

September 2, 2024

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## **ENVIPRO HOLDINGS Inc.**

Financial Results Briefing Session for the Fiscal Year Ended June 2024 (scripts)

August 23, 2024

## Event Summary

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<b>[Company Name]</b>	ENVIPRO HOLDINGS Inc.	
<b>[Company ID]</b>	5698-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing Session for the Fiscal Year Ended June 2024	
<b>[Fiscal Period]</b>	FY2024 Annual	
<b>[Date]</b>	August 23, 2024	
<b>[Number of Pages]</b>	29	
<b>[Time]</b>	13:30 – 14:23 (Total: 53 minutes, Presentation: 37 minutes, Q&A: 16 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	2	
	Tomikazu Sano	Representative Director and President, CEO
	Kozo Haruyama	Senior Managing Director

# Presentation

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**Moderator:** Thank you for your patience. Now it's time to begin the financial results briefing for ENVIPRO HOLDINGS Inc. We are holding this briefing in a live webcast format with no audience. The explanatory materials for today's meeting are available on the Company's website, so please use them as needed.

Let me begin by introducing the two people we are welcoming from the Company. First, we have Mr. Tomikazu Sano, President, Representative Director.

**Sano:** I am Tomikazu Sano, President. Thank you for joining us today.

**Moderator:** Thank you. Next is Mr. Kozo Haruyama, Senior Managing Director.

**Haruyama:** My name is Kozo Haruyama, Senior Managing Director. Thank you.

**Moderator:** Thank you. We will be hearing from President Sano and Senior Managing Director Haruyama today, and after their presentation, we plan to take questions from those participating online. Now President Sano, please begin.

**Sano:** Once again, thank you for joining us. I will now begin the presentation of the financial results of ENVIPRO HOLDINGS for the fiscal year ended June 30, 2024. Today is the first time for us to do this in an online format, so I am not sure if there will be any flaws. Thank you for your understanding and cooperation. Let's get to it.



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Today, I will explain these five items. I will speak a little faster in the first half of the presentation and will take some time to explain the medium-term plan and beyond.

Consolidated Financial Results		[ Our Group's Business Environment ]	
Net sales	YoY <b>¥52,214</b> million <b>6.1% up</b>	<ul style="list-style-type: none"> <li>The average ferrous scrap price for the fiscal year ended June 30, 2024 was <b>¥50,916/t.</b> (In the same period of the previous fiscal year ¥49,082/t )</li> <li>Domestic crude steel production volume remained steady. The average market prices of cobalt, nickel, lithium and other minor metals were <b>lower</b> than in the same period of the previous fiscal year, although the average price of copper <b>rose</b> year on year.</li> </ul>	
Operating profit	YoY <b>¥1,409</b> million <b>8.6% down</b>	<b>[TOPICS]</b>	
Ordinary profit	YoY <b>¥1,782</b> million <b>6.3% down</b>	<ul style="list-style-type: none"> <li><b>LIB* Recycling Ibaraki Plant</b> in progress for operation</li> <li>Integration of three <b>metal resource circulation companies</b> and integration of two <b>polymer resource circulation companies</b></li> <li>New dismantling company in progress for operation (Resource Circulation Business: scheduled to start operation in September-October 2024)</li> <li>Disagreements with tax authorities on export sales transactions and the effects of the fire etc. resulted in <b>extraordinary losses of ¥1,012 million</b></li> </ul>	
Profit*	YoY <b>¥537</b> million <b>56.5% down</b>		

\*Profit: Profit attributable to owners of parent (Amounts and quantities are rounded down. The percentages are rounded off.)  
\*LIB: Lithium-ion Battery

First, here are the highlights for the fiscal year ended June 30, 2024.

As you can see, the numbers are as follows, but the most significant financial impact is the profit of JPY537 million, down 56.5% from the previous year. As you can see under topics on the right, the profit for the period was JPY537 million due to an extraordinary loss of JPY1,012 million resulting from a disagreement with the tax authorities on export sales transactions and the effects of the fire etc.

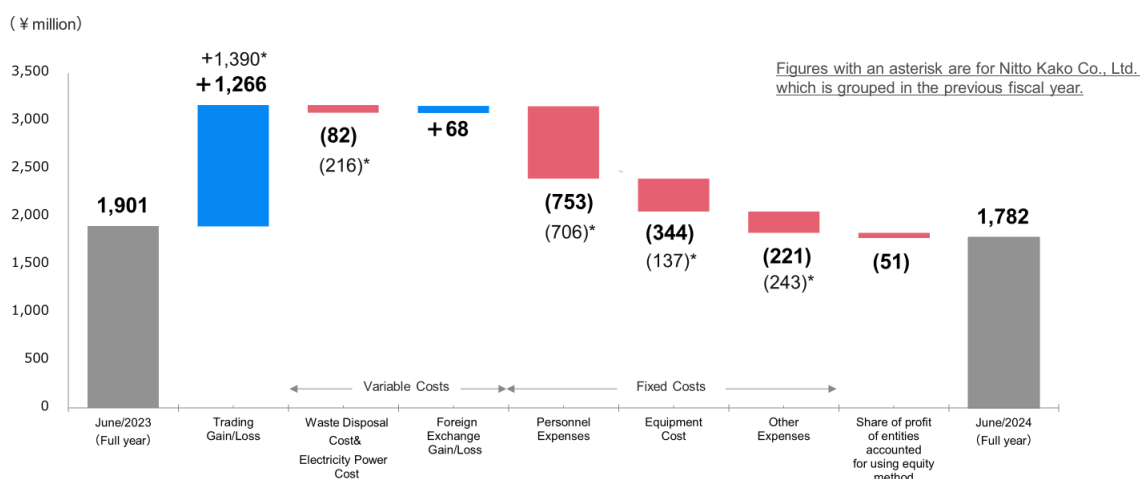
Other topics include the construction of the LIB recycling Ibaraki plant, which was still under construction in the previous fiscal year, but has now begun operations.

Another major topic is the integration of three metal resource circular companies, ECONECOL, SYN ECO, and Kuroda Recycle. There were also two polymer resource circular companies, Nitto Kako and Toyo Rubber Chip, which have been integrated into Nitto Kako. In addition, the Company established a new company as a spin-out from a demolition company. Full-scale operations will begin this fall.

## Analysis of Difference in Consolidated Ordinary Profit (YoY)



- **Trading Gain/Loss :** Increased due to grouping of Nitto Kako Co.,Ltd.
- **Personnel Expenses :** Increased personnel, regular salary increase and base increase of more than ¥10,000
- **Equipment Cost :** New plant, new facilities investment (New sorting base at Fuji City, etc.)



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This is a waterfall chart. The decrease in profit is due to the fact that the increase in trading margins did not compensate for fixed costs, mainly personnel expenses.

## Summary of Business Results by Segment

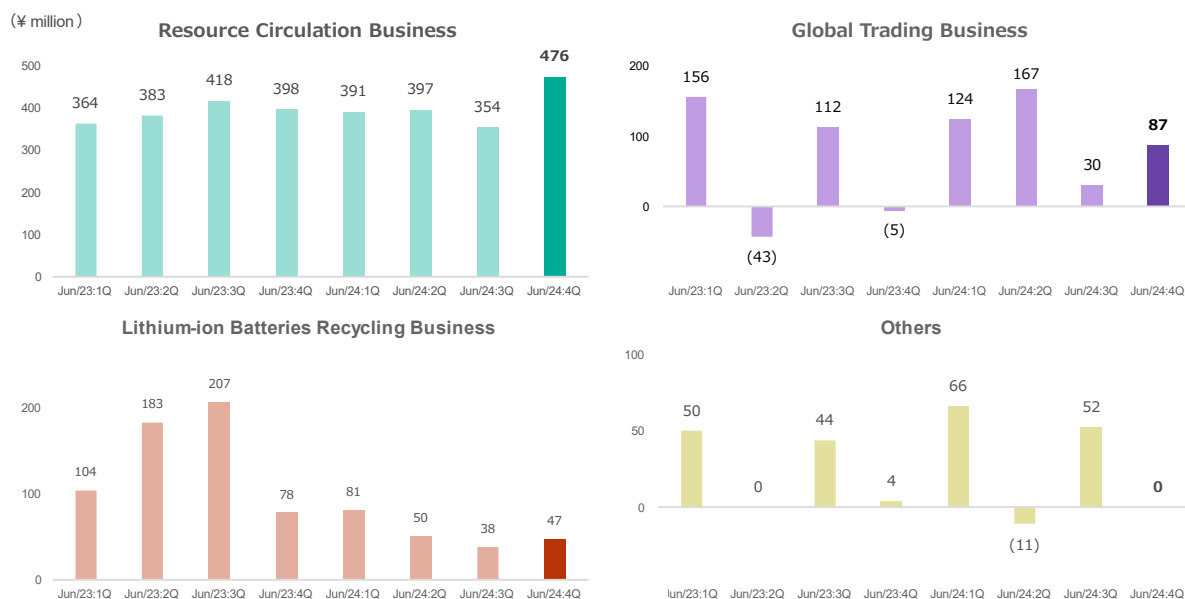


		June/2023		June/2024		TOPICS
		Actual	Actual	YoY		
				Increase/Decrease	Ratio	
Resource Circulation Business	Shipping volume (1,000t)	262	249	(13)	(5%)	<ul style="list-style-type: none"> <li>■ Higher costs resulting from new capital expenditures associated with the operation of the advanced sorting plant and higher labor costs due to improved treatment put pressure on profits.</li> <li>■ Grouping of Nitto Kako Co., Ltd., increases in the collection of gold, silver &amp; copper sediment sludge from increasing volumes of collected waste incineration ash, and strong cleaning and dismantling work contributed to profits.</li> </ul>
	Net sales	18,852	21,254	2,402	13%	
	Ordinary profit	1,565	1,621	55	4%	
Global Trading Business	Shipping volume (1,000t)	465	490	25	5%	<ul style="list-style-type: none"> <li>■ Export conditions for raw materials for steelmaking are expected to remain difficult.</li> <li>■ Strengthening domestic sales and dynamic sales activities increased shipment volume.</li> <li>■ In logistics agency services, profit increased owing to strong shipments to land-locked countries, cost reduction from bulk purchases as well as the in-house customs clearance business among other factors.</li> </ul>
	Net sales	34,485	34,955	470	1%	
	Ordinary profit	220	411	190	86%	
Lithium-ion Battery Recycling Business	Net sales	1,635	1,570	(65)	(4%)	<ul style="list-style-type: none"> <li>■ Handling volume increased due to aggressive sales activities, despite a weakening demand for materials for batteries.</li> <li>■ Market prices of cobalt, nickel, lithium were lackluster.</li> <li>■ Ibaraki Plant in progress for operation.</li> </ul>
	Ordinary profit	575	218	(356)	(62%)	
Others	Net sales	463	491	28	6%	<ul style="list-style-type: none"> <li>«Environment Management Consulting Business»</li> <li>■ Increases in TNFD response support, consulting services related to circular economy and steady increases in demand for consulting services related to carbon neutrality contributed to revenue.</li> <li>«Welfare Service Business for People with Disabilities»</li> <li>■ Due to a reimbursement revision in the Act on Providing Comprehensive Support for the Daily Life and Life in Society of Persons with Disabilities, there was a review of the compensation standards for Type B Continuous Employment Support.</li> </ul>
	Ordinary profit	99	108	8	9%	

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By segment, with the exception of the lithium-ion battery recycling business, both sales and profit increased, albeit slightly. In the battery sector, for example, the price of lithium is about a quarter of what it was the year before last or about half of what it was two years ago. We produce a semi-finished product called black mass, and although the volume handled is increasing, profits are declining.

## Quarterly Ordinary Profit by Segment



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This is a quarterly trend. Please take a look at your leisure.

## Summary of Consolidated Balance Sheets



(¥ million)

	As of Jun. 30 2023	As of Jun. 30 2024	Increase/ Decrease	TOPICS
Current assets	19,088	18,366	(721)	¥1,130 million in merchandise and finished goods, -¥1,311 million in other current assets, -¥475 million in cash and deposits, -¥198 million in notes receivable -trade
Non-current assets	14,598	15,419	821	¥327 million in investments securities, ¥474 million in machinery, equipment and vehicles, -¥210 million in buildings and structures, -¥143 million in other investment assets
(Property, plant and equipment)	10,844	11,175	330	
(Intangible assets)	148	189	40	
(Investments and other assets)	3,605	4,054	449	
<b>Total assets</b>	<b>33,686</b>	<b>33,786</b>	<b>99</b>	
Current liabilities	10,415	11,090	674	¥108 million in income taxes payable, ¥679 million in notes and accounts payable -trade, -¥660 million in short-term borrowings, -¥504 million in other current liabilities
Non-current liabilities	6,446	5,657	(788)	-¥727 million in long-term borrowings
<b>Total liabilities</b>	<b>16,861</b>	<b>16,747</b>	<b>(113)</b>	
Net assets	16,825	17,038	213	¥131 million resulting from the disposal of treasury shares, ¥121 million in retained earnings, -¥112 million in non-controlling interests.
(Equity)	16,386	16,719	333	Equity ratio 49.5% (48.6% as of June 30, 2023)
<b>Total liabilities and net assets</b>	<b>33,686</b>	<b>33,786</b>	<b>99</b>	

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There is the consolidated balance sheet. Again, we have nothing special to say.

## Summary of Consolidated Statements of Cash Flows



(¥ million)

	June/2023	June/2024	Increase / Decrease	TOPICS
Cash flows from operating activities	2,332	2,940	608	(Inflows) ¥1,267 million in depreciation ¥816 million in profit before income taxes ¥673 million in increase in trade payables (Outflows) ¥1,157 million in increase in inventories ¥469 million in share of profit of entities accounted for using equity method
Cash flows from investing activities	(3,838)	(1,560)	2,278	(Inflows) ¥92 million in proceeds from sales of property, plant and equipment (Outflows) ¥1,578 million in purchase of property, plant and equipment
Cash flows from financing activities	(92)	(1,931)	(1,839)	(Inflows) ¥301 million in proceeds from long-term borrowings (Outflows) ¥1,005 million in repayments of long-term borrowings ¥660 million net decrease in short-term borrowings ¥415 million in dividends paid
Effect of exchange rate change on cash and cash equivalents	(62)	37	99	
Net increase (decrease) in cash and cash equivalents	(1,661)	(513)	1,148	
Cash and cash equivalents at beginning of period	8,913	7,245	(1,668)	
Cash and cash equivalents at end of period	7,245	6,771	(474)	

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The same is true for cash flow.

## Forecast for the Consolidated Results - FY2025



Consolidated Financial Forecast		Background of Financial Forecast					
Net sales	YoY <b>¥53,500</b> million <b>2.5% up</b>	<ul style="list-style-type: none"> <li>In Resource Circulation Business, focus on strengthening collection capabilities through organizational integration, service businesses such as cleaning and dismantling work, and the manufacture of recycled materials.</li> <li>In Global Trading Business, develop trading products and expand domestic sales model although the environment of high domestic prices and low overseas prices of scrap metal continues.</li> <li>In Lithium-ion Battery Recycling Business, focus on stabilizing the revenue base through increasing shipping volume and contract processing although market prices of minor metals remain weak due to easing demand and supply for battery materials.</li> <li>Aggressive sales activities, including the reorganization and business alliances in order to realize concrete cases of the circular economy.</li> </ul>					
Operating profit	YoY <b>¥1,500</b> million <b>6.4% up</b>						
Ordinary profit	YoY <b>¥2,000</b> million <b>12.2% up</b>						
Profit	YoY <b>¥1,480</b> million <b>175% up</b>						
Prerequisites of the Forecast	Ferrous scrap price	Electrolytic copper price	Gold price	Silver price	Nickel price	Cobalt price	Exchange rate
	¥50,000/t	¥1,500/kg	¥11,000/g	¥140,000/kg	¥2,700/kg	¥4,100/kg	¥140/US\$

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I will now discuss the forecast for the fiscal year ending June 30, 2025. As you can see from the figures, we expect an increase in revenue and profit. We have integrated our management in the resource circulation business, so that is how we will improve the efficiency of our organization and increase profits.

The global trading business has been undergoing a model change for about two years now. We are taking a variety of steps, and this fiscal year, we will continue to solve the issues that lie ahead of us while gradually changing the model.

In the lithium-ion battery recycling business, as I mentioned earlier, prices have eased very much. However, since we view this as a strategic business, we increased the volume handled by about 20% last year, and we will increase the volume handled by 20% this fiscal year as well. We would also like to increase the number of business partners and relationships and strategically focus on these areas rather than on financial results. That is all.

### Forecast for the Consolidated Results - FY2025



(¥ million)

	June/2024		June/2025		
	Actual	Forecast	YoY		
			Increase/ Decrease	Ratio	
Shipping volume (1,000t)	648	650	2	0.3%	
Net sales	52,214	53,500	1,286	2.5%	
Gross profit	8,480	8,900	420	5.0%	
Operating profit	1,409	1,500	91	6.4%	
Ordinary profit	1,782	2,000	218	12.2%	
Profit before income taxes	816	2,000	1,184	145.1%	
Profit	537	1,480	943	175.4%	
Marginal profit	9,996	11,000	1,004	10.0%	
EBITDA*	2,680	3,000	320	11.9%	
Fixed costs*	8,683	9,600	917	10.6%	
ROE	3.2%	8.2%	5.0%	-	

\*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]

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As for the consolidated forecast, we are targeting ROE of 8.2%.



## Forecast for the Consolidated Results - FY2025



(¥ million)

Net Sales	June/2024	June/2025			
	Actual	Forecast	Increase/Decrease	Ratio	Composition Ratio
Consolidated	52,214	53,500	1,286	2%	100%
Resource Circulation Business	21,254	25,500	4,246	20%	43%
Global Trading Business	34,955	32,000	(2,955)	(8%)	54%
Lithium-ion Battery Recycling Business	1,570	1,250	(320)	(20%)	2%
Others	491	500	9	2%	1%
Adjustment	(6,058)	(5,750)	308	-	-

Segment Profit	June/2024	June/2025			
	Actual	Forecast	Increase/Decrease	Ratio	Composition Ratio
Consolidated	1,782	2,000	218	12%	100%
Resource Circulation Business	1,621	2,000	379	23%	76%
Global Trading Business	411	540	129	31%	21%
Lithium-ion Battery Recycling Business	218	(15)	(233)	(107%)	(1%)
Others	108	100	(8)	(7%)	4%
Adjustment	(576)	(625)	(49)	-	-

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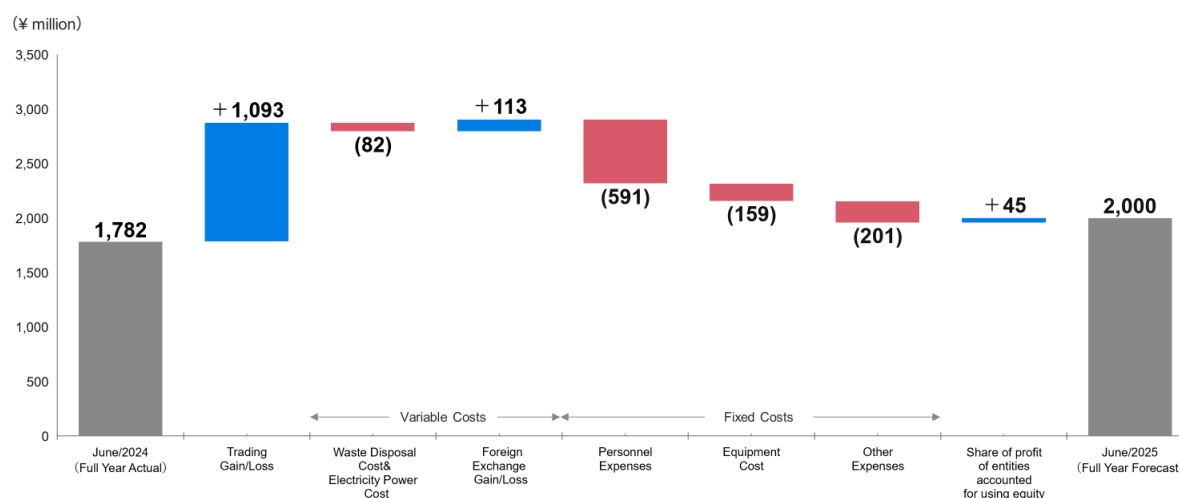
We are forecasting higher sales and profits in the resource circulation business, lower sales and higher profits in the global trading business, and lower sales and lower profits in the lithium-ion battery recycling business.

Although not yet in operation, we have also created a joint venture. At the start of that, there will also be a negative figure, so we have set the consolidated figure at negative JPY15 million. In others segment, there will not be much change.

## Analysis of Difference in Consolidated Ordinary Profit (YoY)



- **Trading Gain/Loss** : Strengthening sales activities through integration of subsidiaries, strong cleaning and dismantling work, etc.
- **Personnel Expenses** : Human capital investment (hiring and training of business promoters, regular salary increases and base salary increases)



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This is also a waterfall chart. We expect to see an increase in profit this fiscal year, with gross profit growth exceeding fixed costs growth. However, personnel expenses have increased by JPY10,000 each in the last year

and the year before. This trend is expected to continue for some time, so the major theme for the future will be how to secure gross profit.

## TSR and Dividends



### Total Shareholder Return (TSR) since listing

■ Outperformed TOPIX in 10 year period



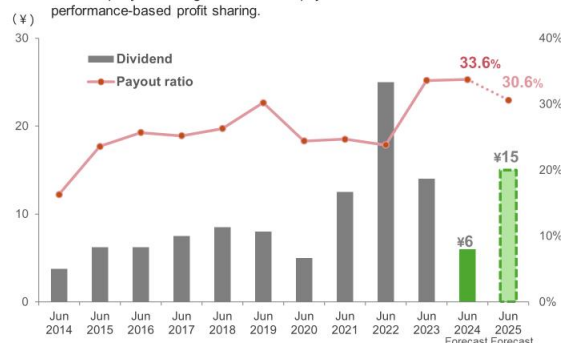
\*The closing price on September 25, 2013 is regarded as 100.

( ¥ )

	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
Share price (End of June)	205	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
Payout ratio	-	16.3%	23.6%	25.7%	25.2%	26.3%	30.2%	24.4%	24.7%	23.8%	33.6%

### 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.

Jun. 2024 (Initial Forecast)	Jun. 2024 (Previous Forecast)	Jun. 2024 (Revised Forecast)
-	-	479
16	3	6
28.5%	27.0%	33.6%

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This shows TSR and dividends. I am aware that our performance has been sluggish recently, but I would like you to recognize that we have outperformed the TOPIX in terms of performance over a 10-year period.

Regarding the dividend policy, we plan to pay out 25% to 35% of the total dividend, whereas in the past, it was 20% to 30%. For the current fiscal year, we are targeting JPY15 per share.

## [Reference] 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. 2023	Jun. 2024	Jun. 2025	Jun. 2026	Jun. 2027	Jun. 2028	Jun. 2029	Jun. 2030
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Mid-Term Plan 2027

Mid-Term Plan 2028

Mid-Term Plan 2029

Announced this time

Mid-Term Plan 2030

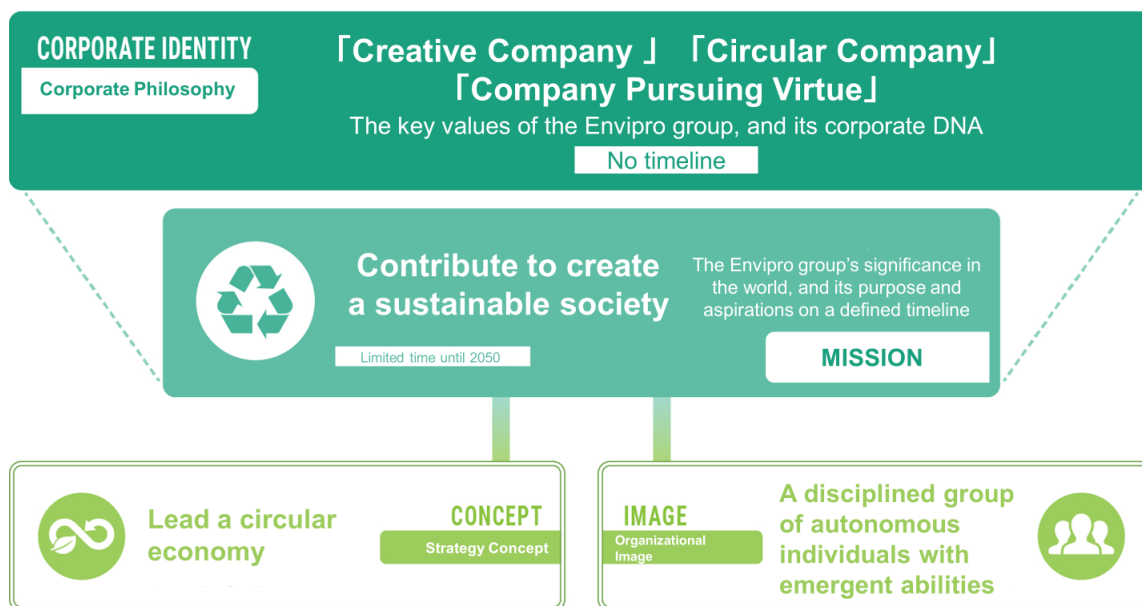
Schedule for next fiscal year

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I will now begin to explain our medium-term management plan.

This is the third year and we are doing it on a rolling basis. With very rapid changes, we create a five-year plan every year without fixing it. It is difficult to look five years into the future in this era of rapid change, but we have made a five-year plan with the aim of increasing the degree of accuracy or execution during the first three years, while imagining what we should be doing in five years' time.

## Basic Management Policy

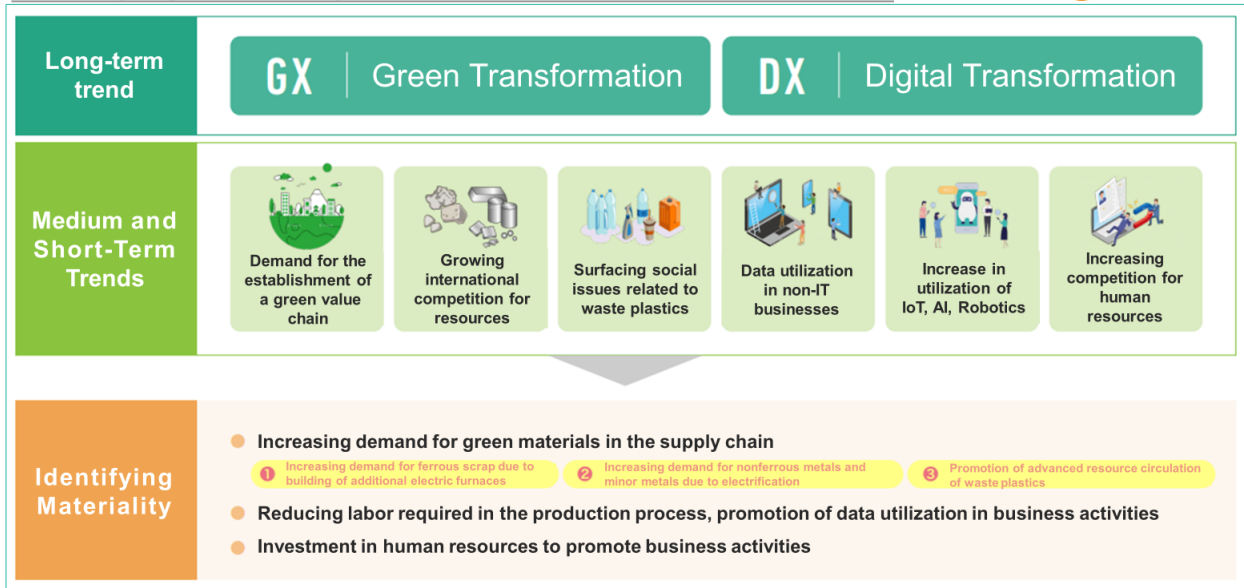


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We are committed to our corporate philosophy, and we work hard to share it. For example, we chant our corporate philosophy at morning meetings and clearly state it in our management plan. We will continue to manage our business with a creative company, a circular company, and a company pursuing virtue as the DNA of our organization.

On top of that, we aim to contribute to create a sustainable society, which is our mission until 2050. The concept of the strategy to carry them out is to lead the circular economy, and to achieve these things, we aim to be a disciplined group of autonomous individuals with emergent capabilities. We are committed to increasing the execution of such a policy. We will execute it with the right attitude, and as a result, we will also make a profit.

# Identifying Materiality to realize the mission



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Regarding the materiality for achieving our mission, we have considered long-term trends, as well as short- and medium-term trends. As a result, the most important issue for us is to respond to the increasing demand for green materials. Specifically, our challenge is to determine how to meet this demand throughout the entire supply chain. Additionally, we need to address the demands for metal recycling and new materials, which include the increasing use of ferrous scrap in electric furnaces and the growing demand for nonferrous metals and minor metals due to the spread of EVs etc. Furthermore, it is crucial to advance the recycling of plastics, developing methods to efficiently reuse waste plastics and utilize them as new resources. We plan to implement various measures to tackle these challenges.

# Business Strategy



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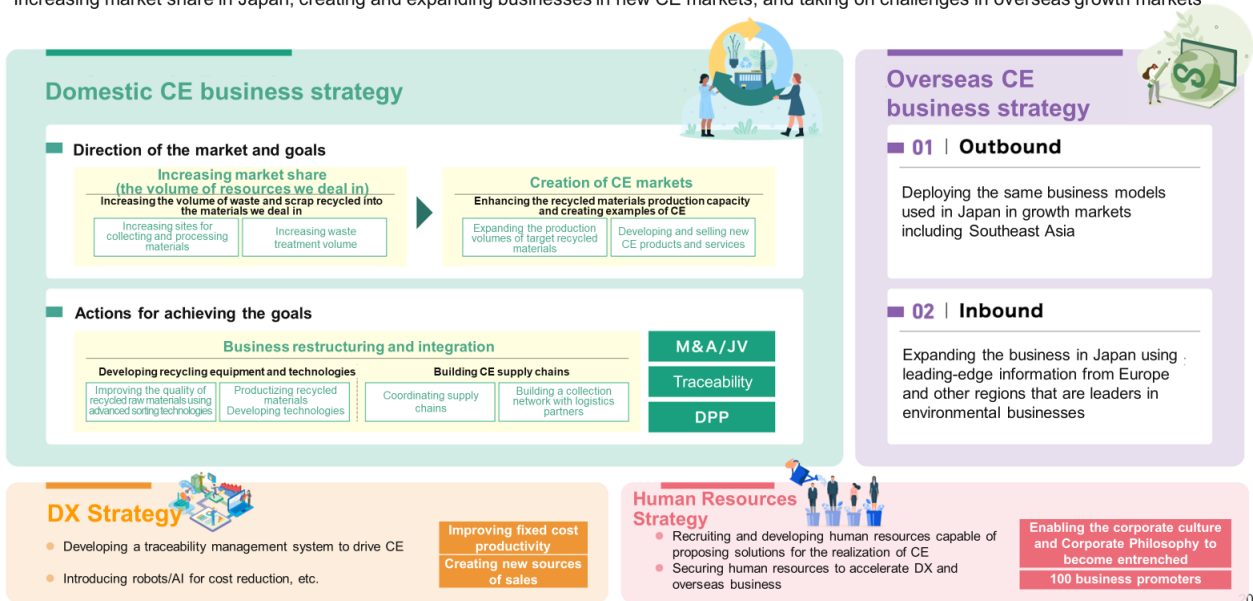
In this strategic concept, Lead a circular economy, we have two main themes, first, CE supporting manufacturing, and second, CE supporting local communities. We are currently focusing on CE supporting manufacturing.

However, although it will take some time, I am sure that CE supporting local communities will eventually become a part of the overall waste management administration of the municipality. Taking this into consideration, for the time being, we will concentrate on CE supporting manufacturing.

## Overview of the Strategies for Leading CE



Increasing market share in Japan, creating and expanding businesses in new CE markets, and taking on challenges in overseas growth markets



In terms of the overall strategy to lead the circular economy, we see it in two parts, domestic circular economy and overseas circular economy. Although we have overseas offices, the majority of our profits are generated domestically, so we will first carry out our domestic circular economy and business strategy.

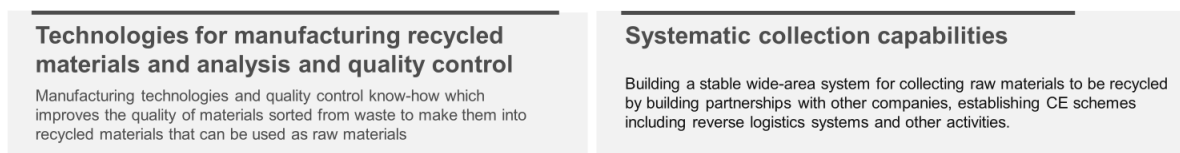
Of course, we will continue to expand our market share as we have in the past, but the key will be to create a new market for the circular economy. I think it is very important to create markets. Another key is to raise the level of our own business as a recycled materials manufacturer.

Overseas, we have bases in Southeast Asia, where we will develop the same kind of business as we do in Japan. As for the inbound business, we have recently been in discussions with HyProMag Ltd about introducing hydrogen embrittlement technology for neodymium magnets, and we will continue to develop overseas technologies and business models in Japan at the same time. We will also add DX strategies and human resource strategies to these strategies to increase the degree of implementation.

**Our Strengths and advantages**



**Direction of focus strategies**



**Creating a CE market and securing a position in the market**

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In this slide, let me share our strengths and advantages.

First, for a long time, we have been using advanced physical sorting, shredding, magnetic sorting, wind sorting, eddy current, X-ray, sorting using various sensors, and so on. These technologies are also very useful in the collection of gold and silver from waste incineration ash and in the production of lithium-ion batteries. We are proud that our greatest strength lies in our technology, equipment, processes, and know-how.

Those techniques, plants in this industry are a mass of customization, and in that sense, we have a system in place that allows us to design processes that are tailored to the site of the plant. We do that, as well as design, which is one of our great strengths.

Thirdly, we have a consulting company called Bright Innovation, which offers consulting and project proposal capabilities. It originally started out as a CDP and climate change consultant, but recently, it has been doing circular economy consulting and most recently, human capital consulting. Through its circular economy consulting services, it is able to understand the various needs of large corporations. We believe that using the power of the Group to propose realistic solutions is a function that few of our competitors have, and we see this as our strength and advantage.

There is the trade unit. We have been exporting for nearly 30 years now, so we have approximately nine bases at ports around the country and about nine factories as well. I believe that such functions as a nationwide network are also an advantage among the many companies that are inevitably localized.

In addition, we have started an integrated service from dismantling, to resource recycling. The demolition business has already become a red ocean, but it is important to have our own distinctive characteristics. We used to offer this service only in local areas, but we are now developing our business with the entire country as a market. For example, when there is a demolition in a region, we ask the nearest scrap dealer to process it and bring it to our port.








I believe this is also our strength in the sense that we can create synergies, in such a sense, and we will focus on that even more. As I mentioned earlier, we will add various technologies for manufacturing and analyzing recycled materials, in other words, for becoming a manufacturer of recycled resource materials.

Another thing that is very important in this business is the ability to collect goods or in other words, the ability to gather goods. For example, in the Specific Household Appliance Recycling Law, goods are collected in an organized manner under the legal framework, and we will create a mechanism to collect goods in an organized manner under the concept of a circular economy. Our strategy is to combine these two strategies to create new markets and secure a certain position in them.

## Envipro's Target Materials

Reference ▶ p.37 

Produce recycled materials of the quality required by manufacturers, etc. for the following target materials

	 <p><b>Base Metal</b></p> <p>Fe Al Cu</p> <p>Ferrous, Aluminum, Copper</p> <p>Our Business</p> <ul style="list-style-type: none"> <li>Ferrous and nonferrous metals CE</li> <li>Small home appliances and home appliances CE</li> <li>Dismantling CE</li> </ul>	 <p><b>Precious Metal</b></p> <p>Au Ag Pt Pd</p> <p>Gold, silver, platinum group (platinum, palladium)</p> <p>Our Business</p> <ul style="list-style-type: none"> <li>Collection of gold, silver and copper sediment sludge from incineration ash</li> <li>Electrical and electronic equipment CE</li> </ul>	 <p><b>Minor metal</b></p> <p>Li Ni Co</p> <p>Lithium, Nickel, Cobalt</p> <p>Our Business</p> <ul style="list-style-type: none"> <li>LIB to LIB (Lithium-ion battery CE)</li> </ul>	 <p><b>Rare Earth</b></p> <p>Nd Dy</p> <p>(Heavy rare earth) Neodymium, Dysprosium</p> <p>Our Business</p> <ul style="list-style-type: none"> <li>Wind power generation motors CE</li> <li>High magnetic motors CE</li> </ul>	 <p><b>Polymer</b></p> <p>C</p> <p>Plastics, Rubber</p> <p>Our Business</p> <ul style="list-style-type: none"> <li>Tire to Tire (Tire CE)</li> <li>Rubber CE</li> <li>Plastics CE</li> </ul>
Home appliances market	●	●	●	●	●
Automobiles market	●	●	●	●	●
Waste incineration ash market	●	●	●	●	●
Semiconductors market	●	●	●	●	●
Packaging materials market	●	●	●	●	●
Building materials market	●	●	●	●	●

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Our target materials include base metals, precious metals, minor metals for batteries, rare earth metals for neodymium magnets, et cetera, polymers, mainly waste plastics, and rubber, which is a business other companies are not engaged in elsewhere. We are good at rubber, so we are targeting these five areas as materials.

## Mid-Term Plan 2029 Financial Targets



	Net sales	Ordinary profit	ROE	ROIC
Jun. 2029	<b>¥86bn</b>	<b>¥4.7bn</b>	<b>14%</b>	<b>9%</b>
Jun. 2027	¥68.0bn	¥3.1bn	11.5%	~%
Jun. 2025	¥53.5bn	¥2.0bn	8.5%	~%

\*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 2024)

Ferrous scrap price	Electrolytic copper price	Gold price	Silver price	Nickel price	Cobalt price	Exchange rate
¥50,000/t	¥1,500/kg	¥11,000/g	¥140,000/kg	¥2,700/kg	¥4,100/kg	¥140/US\$

- Net sales CAGR at **10.5%** and ordinary profit CAGR at **21.4%** (\* For five years from Jun. 2024 to Jun. 2029)
- We set a target ordinary profit of 5.0 billion yen for the fiscal year ending June 2028, the final year of Mid-Term Plan 2028. Now, we have revised the target ordinary profit for the fiscal year ending June 2029 to 4.7 billion yen.
- This time, we began to set targets **excluding the increases in net sales and ordinary profit that are expected to result from M&A activities.**

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Finally, about the numbers, JPY86 billion in sales, JPY4.7 billion in ordinary profit, with a target of 2029, 14% ROE and 9% ROIC. Last year, we set a goal of JPY5 billion by 2028, but we are a little behind schedule. In the case of last year, we had calculated the profit based on the assumption of M&As, but this time, we have removed them and the first year's performance did not go as planned, so we have pushed back a little.

We will not be able to achieve our goal without considerable growth in both sales and profits, so I think the hurdle is very high. However, we have already achieved ordinary profit of JPY4.1 billion in the fiscal year ended June 30, 2020, so based on our track record, I believe that it is not impossible.



## Financial Targets by Segments



- In the Resource Circulation Business, **strengthening systematic collection capabilities** and **realizing concrete cases of CE** are the keys to the achievement of the profit target.
- In Global Trading Business, the **V-shaped recovery of resource logistics by model change and logistics agency services growing stably at around 10%** are the keys to the achievement of the profit targets.
- In the Lithium-ion Battery Recycling Business, we continue **up-front investments as a strategic business**. Hydrometallurgical demonstration plant is not incorporated into the mid-term plan now.

(¥ million)

Net sales	2025	2027	2029
Consolidated	53,500	68,000	86,000
Resource Circulation Business	25,500	29,500	34,000
Global Trading Business	32,000	42,000	55,500
Lithium-ion Battery Recycling Business	1,250	1,850	2,200
Others	500	700	900
Adjustment	(5,750)	(6,050)	(6,600)
Ordinary profit	2025	2027	2029
Consolidated	2,000	3,100	4,700
Resource Circulation Business	2,000	2,750	3,700
Global Trading Business	540	900	1,350
Lithium-ion Battery Recycling Business	(15)	150	300
Others	100	200	300
Adjustment	(625)	(900)	(950)

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As I have mentioned earlier, in the resource circulation business, we will properly realize the collection capacity through the system, specific examples of circular economy, and various other themes that we are currently receiving. I believe that is the key to achieving our goals.

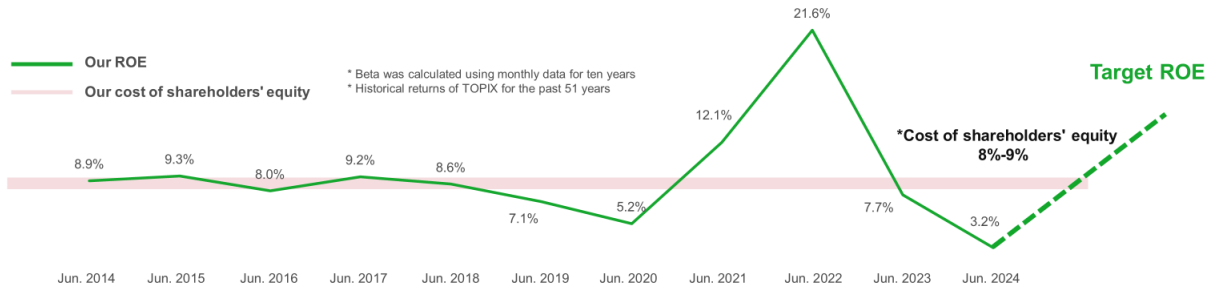
The global trading business is in the midst of a model change, and we are doing this under a certain target as well, so in a sense, we are going to make that V-shaped recovery as planned. Also, the logistics agency services business has been very solidly profitable. In that sense, solid and stable growth of about 10% is the key to achieving the long-term goal of this global trading business.

In addition, we have already positioned the lithium-ion battery recycling business as a strategic business, so we will continue to make upfront investments for some time to come. As will be mentioned later, we are planning a hydrometallurgical demonstration plant, but this has not been factored into these figures.

## ROE and the Cost of Shareholders' Equity



- The Group's ROE is dependent on market conditions. It has been very volatile.
- **The ROE is below** the cost of shareholders' equity.
- We aim to expand and develop highly profitable businesses through **the utilization of unique technologies and know-how** and achieve the growth of EPS and reduce the volatility of ROE by **expanding service business ratio**.



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Now as the fourth point, I would like to explain management with an awareness of the cost of capital and stock price.

Regarding ROE and cost of shareholders' equity, as you can see from this graph, our ROE has also experienced significant volatility due to market conditions. The red line is the cost of shareholders' equity, which we calculate to be between 8% and 9%. We are aware that our target for this fiscal year is also 8.2%, which is below our target.

In this context, as you can see in the formula below, it is important to increase net profit. Since total asset turnover and financial leverage are almost constant, I think our focus should still be on increasing net profit while also working on that.

In this context, I believe that we are currently ahead in terms of unique technologies and know-how, such as waste incineration ash and batteries. Our challenge is to expand and nurture high-margin businesses using such know-how and to increase the ratio of service businesses. For example, in the resource circulation business, it is important to increase sales of waste disposal services. In the global trading business, there are logistics services provided by a company called Cyterrace and more recently, processing contracting services. For example, a trading company called NEWSCON will provide a service in which we receive a certain amount of cargo from Tokyo Steel. By increasing such services, we aim to increase EPS and at the same time, reduce ROE volatility.

## Selection and Concentration of the Business Portfolio



- In 2025 and 2026, we will work to **enhance functions and expand our scale**. (In LIB recycling, we will remain in an investment phase until around 2030.)
- From 2027 to 2029, we will **recover our investments and expand the CE business**.
- We aim to achieve targets ahead of schedule through investment activities such as **M&A activities and the establishment of JV**.

Segment	Business name	2025 - 2026	2027 - 2029	Financial target for June 2029
Resource Circulation	Metallic resources	<ul style="list-style-type: none"> <li>Developing metal recycling</li> <li>Investing in the recycled fuel business</li> </ul>	<ul style="list-style-type: none"> <li>Expanding the product CE business</li> <li>Expanding recycling bases</li> </ul>	Net Sales: <b>34,000</b> Ordinary profit: <b>3,700</b> Profit ratio: <b>10.9%</b> (2024: 7.6%)
	Incineration ash	Expanding collection business of gold, silver & copper sediment sludge* from riddling ash	Focusing on collection business of gold, silver & copper sediment sludge from incinerator bottom ash	
	Dismantling	<ul style="list-style-type: none"> <li>Increasing the project handling capacity (increasing the number of qualified personnel)</li> <li>Increasing the number of collaboration partners</li> </ul>	Resource circulation of buildings (circulation of green steel)	
	Polymer	Capital investment and R&D	Supplying recycled resins and rubbers	
Global Trading	Resource trading	Cooperating with domestic furnace manufacturers	Business investments in countries overseas	Net Sales: <b>55,000</b> Ordinary profit: <b>1,300</b> Profit ratio: <b>2.5%</b> (2024: 1.2%)
	Logistics agency	Expanding sales areas	Diversifying products	
Lithium-ion Battery Recycling	LIB recycling	<ul style="list-style-type: none"> <li>Plan for BM plant in Kansai area</li> <li>BM contract processing business</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of BM's manufacturing sites</li> <li>Commencement of operation of plant for the verification of solvent extraction</li> </ul>	Net Sales: <b>2,200</b> Ordinary profit: <b>300</b> Profit ratio: <b>13.6%</b> (2024: 13.9%)

\*Gold, silver & copper sediment sludge: concentrate sludge of gold, silver, copper, platinum, palladium.

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This shows the selection and concentration of the business portfolio. As you can see on the right, the key is how to raise the profit ratio of each business. The targets are 10.9% for the resource circulation business and 2.5% for the global trading business. The lithium-ion battery recycling business can be quite bumpy. We are currently planning to generate about the same profit margin in the fiscal year ending June 30, 2029, including whether we will do hydrometallurgy or not.

### Resource Circulation ▶ Overview of Waste Incineration Ash Business

Reference ▶ p.38



#### Incinerator Bottom Ash + Riddling Ash\* Market (Artificial gold veins reproduced annually)

Gold, silver & copper sediment sludge\* from incinerator bottom ash + riddling ash **¥ 70 bn**

Gold, silver & copper sediment sludge from riddling ash **¥ 7 bn**

(According to our research)

#### Target ratio of the company in FY2029

Sales of Gold, silver & copper sediment sludge from incinerator bottom ash and riddling ash = 1 : 2

#### Business Overview and Recent Examples

##### Example of Fujinomiya City, Shizuoka Prefecture (2024)

Econecol began purchasing approximately 100 tons/year of riddling ash\* out of waste incineration ash that had previously been cemented, calcined, etc.

**Expected to reduce costs by approximately ¥5.1 million/year**

Riddling ash disposal cost reduction of approx. ¥4 million

Gain on sale of riddling ash + approx. ¥1.1 million



\*Riddling ash : ash that falls through the grate of a stoker furnace.

\* Gold, silver & copper sediment sludge : concentrate sludge of gold, silver, copper, platinum, palladium

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I will continue with an explanation of our growth strategies by business segment.

First of all, this shows the outline of waste incineration ash business, consisting of incinerator bottom ash, riddling ash. I am sure you are not familiar with the term "riddling ash," but please refer to the reference material at the end of this report. I believe it's on the next page of the disclosure document.

I see municipal waste incineration ash as an artificial gold mine that is reproduced annually. Gold mines are being built over and over again, although the amount of gold mined is decreasing and the grade is getting lower and lower as it is mined. As for gold, silver, platinum, and palladium, we estimate that the market for gold, silver, platinum, palladium, and copper, contained in the total incinerator bottom ash, the total waste incineration ash, is JPY70 billion. We view 1/10 of this as riddling ash.

In 2029, we have not yet taken action on the incinerator bottom ash, but we would like to achieve a sales ratio of 1 for incinerator bottom ash and 2 for riddling ash.

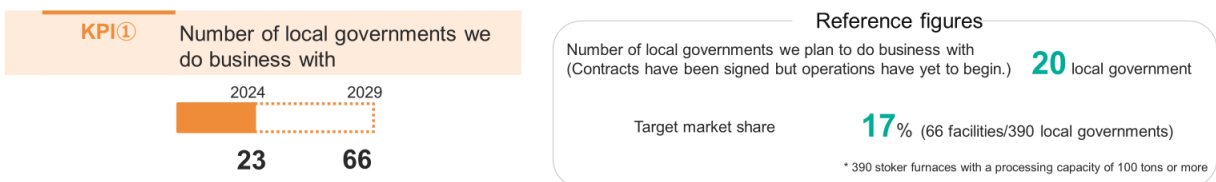
The example below is from Fujinomiya City, where they used to pay for ash disposal, but now they can sell a certain amount of riddling ash, which is said to be 1% to 5% of the incinerator bottom ash. The cost of landfill can be reduced, which is very beneficial to municipalities, so we are now receiving an increasing number of inquiries from various municipalities.

Resource Circulation Business ▶ KPI of the Incineration Ash Business Reference ▶ p.38 

① Collection business of gold, silver & copper sediment sludge from riddling ash



At present, we are engaged in business with 23 local governments and plan to engage in business with 20 additional local governments. We are aiming to engage in business with 66 local governments through continued sales activities.



② Collection business of gold, silver & copper sediment sludge from incinerator bottom ash

- |    |  |   |
|----|--|---|
| 01 | <b>Alliances with companies recycling incinerator bottom ash</b> | <b>KPI②</b> Amount of collected gold, silver and copper sediment sludge: <b>600 t</b> |
| 02 | <b>Alliances with final disposal sites</b>                       |   |

\*Targets for 2029

In this vein, we are targeting sales of JPY1.2 billion and profit of JPY600 million in 2029 from the collection business of gold, silver, and copper sediment sludge from riddling ash. There are 23 municipalities with which we are currently dealing, and 20 municipalities that have already signed contracts for the construction of new furnaces. Including the rest, 66 municipalities can be dealt with in 2029. In terms of market share, this is 17%. I have heard that the tipping point is, according to market theory, 16%, and I am sure that after this point, the penetration will increase even more. We are now in the process of conducting activities, including a kind of educational activity, in order to gain the understanding of each municipality to raise the share to this point.

As for incinerator bottom ash, we cannot do it alone. As for recycling of incinerator bottom ash, there are various companies that make cement or various construction materials from waste incineration ash. If we form an alliance with such a company, we can collect such materials with our technology first and then turn the incinerator bottom ash into resources or collect useful metals, including gold, silver and copper sediment sludge there, and then dispose of them at the final disposal site, rather than disposing of them directly at the

final disposal site. This also has great advantages. As such, our KPI is gold, silver and copper sediment sludge, and we will aim to collect about 600 tons per year in 2029.

## Resource Circulation ▶ One-stop Dismantling and Removal Services



The dismantling work market is estimated to grow around **threefold** in the future

Size of the dismantling work market\* (prime contracts)

- ✓ Buildings constructed in the era of bubble economy have entered the phase of their lifecycle where they are being dismantled.
- ✓ Tapping into demand for replacement/removal resulting from the maturation/waning of domestic industries

Establishing a new dismantling company in the Resource Circulation Business

**エコエコ**  
Econecol Demolition Service

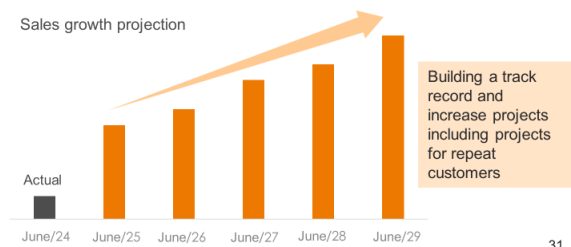
Scheduled to start operation in September-October 2024

Growing demand for the low-carbon recycling of byproducts from dismantling  
→ Providing both resource circulation and dismantling services

\*Actual values from Kensetsu Koji Sekou Toukei Chosa Hokoku Reiwa 4-nendo zissekki (FY 2022 result from report on the Statistical Survey of Construction Work) (Ministry of Land, Infrastructure, Transport and Tourism)  
Estimated values calculated by multiplying the amount of construction investments that were made 50 years ago by 1.5% The amount of investments is from Reiwa 3-nendo Kensetsu Toshi Mitoshi (FY2021 Construction Investment Outlook) (Ministry of Land, Infrastructure, Transport and Tourism).

### Enhancing functions with the goal of achieving significant topline growth

- 01 **Increasing touchpoints with property information**  
Expanding the network to the scrap industry, with which we have built relationships, as well as to leasing companies, banks, reuse companies, real estate developers, healthcare consulting firms, etc.
  - 02 **Improving construction management capabilities**  
Increasing qualified personnel to acquire the ability to implement large-scale construction projects
- KPI** Number of construction managing engineers:  
**+28** (June/2024 to June/2029)

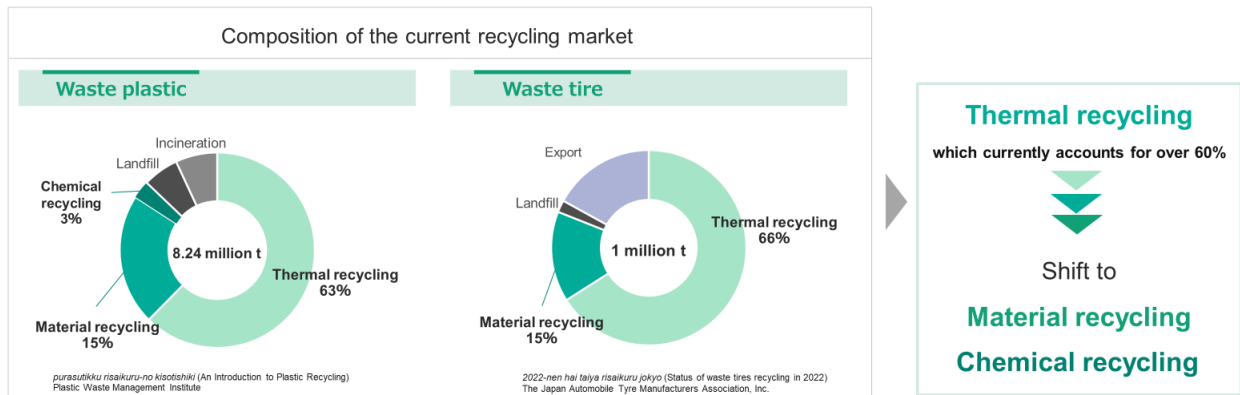


This shows the one-stop service for demolition and removal that has been mentioned earlier. This industry has been around for a long time, but in the past, during the period of rapid economic growth, there was a lot of capital investment in buildings, plants, and other facilities. We are taking steps to meet the demand for demolition of these facilities for a certain period of time, and we are also expanding our business in a wide area.

There are actually a lot of specialized companies that are better than us that are already pioneering in the demolition business by various people. In this context, we will work with banks, leasing companies, funds, and various other entities with financial functions in order to increase the recovery rate of information.

The other thing is this construction management capability. We do some direct demolition, but when we are demolishing multiple sites at the same time, we may ask a local demolition company to do the work. In that sense, the number of engineers who manage the construction of these facilities is far from sufficient, so I would like to increase the number of construction projects and make sales profit by increasing the number of such projects.

Mr. Haruyama, who specializes in polymers, is joining us today, so I will pass the baton to him from here. Now Mr. Haruyama, please explain.



**Focus points for material recycling**

- 01 Stable procurement of waste materials
- 02 Advancement of technology to make recycled raw materials
- 03 Manufacturing and mass production of recycled materials

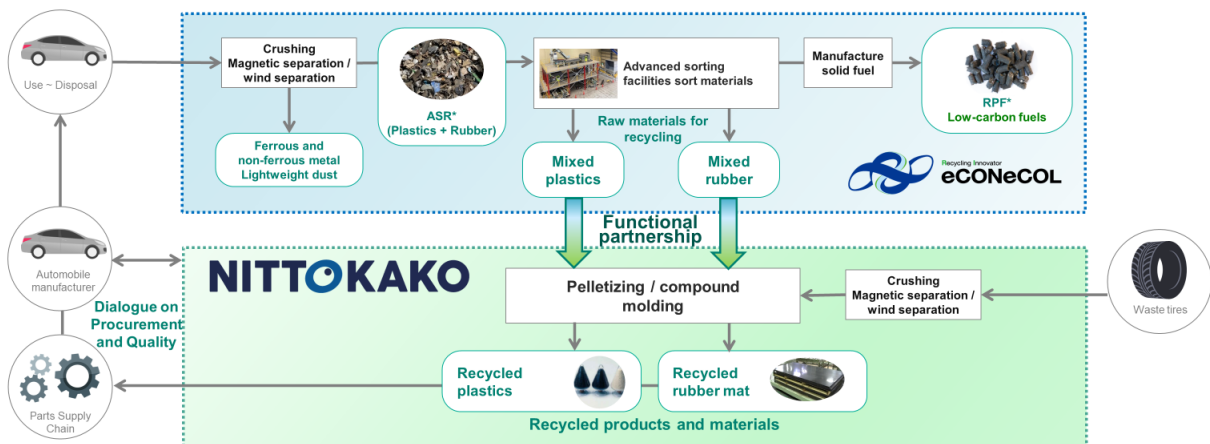
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**Haruyama:** Okay, I will explain from here.

First, regarding the direction of the polymer business, this pie chart shows the market for waste plastics and waste tires. A little more than 60% of thermal recycling is expected to be shifted to material recycling, which has high environmental value.

There are three key points. They are the stable procurement of waste materials, the advancement of recycled raw materials-related technology, and the production and mass production of recycled materials.

- The use of recycled materials is expected to become mandatory under the EU End-of-Life Vehicles (ELV) Regulation
- We will fulfill the high level requirements of the arterial supply chain (stable procurement, quality adjustment and management of substances of concern) with recycling functions and compounding functions.



\* ASR: Automobile shredder residue. Automobile-derived shredder residue that forms after the collection of items to be sorted and processed in advance in accordance with recycling standards for dismantling and crushing companies  
 \* RPF: Refuse derived paper and plastics densified fuel. An eco-friendly fuel that is made by compressing plastic and paper waste as the main ingredients and that can reduce CO<sub>2</sub> emissions

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As stated on the next page, we would like to strengthen our ability to respond to market requirements in line with regulations mandating recycled materials. Recently, on August 12, the Nihon Keizai Shimbun's top page reported on automakers' response to tighter European regulations mandating the use of recycled plastic. According to the article, the automotive companies are aiming for practical use of recycled materials to auto parts by chemical manufacturers and recycling companies, which we see as us, through the supply chain. We are starting to commercialize this very thing.

As shown in this flow diagram, useful recycled materials and plastics are extracted in a sophisticated crushing and sorting process by ECONECOL, a group company that recycles end-of-life vehicles. Through functional collaboration with Nitto Kako, which became part of our group last year, we intend to formulate pelletizing and compounding products that will be used as recycled materials for automobile parts.

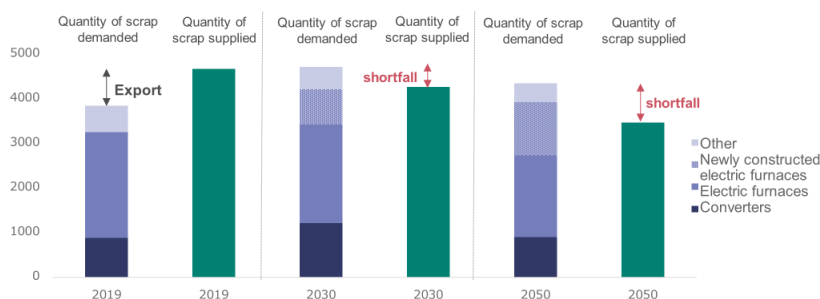
The market size of this business is said to be about 900 tons for ELV-derived plastic collection and end-of-life vehicles in FY2023, as reported by the Yano Research Institute, and is expected to reach 70,000 tons by 2030. We would like to promote this part of the business as our market target.

We have already started working with several automakers, auto parts manufacturers, and chemical manufacturers for joint development. We are committed to promoting businesses that combine compliance with environmental regulations, with the environmental value demanded by the market. That's all from me.

### Global Trading Business ▶ Market Conditions and Future Direction



- While the demand for ferrous scrap is expected to remain brisk in the future amid the trend toward decarbonization, the price of ferrous scrap is expected to remain high in Japan and low overseas for the time being.



The quantity of ferrous scrap demanded in Japan will exceed the amount generated due to an increase in the electric furnace ratio

- Decline in the amount of exported ferrous scrap
- Increase in the demand for ferrous scrap in Japan

\* From Carbon Neutral wo Fumaeta Waga Kuni Kinzoku Sangyo-no Jizokuteki Hatten ni Muketa Chosa (Survey for the Sustainable Development of Japan's Metal Industry Based on Carbon Neutrality) by Nippon Steel Research Institute Corporation

- 01 **Expansion of commercial distribution in Japan**
  - Increasing sales volume in Japan by cooperating with Japanese electric furnace manufacturers to handle the high price in Japan and low price in other countries
  - Establishing a system that will enable the optimal operation of businesses in Japan and overseas in accordance with market conditions
- 02 **Expansion of service businesses**
  - In logistics agency services, which are strong, we will achieve the continued expansion of their scale by increasing personnel and dealing in new products.
  - Providing efficient transportation schemes leveraging our ability to stock and ship recycled raw materials at ports
- 03 **Business investment in overseas countries**
  - Preparing a business of a certain size in the Southeast Asian market, which is expected to grow in the future

Sano: I will continue with my explanation.

First is the global trading business. I took this graph from the material reported by the Nittetsu Research Institute.

According to this graph, the supply is overwhelmingly greater than the demand in 2019, but in 2030, the supply is expected to decrease. Demand increases in the opposite direction. Already in the newspapers, with blast furnace makers adding electric furnaces, this is where the big change is coming. In around 1992, we were the first to export ferrous scrap from Japan, there was a large surplus. Before that, we imported from the US after the war. Ferrous scrap is shifted from countries that have a surplus of it to countries that lack it. We see the response to this shortage as a business opportunity.

Based on the premise that the gap will further increase in 2050, we will first promote cooperation with domestic electric furnace makers. We are already engaged in a joint project with Tokyo Steel to collect goods in Amagasaki, and we will promote such a project. On the other hand, if market conditions change, an export environment can occur. As such, we plan to increase business appropriate from time to time, i.e. around exports and between the three countries on a recurring basis. We are already doing nonferrous metals, but I believe that importing ferrous scrap will also become viable, and we will put in place a system to do so.

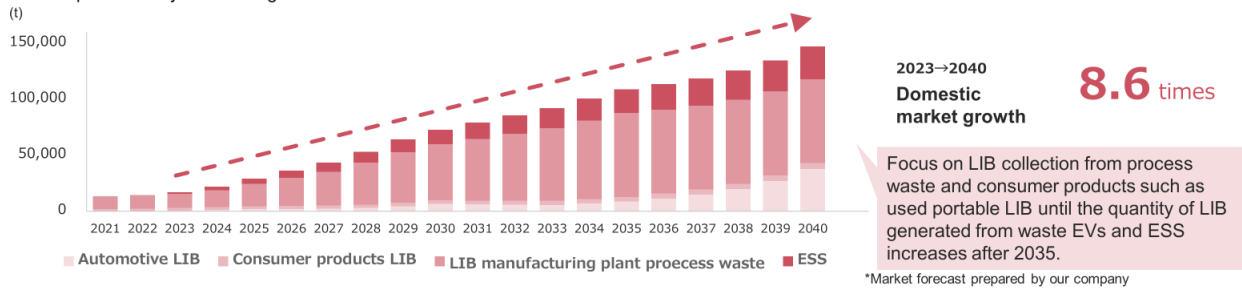
We will also expand our service business. I have already mentioned our logistics agency services, and we will further strengthen our workforce and increase the number of items we handle to increase profits. Also, the stocking feature of having several bases in the ports will always be useful somewhere. In terms of balancing the imbalance between supply and demand, I think that various business schemes that make use of the bases could be considered.

Finally, in terms of overseas business development, we are in the middle of deepening relationships with related parties, while researching in various ways a certain scale of business in the Southeast Asian market.

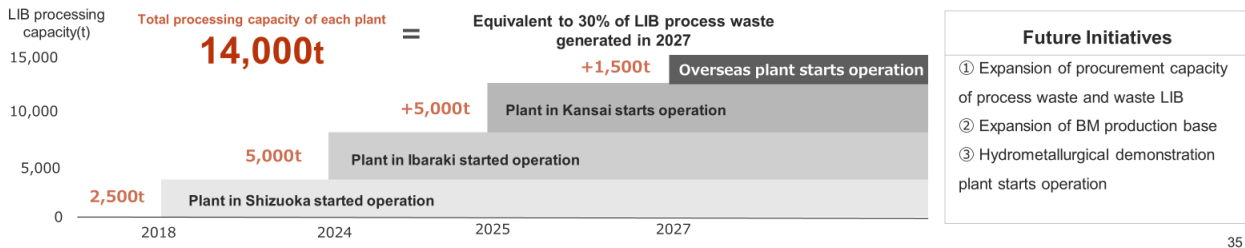
**LIB Recycling Business ▶ Market Size and Plant Expansion Plans**



- Process waste + Waste portable LIB + LIB collected from local government + waste ESS (Energy Storage System) + LIB from waste EVs  
→Respond flexibly to market growth



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



This shows plans for batteries, and I use this chart all the time when I explain, so if you've been joining this briefing many times, you may be familiar with it. In any case, after 2035, and in some cases, some people say 2040, the first-used EVs or used storage batteries will be generated at that time. Until then, it is in-process waste from battery factories, which is already 80% of the total.

Plus, the used portable storage batteries, recently, municipalities have started separate collection because they believe it can cause fires at incineration plants, and we have received inquiries from many municipalities. We will use this opportunity to strengthen and enhance our ability to collect things that are unique to the recycling and waste disposal industries by efficiently performing the tedious work of collecting small quantities of things from many places.

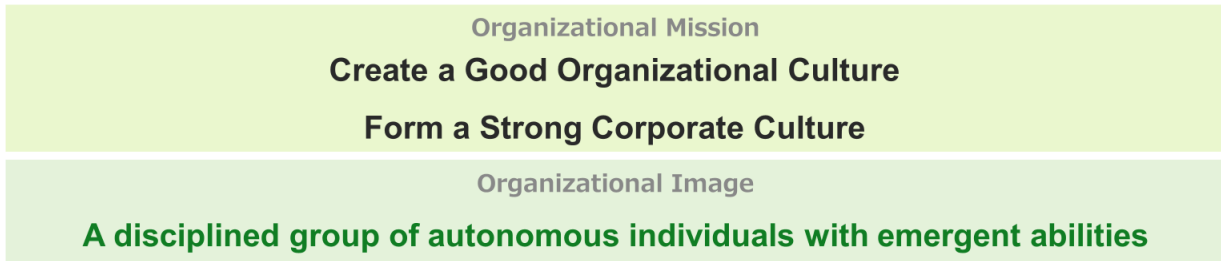
As part of our future efforts, we will further expand our ability to procure process waste materials and waste batteries. We will continue to increase the volume handled by 20% this year. The Ibaraki plant began operations as a black mass production base. The Ibaraki plant contains three baking furnaces. It is something that has never been done before, and although one unit is already in Fuji, it will be manufactured at a new



location and in a new way. We will have more production capacity than we have now, and we would like to secure our production volume with it.

The hydrometallurgical demonstration plant will be put into operation. We have been saying we would do this for a long time, but have not been able to achieve it. We will make decisions based on various circumstances, and while we are sure that it will be difficult for us to go it alone, we would like to find out the possibilities through relationships with various companies.

## Human Capital Investment



KGI		KPI			Progress (Jun.2024)	Target (Jun.2028)
<b>Creating 100 business promoters</b>	Recruitment	Mid-career employment and new graduate recruitment	Recruitment of business promoters	18 people*	30 people	
			New graduate recruitment	14 people*	40 people	
		Diversification of recruitment methods	Recruitment of referred and retired personnel	10.3% of all employees	20% of all employees	
	Development	Personnel development	Development of business promoters	28 people*	40 people	
		Sharing of knowledge within the Group	Level of satisfaction with business schools	95.3%	100%	
			Joy of development	69.4% (Jun.2023)	90%	
	Retention	Employee satisfaction	Retention rate	89.4%	95%	
			Annual wage increase and increase of base pay	5.62%	Over 3%/year	
		Active roles for diverse human resources	Ratio of females in managerial positions	8.7%	20%	

\* Total number of people in FY2023 and FY2024 is stated 36

This is the last one. All of the various businesses are done by people, and in that sense, we will create a good, organizational culture based on our corporate philosophy. We will form a strong corporate culture. We will also train our employees to be full of initiative and creativity, to be truly capable of making plans and proposals, and to have emergent abilities, or rather, we will encourage their growth.

We aim for a group with a certain degree of discipline that allows those employees to develop their businesses efficiently, while maintaining a degree of freedom. We will promote our business with confidence and pride, that our business growth and social contribution are in sync, since we are a disciplined group and social issues are our theme, and furthermore, our company's growth will immediately solve social issues.

This concludes my explanation. Thank you so much for your kind attention.

**Moderator:** Thank you very much for your explanation.

## Question & Answer

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**Moderator [M]:** We will now move on to the question-and-answer session from those of you who are participating online. Thank you very much for your many questions. The moderator will read your question on your behalf. First question.

**Participant [Q]:** I would like to ask about the progress of the BM Kansai plant. You are planning to expand your BM manufacturing facilities. Where is the proposed plant site that you are envisioning? In addition, domestic demand for ferrous scrap is expected to exceed supply in the global trading business. How much of a shortage do you anticipate? That is all.

**Sano [A]:** Thank you for your question. First, regarding the BM plant in Kansai, we are in the middle of looking for a location. Construction costs are high these days, so if possible, if we can secure a fully equipped plant, similar to the Ibaraki plant, we can keep our investment low. If not, we will need bare land, so we are in the midst of research.

As for the location, it is in Kansai, but I hope you will forgive me for saying in more detail, there are battery manufacturers in the Kansai area now, and we have already disclosed that new factories will be built in the future. I hope you will forgive me if I answer that the location is as close as possible to these locations.

As for the global trading business, we took the graph from the Nittetsu Research Institute. According to that medium projection, there was a surplus of 8.29 million tons in 2019, 4.47 million tons in 2030, and 8.82 million tons in 2050. We do not have our own projections. We are referring to the research data of this reliable company. The numbers will swing from high to medium to low, but in any case, since supply is expected to fall short of demand, the idea is to steadily implement measures to respond to that constant flow, rather than concrete figures on what to do to deal with it.

I don't know if my answer is a bit neat, but please forgive me.

**Moderator [M]:** Thank you very much. Next question.

**Participant [Q]:** When will the Ibaraki plant for the LIB recycling business be officially operational? Also, have you established any future measures or policies regarding the decline in black mass prices?

**Sano [A]:** Thank you for your question. Regarding lithium-ion batteries and the Ibaraki plant, as I mentioned earlier, the crushing and sorting line actually started trial operation around July and is now pretty much in full operation. The start-up of the baking furnace has been delayed due to a prolonged fire department inspection, but the furnace has been commissioned just this week and we expect it to be in stable operation by the beginning of September.

To cope with lower black mass prices, we would also have to purchase at a lower price, but this is not easy to do. First of all, we will make efforts to purchase at lower prices or we will increase the number of battery disposal businesses that receive a waste disposal fee to dispose of discarded batteries. In reality, there is a certain amount of waste batteries, but we need to increase the number of such batteries.

At the same time, we are receiving an increasing number of processing commissions from various automobile manufacturers and their contact trading companies. As a manufacturer, we would like to conduct a business that can generate a certain amount of profit even when the market price falls, while we receive processing consignment fees, and in the process, we would like to develop our capabilities so that when the market price

rises again, we will be able to generate even more profit than before. By doing so, we will make efforts to continue our business, in response to the decline in the price of black mass. That is all.

**Moderator [M]:** Thank you very much. Next question.

**Participant [Q]:** Am I correct in understanding that the combined processing capacity of Shizuoka and Ibaraki is now 7,500 tons?

**Sano [A]:** I think it's almost exactly like that, depending on the operating hours though. Ibaraki can produce 1.5 to 2 tons per hour, so we expect to be able to produce about 400 tons per month. With more raw materials, we might be able to do a little more. We may have a little more in terms of production capacity, so 200 tons per month in Shizuoka, so total, 600 tons per month. Yes, we see the level as 7,000 to 8,000 tons.

In Ibaraki, a major Ibaraki battery manufacturer has moved into the area, but the operation has not yet reached 100% here. Also, I am not certain if it is an EV headwind, but the production has not fallen below what it was at one time, but I believe they are probably looking to increase production over time. We believe that once it reaches full capacity, we will be able to secure a certain amount of raw materials. It will not happen only with our ideas, as it depends on our customers, but we see that as a possibility within the current extension. That is all.

**Moderator [M]:** Thank you very much. Next question.

**Participant [Q]:** On July 1, you integrated three metal resource circulation companies and two polymer resource circulation companies. What are the strategic aims of this integration?

**Sano [A]:** I will answer from the viewpoint of metal resources. Our metal resource bases are located in Shizuoka, Matsumoto, and Hakodate, which are geographically distant from each other, so rather than functional collaboration, I think we can create synergies in various ways, such as by sharing sales information and our engineering department, which is one of our strengths. We are currently seeing results.

In other words, we will collect things over a wide area. It does not go as far as the circular economy mechanism I mentioned earlier, but one project can be developed in many different places. In such an environment, I believe that the three companies' efforts to make the most of their regional characteristics, while at the same time, implementing company-wide initiatives that originate from the region, will probably have a considerable effect on sales and marketing. Mr. Haruyama, would you explain from the perspective of the polymer business?

**Haruyama [A]:** Okay, I will explain. Nitto Kako is a materials manufacturer. As I have mentioned many times before, it takes considerable compounding skills to become a material manufacturer. Nitto Kako, which has cultivated this technology for many years, has been our best partner in this business for several years now, and we believe that by adopting this technology, we can become a regeneration manufacturer, as I mentioned earlier. As I explained in the document earlier, we believe it is fair to say that this integration is exactly the kind of system that will allow us to go to the window, since we will need that technology to comply with environmental regulations. That is all.

**Moderator [M]:** Thank you very much. Next question. I think this may be relevant to the previous question.

**Participant [Q]:** It has been one year since your company grouped Nitto Kako. Has the effect been as expected, or is there a gap with your assumptions? If so, what are the points?

**Haruyama [A]:** I will answer. One year has passed. It has been as expected. In the first year, we started with a loss in ordinary profit, but we managed to generate ordinary profit of JPY70 million in the current fiscal year. However, as I mentioned earlier, we have the technology to produce recycled materials in the future, but the

issue is the associated capital investment. I believe that these areas, including mass production, will be an issue in the future. We see this as a challenge, as some of the current existing machine line-ups are not yet able to handle this. That is all.

**Moderator [M]:** Thank you very much. Next question.

**Participant [Q]:** I've heard that there was a difference of opinion between NEWSCON and the National Tax Administration regarding the recording of tax-exempt sales and taxable purchases in export sales transactions. What specific disagreements did you have? Also, will this matter have any impact on your business performance in the current fiscal year and beyond?

**Sano [A]:** That is almost exactly what this question is about, and we will be filing that with the Appeals Tribunal in the coming days. I can't give you too many specifics, but in short, the biggest difference of opinion is who is the real party in the sales tax. We are confident here that we have done the right accounting. However, since this is the government's decision, we will, of course, listen to their opinions. On the other hand, since we have experts on this issue, we will make our best effort to make our case properly and if possible, we would like to have them withdraw the administration's proposal.

There may be the impact of rumors. There is no real impact, and I believe that the employees of this NEWSCON company are handling the situation correctly and properly, that it is not a noncompliance or moral violation, or anything like that. I have told my employees to have that confidence, so I think employees are still motivated. There may be some outsiders who will view it with suspicion, but we will take it in stride and see it as a time to train ourselves. That is all.

**Moderator [M]:** Thank you very much. Next question.

**Participant [Q]:** How would you describe the expansion of your services business, which contributes to reducing earnings volatility? Please tell us the service business ratio for the period just ended and your target for the fiscal year ending June 30, 2029.

**Sano [A]:** These numbers don't come up immediately. We apologize for the inconvenience. As I said earlier, the waste management industry and other things will be included, so I will try to answer your questions another time. I apologize for the inconvenience.

**Moderator [M]:** Thank you very much. Next question.

**Participant [Q]:** What differentiates your new demolition company from your competitors?

**Sano [A]:** I think there are many pioneering companies in the demolition business itself, but since we originally deal with resources, we are not only a one-stop demolition service, but also sell used equipment, for example, in the case of factories, plants, and various machines inside them. Those that cannot be sold used are converted to resources. As for waste, we will properly recycle it while receiving disposal fees. The demolition is then done, and if there is a request for soil remediation, we will do this while asking others to do this, thereby accumulating the capacity to respond to customers in a total manner. We don't have 100% of it yet, but we are slowly building up that kind of ability now.

Above all, collecting information is important. It's not that I know all of the domestic industry peers in the demolition field, so I could be wrong, but I think that our ability to gather information on demolition, how quickly and widely we can gather as much information as possible, is perhaps better than that of other companies. We would also like to focus on this and develop it in the future.

**Moderator [M]:** Thank you very much. That is all for your questions. Thank you very much for your numerous questions.

Now that it seems that we have answered all the questions, I would like to conclude the financial results briefing. Thank you very much, President Sano and Senior Managing Director Haruyama, for your explanation today.

**Sano [M]:** Thank you very much.

**Haruyama [M]:** Thank you very much.

[END]

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#### **Document Notes**

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This document has been translated by SCRIPTS Asia.*

## **Important notes about this material**

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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.