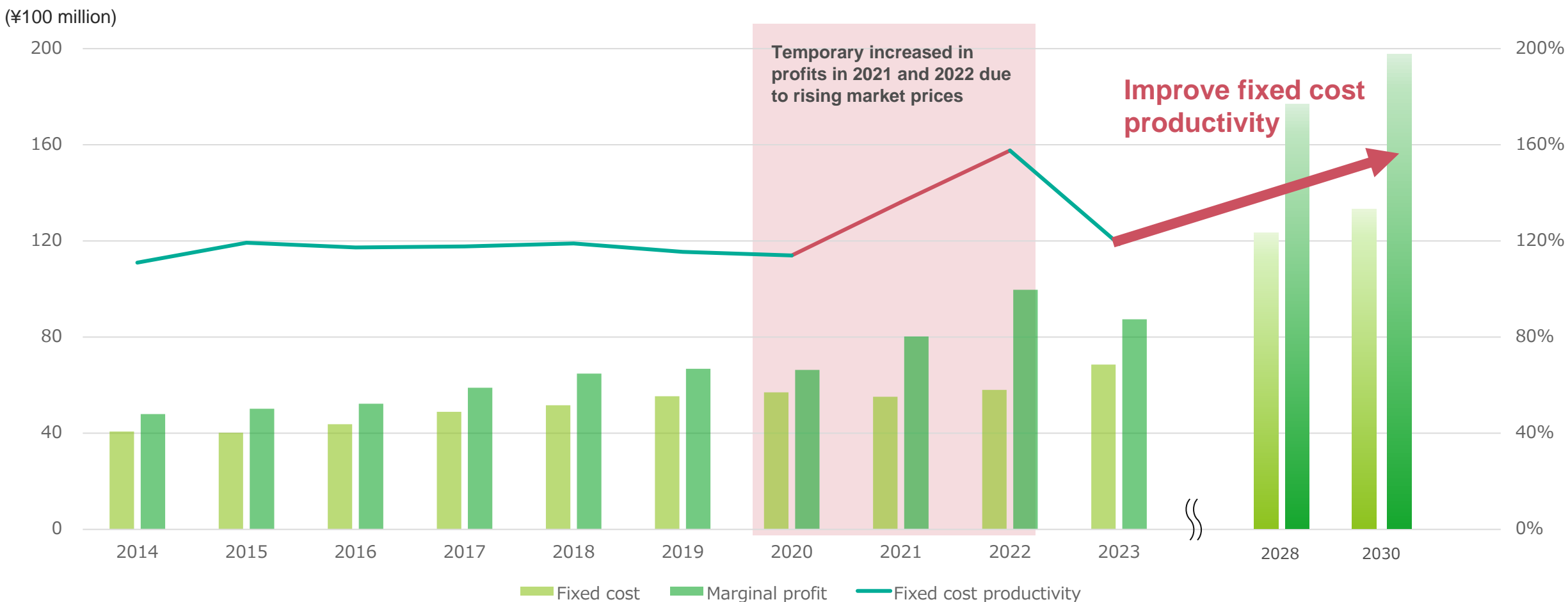
		KPI
Recruitment	Mid-career employment and new graduate recruitment	Recruitment of business promoters
		New graduate recruitment
	Diversification of recruitment methods	Recruitment of referred and retired personnel
Development	Personnel development	Development business promoters
	Sharing of knowledge within the Group	Level of satisfaction with business schools
		Joy of development
Retention	Employee satisfaction	Retention rate
		Annual wage increase and increase of base pay
	Active roles for diverse human resources	Welfare facilities and systems
		Ratio of females in managerial positions
		Ratio of non-Japanese nationals

Progress (Jun. 2023)	Target (Jun. 2028)
13 people	30 people
4 people (Apr. 2024 Join)	40 people
11.2% of all employees	20% of all employees
9 people	40 people
94.9%	100%
69.8%(Jun. 2022)	90%
89.7%	95%
6.44%	Over 3%/year
Satisfaction with the way of working -%	Satisfaction with the way of working 80%
8.4%	20%
4.0%	10%

*Business promoters are defined as personnel at the manager level

Fixed Cost Productivity and Growth Potential

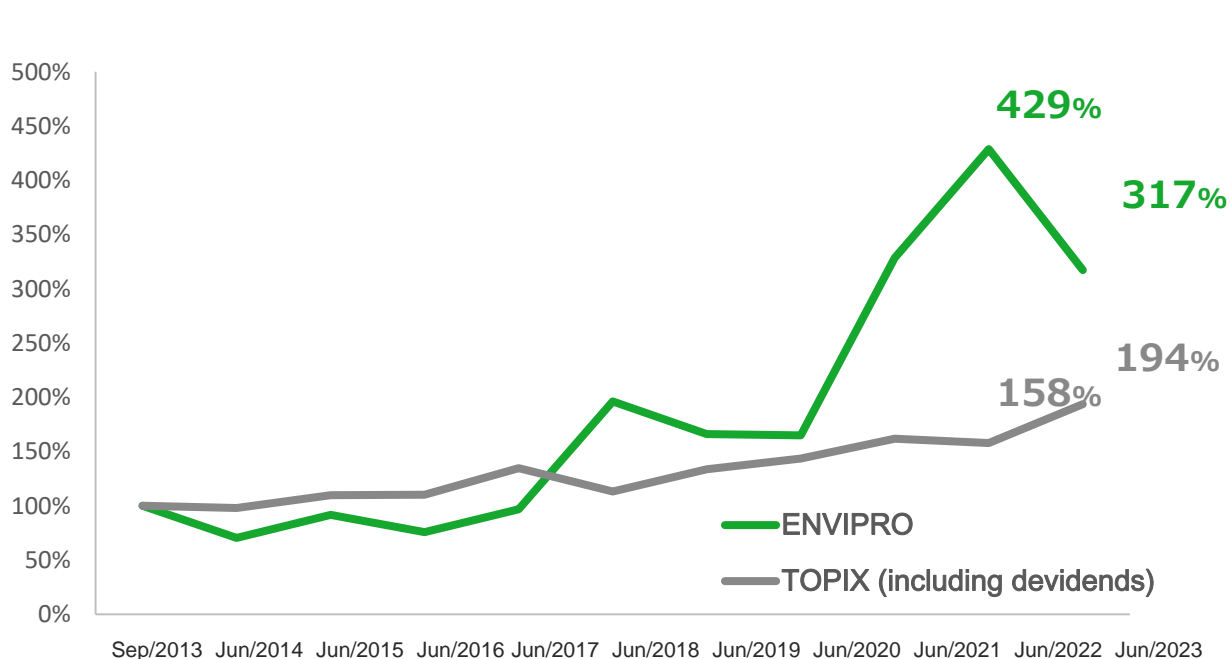
- In terms of investment in personnel, we **accumulated capabilities for the implementation of strategies**, including new businesses, M&A activities, PMI and research and development.
- Regarding capital investment, we acquired the benefit of **economies of scale** by investments in plants and facilities aimed at increasing capacity.
- In the past decade (from 2014 to 2023), fixed costs increased 1.7 times and marginal profit increased 1.8 times.



TSR and Dividends

Total Shareholder Return (TSR) since listing

- **Outperformed TOPIX** in 10 year period



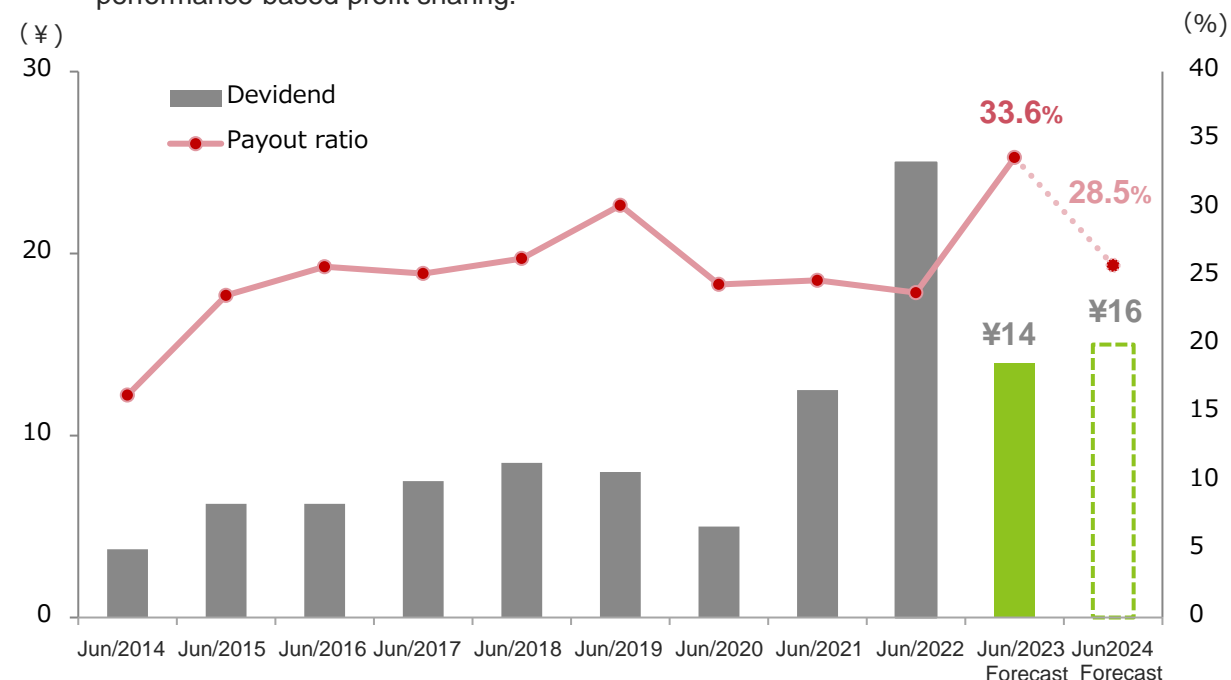
*The closing price on September 25, 2013 is regarded as 100.

(¥)

	Sep. 25, 2013 Closing price	Jun. 2014	Jun. 2015	Jun. 2016	Jun. 2017	Jun. 2018	Jun. 2019	Jun. 2020	Jun. 2021	Jun. 2022	Jun. 2023	Jun. 2024
Share price (End of June)	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	16
Payout ratio	-	16.3%	23.6%	25.7%	25.2%	26.3%	30.2%	24.4%	24.7%	23.8%	33.6%	28.5%

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 set a target consolidated payout ratio of **25-35%** as an indicator of performance-based profit sharing.



*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.

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.



Inquiry desk about this material and IR

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