February 27, 2025

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(Code No.: 5698 TSE Prime)

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ENVIPRO HOLDINGS Inc.

Q2 Financial Results Briefing Session for the Fiscal Year Ending June 2025 (scripts)

February 21, 2025

Event Summary

[Company Name]	ENVIPRO HOLDINGS Inc.
[Company ID]	5698-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q2 Financial Results Briefing Session for the Fiscal Year Ending June 2025
[Fiscal Period]	Fiscal Year Ending June 2025 Q2
[Date]	February 21, 2025
[Number of Pages]	21
[Time]	13:30 – 14:03 (Total: 33 minutes, Presentation: 28 minutes, Q&A: 5 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	1 Tomikazu Sano Representative Director and President, CEO

Presentation

Moderator: As it is time, we will now begin ENVIPRO HOLDINGS Inc.’s financial results briefing for Q2 of the fiscal year ending June 2025. This briefing will be held as a live-streamed web presentation without an in-person audience. If the stream is interrupted or the video freezes, please wait a moment and then refresh the page.

The presentation materials for today are available on the Company's website, so please refer to them as needed. Now, I would like to introduce today's speaker. We have Mr. Tomikazu Sano, Representative Director and President, CEO of the Company.

Sano: Hello everyone, I'm Sano. Thank you for joining us today.

Moderator: After Mr. Sano's explanation, we plan to take questions from the participants. For those joining online, please use the “raise your hand” button at the bottom of the screen. We are also accepting questions through the Q&A function at the bottom of the screen. You can submit questions during the presentation as well. We will read out the questions received later and provide answers.

Now, Mr. Sano, please begin.

Maintain Prime Market Listing and Change the Market Segment to Standard

ENVIPRO

Policy

The Company begins preparing an application to change its Tokyo Stock Exchange market segment from Prime to Standard while continuing to implement the compliance plan for meeting the criteria required to maintain its Prime Market listing.

Recognition of the present situation

- Find it challenging to meet prime market criteria (market capitalization of shares outstanding of 10 billion yen or more) in a short period of time
- Satisfy all the criteria for continued listing in the Standard Market at the present time
- Aim to return to the Prime Market after increasing corporate value in the Standard Market

For the future

- Promote specific examples of the Circular Economy “Deeply, Narrowly, Strongly”
- Pioneer a business field with large social impact where we can demonstrate our uniqueness with high aspirations
- Create a good organizational culture and a strong corporate culture

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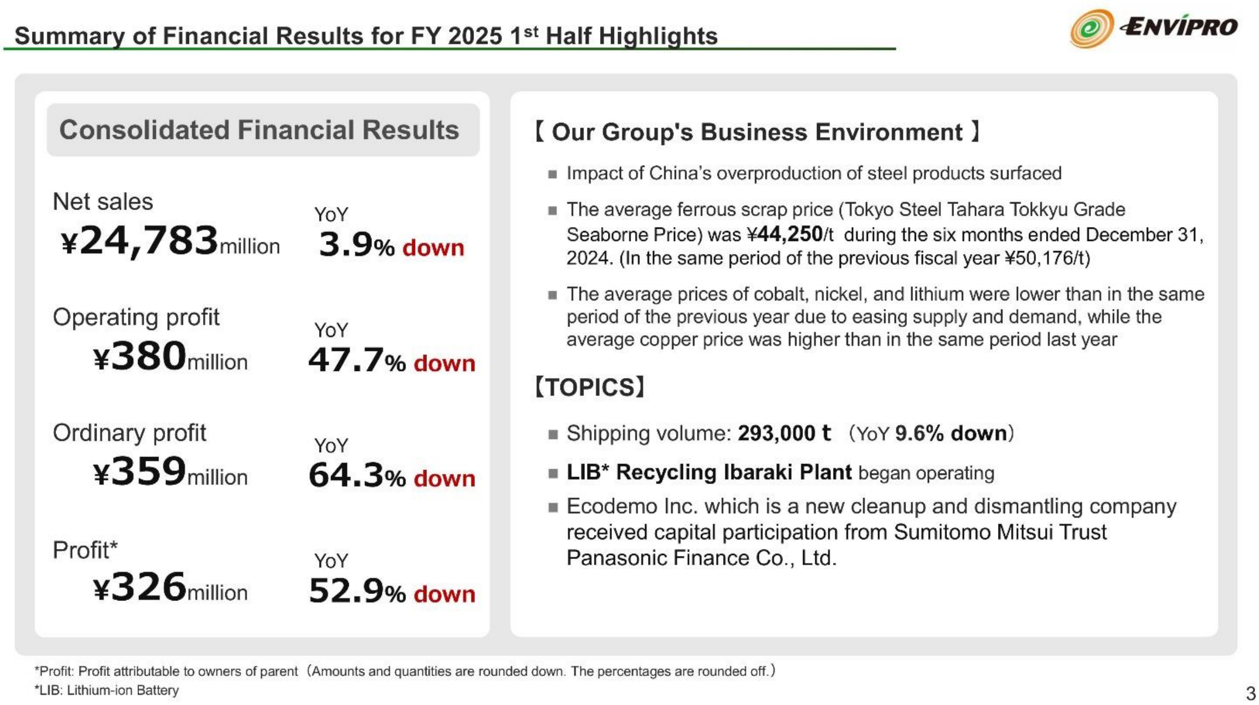
Sano: Once again, thank you all for joining us in such large numbers today. Now, I'd like to proceed with the explanation of our financial results. Before getting into the numbers, I'd like to mention that we have disclosed our policy to change our market classification from the Prime Market to the Standard Market.

While continuing to improve to meet the listing maintenance criteria for the Prime Market, we have begun preparations for changing to the Standard Market. However, we recognize that it will be difficult for us to meet the condition, which is a market capitalization of shares outstanding of 10 billion yen or more for the Prime Market in the short term.

On the other hand, we currently meet the listing maintenance criteria for the Standard Market. Therefore, our policy is to change to the Standard Market, increase our corporate value there, and then challenge for the Prime Market again, although it may take some time.

Even with the market change, our strategy will not change significantly. We will continue to deeply and strongly promote the realization of specific examples of the circular economy in our existing businesses. At the same time, as I will explain later, we have defined three important strategic businesses. Our aim is to promote the business area where we can demonstrate the most uniqueness and have the greatest social impact with high aspirations. Along with this, we will create a good organizational culture that enables these challenges and build a strong corporate culture while accumulating successful experiences.



Now, let me give you an overview of our financial results.

As you can see, we've significantly underperformed compared to the previous period. Though it may sound odd to say "however," our operating profit in Q1 was a loss of JPY130 million. Therefore, in Q2, we've managed to offset this somewhat, reducing the rate of decline. The same applies to ordinary profit.

As for key topics, it's undoubtedly the handling volume. In our business, handling volume is an extremely important factor, and the fact that it has decreased by nearly 10% has had a widespread impact across various financial aspects.

On the other hand, we started operations at a lithium-ion battery recycling plant in Ibaraki, and it's achieved an almost vertical ramp-up. While there are still challenges with quality control and other aspects, the recycling plant is already operating at full capacity in the current situation.

Additionally, last year we established a cleanup and dismantling company called ECODEMO Inc. Sumitomo Mitsui Trust Panasonic Finance has taken a 5% stake in it and dispatched two seconded employees. We're currently working together on sales efforts to get this new company off the ground.

Summary of Consolidated Statements of Income

(¥ million)

	June/2024 1st half	June/2025 1st half		
	Actual	Actual	YoY	
			Increase/ Decrease	Ratio
Shipping volume (1,000t)	324	**293**	(31)	(9.6%)
Net sales	25,789	**24,783**	(1,005)	(3.9%)
Gross profit	4,184	**4,126**	(58)	(1.4%)
Operating profit	726	**380**	(346)	(47.7%)
Ordinary profit	1,004	**359**	(645)	(64.3%)
Profit before income taxes	1,019	**369**	(649)	(63.8%)
Profit*	692	**326**	(366)	(52.9%)
Marginal profit*	5,023	**4,618**	(405)	(8.1%)
EBITDA*	1,349	**1,063**	(285)	(21.2%)
Fixed costs*	4,235	**4,455**	219	5.2%

*Profit: Profit attributable to owners of the parent
*Marginal profit = Net sales - Variable costs
*EBITDA = Operating profit + Depreciation + Amortization of goodwill
*Fixed costs = [Cost of sales･Selling, General & administrative expenses ・ fixed cost equivalency of Non-operating expenses] – [Foreign exchange gains ・ non-operating income except equity method profit]

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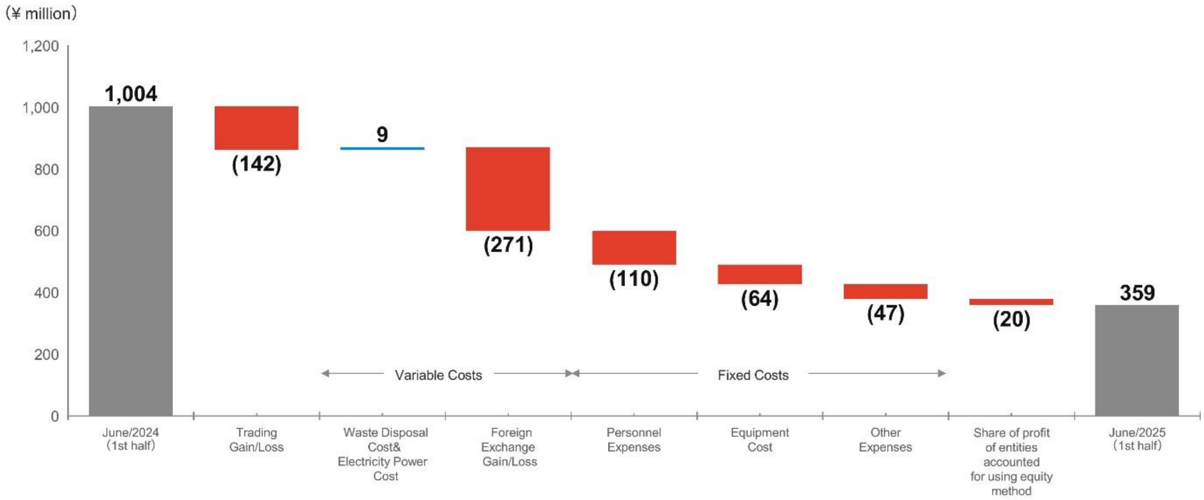
This represents the profits at each stage. Almost everything is marked in brackets. Despite the rise in fixed costs, our ability to earn enough to offset that increase has, in the current situation, diminished. That's the reality.

Analysis of Difference in Consolidated Ordinary Profit（YoY）

- **Trading Gain/Loss** : Impact of a temporary decline in ferrous scrap prices
- **Foreign Exchange Gain/Loss** : Foreign exchange losses due to unstable exchange rate fluctuations
- **Personnel Expenses** : Impact of personnel, regular salary and base salary increases



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Here's a waterfall chart on factors affecting profit. We're already showing a loss at the stage of trading profit. Additionally, there are foreign exchange losses of JPY271 million, though this is temporary. Since we've made foreign exchange reservations, it will balance out over time. However, in H1, this amount of loss has occurred. As for personnel expenses, we've implemented a base pay increase, so that impact is reflected here. In any case, our lack of earning power is the reason these figures have turned out this way.

Summary of Business Results by Segment

(¥ million)

		June/2024 1st half	June/2025 1st half			TOPICS
		Actual	Actual	YoY Increase/ Decrease	YoY Ratio	
Resource Circulation Business	Shipping volume (1,000t)	121	**116**	(5)	(3.8%)	■ Earnings were pushed downwards by a temporary decline in ferrous scrap prices, as well as rising personnel and equipment costs ■ Cleanup and dismantling and plastic fuel businesses which are less susceptible to market conditions performed well ■ It is delayed to pass increased raw material prices on to product prices in the polymer product manufacturing
	Net sales	10,283	**10,225**	(57)	(0.6%)	
	Segment profit	789	**490**	(298)	(37.8%)	
Global Trading Business	Shipping volume (1,000t)	247	**217**	(30)	(12.2%)	■ Solid performance in the logistics agency services by offering services at appropriate prices while keeping a close eye on the supply-demand balance ■ In the metal material trading business, both sales and profits declined due to a decrease in shipping volume, which were affected by temporary decline in scrap prices and exchange rate fluctuations ■ Continuing to enhance its system for the consistent collection and sale of ferrous scrap in collaboration with domestic electric furnace makers
	Net sales	17,445	**16,086**	(1,358)	(7.8%)	
	Segment profit	292	**16**	(275)	(94.3%)	
Lithium-ion Battery Recycling Business	Net sales	718	**812**	94	13.1%	■ The market prices of rare metals used in batteries were lower than in the same period of the previous fiscal year ■ Higher production volumes compared to the same period last year resulting from the start of full-scale operation of the Ibaraki Plant and an increase in transaction volumes in contract processing ■ Continuing investment actively to increase its share in the domestic market though profit declined due to increased equipment costs
	Segment profit	132	**94**	(37)	(28.2%)	
Others	Net sales	242	**236**	(6)	(2.6%)	■ Profit declined due to the unexpected schedule change and delayed marketing activities in the Environment Management Consulting Business ■ Start of environment BPO (outsourcing) services ■ The Welfare Service Business for People with Disabilities performed briskly
	Segment profit	54	**32**	(21)	(40.2%)	

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This is a breakdown by business segment. Primarily, our resource circulation business is the main earner. However, even in that business segment, our earning power has weakened. In the global trading business, we handle logistics arrangements and overseas exports and imports. The logistics arrangements are currently progressing smoothly. However, the buying and selling of goods is showing loss, so the global trading business is barely in the black.

Next is the lithium-ion battery recycling business. While the prices of nickel, cobalt, and lithium have dropped, we've increased our handling volume, which has boosted sales, but it's a situation where it's difficult to generate profit. This is, in a sense, anticipated, and it's a strategic business focused on how much we can increase handling volume, how much we can raise our market share, and how much experience we can accumulate. I personally consider these to be reasonable figures.

As for the other businesses, including environment management consulting business, welfare service business for people with disabilities, each company is fulfilling its role properly. While their financial performance has declined compared to last year, they are contributing to the group as a whole in ways that aren't fully reflected in the numbers, fulfilling a certain level of contribution.

Quarterly Ordinary Profit by Segment

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This is the quarterly breakdown. The resource circulation business has managed to increase compared to Q2 of last year. If we're looking for a positive aspect, we could say the atmosphere has changed slightly. The global trading business has not yet shown such positive effects at this point.

Summary of Consolidated Balance Sheets

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(¥ million)

	As of Jun. 30 2024	As of Dec. 31 2024	Increase/ Decrease	TOPICS
Current assets	18,366	**17,302**	(1,064)	-¥710 million in merchandise and finished goods, -¥234 million in cash and deposits -¥117 million in other current assets
Non-current assets	15,419	**15,438**	19	
(Property, plant and equipment)	11,175	**11,073**	(102)	¥231 million in machinery, equipment and vehicles, -¥281 million in construction in progress -¥61 million in buildings and structures
(Intangible assets)	189	**195**	6	
(Investments and other assets)	4,054	**4,169**	114	¥157 million in investment securities
Total assets	33,786	**32,741**	(1,045)	
Current liabilities	11,090	**10,229**	(860)	¥1,010 million in short-term borrowings, -¥1,055 million in other current liabilities -¥502 million in accounts payable - trade, -¥197 million in income taxes payable
Non-current liabilities	5,657	**5,247**	(410)	-¥435 million in long-term borrowings
Total liabilities	16,747	**15,476**	(1,271)	
Net assets	17,038	**17,264**	226	¥144 million in retained earnings, ¥100 million in non-controlling interests.
(Equity)	16,719	**16,845**	125	Equity ratio 51.4% (49.5% as of June 30, 2024)
Total liabilities and net assets	33,786	**32,741**	(1,045)	

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This is the balance sheet, and I'll simply state that our equity ratio is 51.4%.

Summary of Consolidated Statements of Cash Flows

(¥ million)

	June/2024 1st half	June/2024 Full year	June/2025 1st half	TOPICS
Cash flows from operating activities	1,357	2,940	**1**	(inflows) ¥681 million in depreciation, ¥369 million in profit before income taxes, ¥200 million in loss on tax purpose reduction entry of non-current assets, ¥104 million in decrease in trade receivable, ¥55 million in increase in retirement benefit liability (outflows) ¥1,035 million in decrease in accounts payable - other, ¥496 million in decrease in trade payables, ¥234 million in income taxes paid
Cash flows from investing activities	(690)	(1,560)	**(637)**	(inflows) ¥199 million in national subsidies (outflows) ¥844 million in purchase of property, plant and equipment, ¥22 million in purchase of intangible assets
Cash flows from financing activities	(1,411)	(1,931)	**372**	(inflows) ¥1,010 million in increase in short-term borrowings (outflows) ¥545 million in repayments of long-term borrowings, ¥181 million in dividends paid
Effect of exchange rate change on cash and cash equivalents	(19)	37	**29**	
Net increase (decrease) in cash and cash equivalents	(763)	(513)	**(234)**	
Cash and cash equivalents at beginning of period	7,245	7,245	**6,771**	
Cash and cash equivalents at end of period	6,481	6,771	**6,536**	

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The cash flow is as shown on this slide.

Forecast for the Consolidated Results - FY2025

Revision of Consolidated Financial Forecast

Net sales **¥49,500**million — YoY **5.2% down**

Operating profit **¥1,000**million — YoY **29.1% down**

Ordinary profit **¥1,150**million — YoY **35.5% down**

Profit* **¥1,150**million — YoY **114% up**

Factors behind the Revision of Financial Forecast

- Although performance is on a recovery trend from the second quarter onward, the delay in the first quarter could not be offset, and sales and profits are expected to decline.
- In the metal Resource Circulation Business and Global Trading Business, the transformation of each business model is underway.
- Handling volume in the Lithium-ion Battery Recycling Business is expected to increase as planned, and logistics agency services also performes well

※Profit margin increased due to fire insurance claims received

Prerequisites of the Forecast

Ferrous scrap price	Electrolytic copper price	Gold price	Silver price	Nickel price	Cobalt price	Exchange rate
¥40,000/t	¥1,400/kg	¥13,000/g	¥150/g	¥2,300/kg	¥3,300/kg	¥150/US$

*Profit: Profit attributable to owners of the parent

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This is our forecast for the current fiscal year. As you can see, we haven't been able to fully compensate for the decrease in H1. While we're trying to cover some ground in H2, the slow start in Q1 is still dragging us down.

On the other hand, although the earning power of the metal division in resource circulation business has decreased, we are making various new challenges. We believe these will eventually lead to profits.

As for the global trading business, we expect that it will hit a certain bottom around this year, or rather, the direction of the model transformation will be almost settled.

Regarding the lithium-ion battery recycling business, as I mentioned earlier, we are strategically increasing volume. The handling volume is increasing beyond expectations, and the logistics agency service business is also progressing steadily.

Forecast for the Consolidated Results - FY2025

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(¥ million)

	June/2024	June/2025			June/2025		
	Actual	Revised Forecast	YoY		Previous Forecast	Compared to Previous Forecast	
		(Feb 13, 2025)	Increase/ Decrease	Ratio	(Aug 9, 2024)	Increase/ Decrease	Ratio
Shipping volume(1,000t)	648	**617**	(31)	(4.8%)	**650**	(33)	(5.1%)
Net sales	52,214	**49,500**	(2,714)	(5.2%)	**53,500**	(4,000)	(7.5%)
Gross profit	8,480	**-**	-	-	**8,900**	-	-
Operating profit	1,409	**1,000**	(409)	(29.1%)	**1,500**	(500)	(33.3%)
Ordinary profit	1,782	**1,150**	(632)	(35.5%)	**2,000**	(850)	(42.5%)
Profit before income taxes	816	**-**	-	-	**2,000**	-	-
Profit*	537	**1,150**	612	114.0%	**1,480**	(330)	(22.3%)
Marginal profit*	9,996	**-**	-	-	**11,000**	-	-
EBITDA*	2,680	**-**	-	-	**3,000**	-	-
Fixed costs*	8,683	**-**	-	-	**9,600**	-	-
ROE	3.2%	**-**	-	-	**8.20%**	-	-

*Profit: Profit attributable to owners of the parent
*Marginal profit = Net sales - Variable costs
*EBITDA = Operating profit + Depreciation + Amortization of goodwill
*Fixed costs = [Cost of sales･Selling, General & administrative expenses・fixed cost equivalency of Non-operating expenses] – [Foreign exchange gains・non-operating income except equity method profit]

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This slide also shows the profits at each stage.

Regarding the explanation of profit for this period, I forgot to mention earlier, but the profit for this period is the same figure as ordinary profit, which might be felt a bit unusual. However, last year, there was a fire. We recorded an extraordinary loss for that, but it is now almost certain that the insurance payout will be received.

Since we expect to receive that payment within this fiscal year, the profit for the period is JPY1.15 billion.

Forecast for the Consolidated Results - FY2025

ENVIPRO

(¥ million)

Net sales	June/2024 Actual	June/2025 Revised Forecast (Feb 13, 2025)	June/2025 Composition Ratio	June/2025 Previous Forecast (Aug 9, 2024)	Compared to Previous Forecast: Increase/Decrease	Compared to Previous Forecast: Ratio	Composition Ratio
Consolidated	52,214	**49,500**	100.0%	**53,500**	(4,000)	(7.5%)	100.0%
Resource Circulation Business	21,254	**21,500**	38.8%	**25,500**	(4,000)	(15.7%)	43.0%
Global Trading Business	34,955	**32,000**	57.7%	**32,000**	0	-	54.0%
Lithium-ion Battery Recycling Business	1,570	**1,450**	2.6%	**1,250**	200	16.0%	2.1%
Others	491	**500**	0.9%	**500**	0	-	0.8%
Adjustment	(6,058)	**(5,950)**	-	**(5,750)**	(200)	-	-

Segment profit	June/2024 Actual	June/2025 Revised Forecast (Feb 13, 2025)	June/2025 Composition Ratio	June/2025 Previous Forecast (Aug 9, 2024)	Compared to Previous Forecast: Increase/Decrease	Compared to Previous Forecast: Ratio	Composition Ratio
Consolidated	1,782	**1,150**	100.0%	**2,000**	(850)	(42.5%)	100.0%
Resource Circulation Business	1,621	**1,200**	70.6%	**2,000**	(800)	(40.0%)	76.2%
Global Trading Business	411	**300**	17.7%	**540**	(240)	(44.4%)	20.6%
Lithium-ion Battery Recycling Business	218	**130**	7.6%	**(15)**	145	-	(0.6%)
Others	108	**70**	4.1%	**100**	(30)	(30.0%)	3.8%
Adjustment	(576)	**(550)**	-	**(625)**	75	-	-

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This is by segment. Here, the ordinary profit of the Global Trading Business is JPY300 million. Since it was JPY16 million in H1, we expect it to recover gradually in H2, and this figure seems quite solid. The resource circulation business is still insufficient, but we plan to generate profit compared to H1.

Analysis of Difference in Consolidated Ordinary Profit（YoY）

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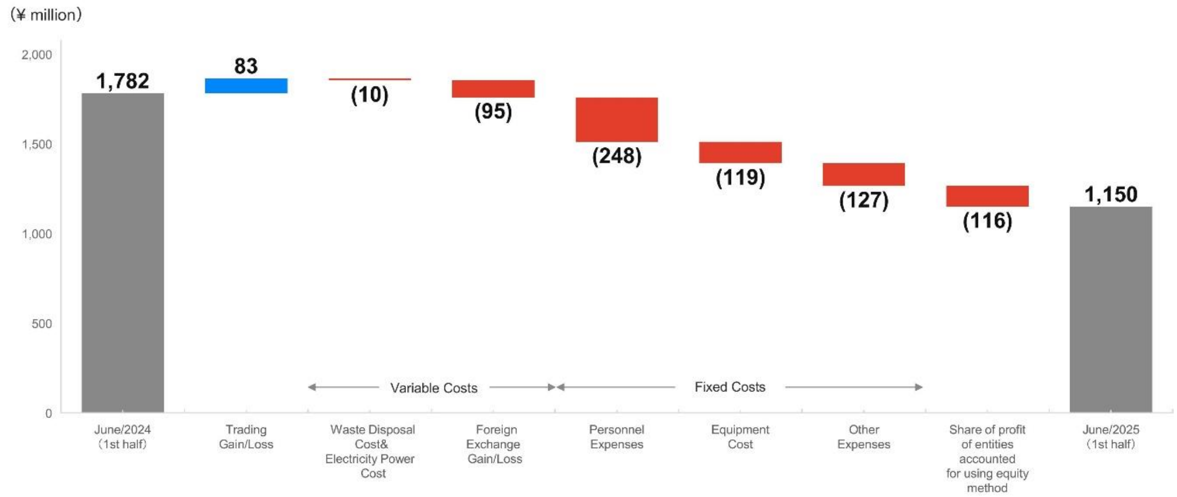
- **Trading Gain/Loss** : Despite the impact of falling ferrous scrap prices, maintained the same level as the previous fiscal year due to an increase in the service ratio, etc.
- **Personnel Expenses** : Impact of personnel, regular salary and base salary increases
- **Equipment Cost** : Investment in new plants and new facilities



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Take a look at this waterfall chart. In H1 the trading profit was negative, but for the full year we expect it to be barely positive. Here, the foreign exchange losses and gains will balance out to some extent. Personnel expenses will double in H1, and since there will be a pay raise again this year, personnel expenses are certain to increase. As a result, ordinary profit will be JPY1.15 billion.

TSR and Dividends

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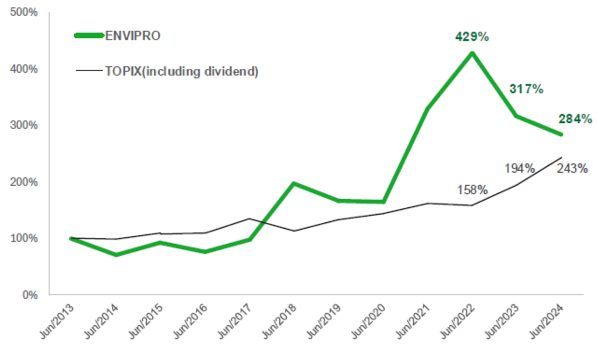
Total Shareholder Return (TSR) since listing

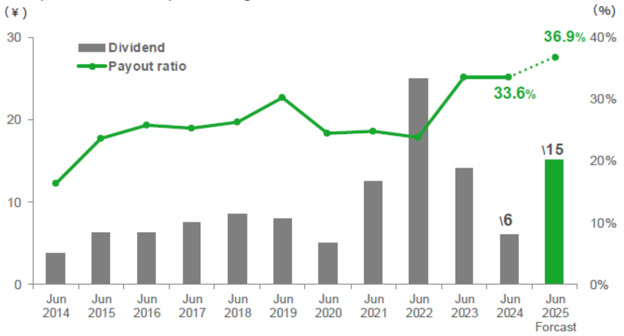
- **Outperformed TOPIX** in 10 year period



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

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.

(¥)

	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	Jun. 2025 (Forecast)
Share price (End of June)	205	140	178	139	174	369	300	292	614	794	552	479	-
Dividends per share	-	3.75	6.25	6.25	7.5	8.5	8	5	12.5	25	14	6	15
Payout ratio	-	16.3%	23.6%	25.7%	25.2%	26.3%	30.2%	24.4%	24.7%	23.8%	33.6%	33.6%	36.9%

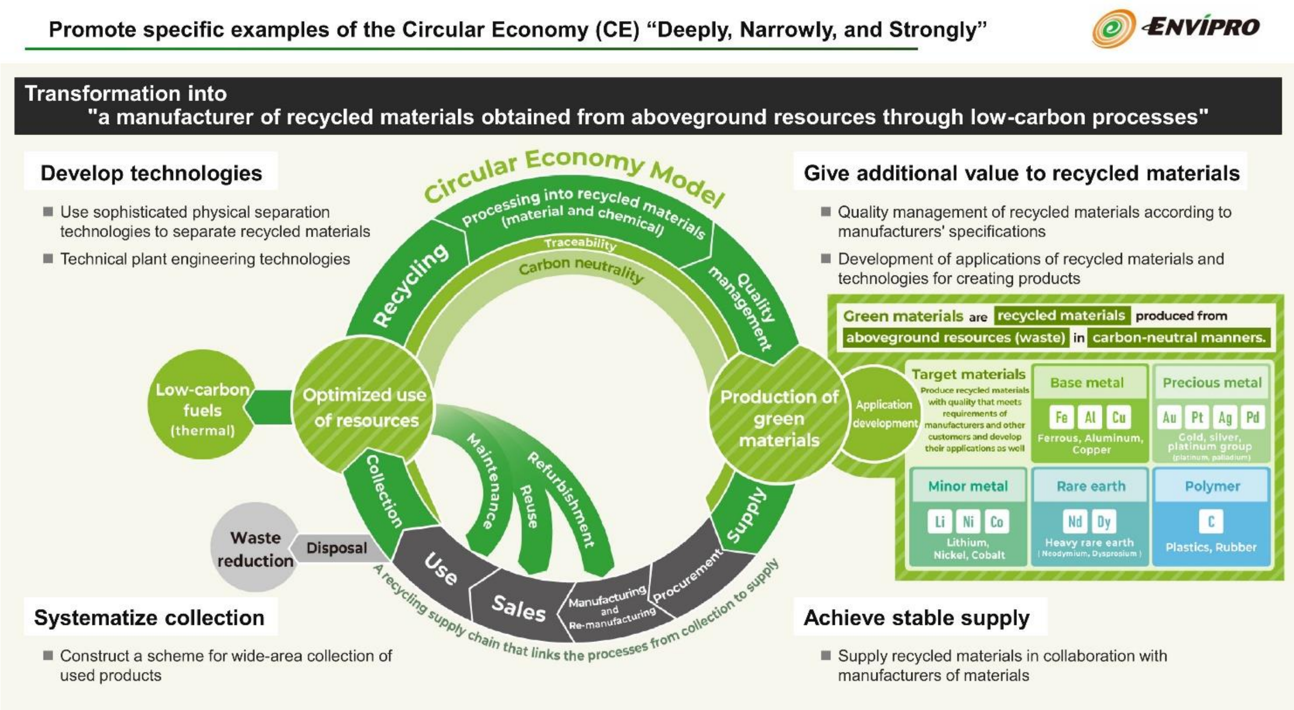
Treasury Share Acquisition

- Plan to repurchase up to 2 million shares / 1 billion yen
- Period : From March 7, 2025 to August 7, 2025
- Total payout ratio is expected to be up to approximately 120%

Next, this is about dividends.

We originally decided on a dividend of JPY15 for this fiscal year. Although profit is not meeting original expectations, we consider this year's situation temporary. With a kind of determination that we will surely generate profit next year, we have decided to maintain the planned dividend of JPY15 without reducing it.

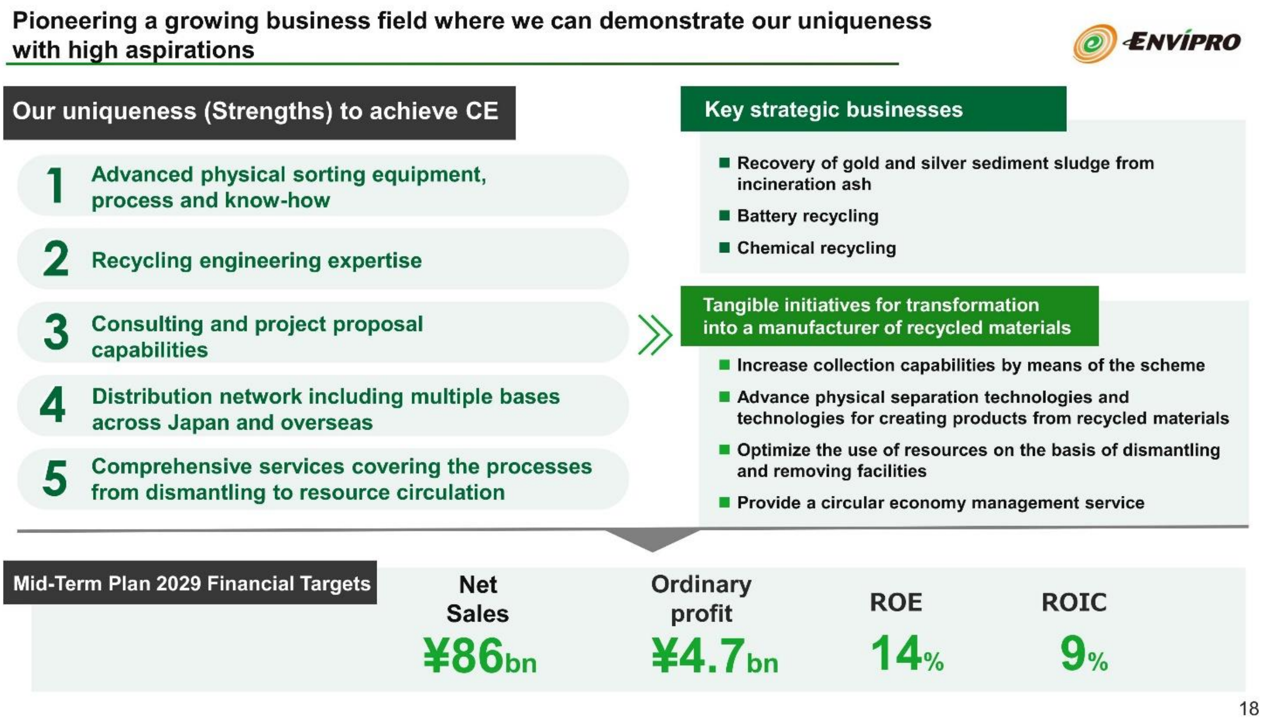
As we disclosed yesterday, we will purchase treasury shares. We plan to acquire up to two million shares on the dates shown. If this is fully achieved, the payout ratio will be 36.9%, slightly exceeding our decided range of 25% to 35%, but we consider this within an acceptable range.



Next, I will explain our main initiatives.

You've probably seen this graph before. This illustrates our intention to increasingly roll out concrete examples of the circular economy—as I've been mentioning earlier—by transforming into a manufacturer of recycled materials from surface resources through a low-carbon process.

We are shifting from a waste disposal business to a manufacturing business. It's not an easy task, but it aims to integrate the arterial and venous industries. In a sense, we, as a venous industry, will develop our business in the direction of becoming an arterial industry.

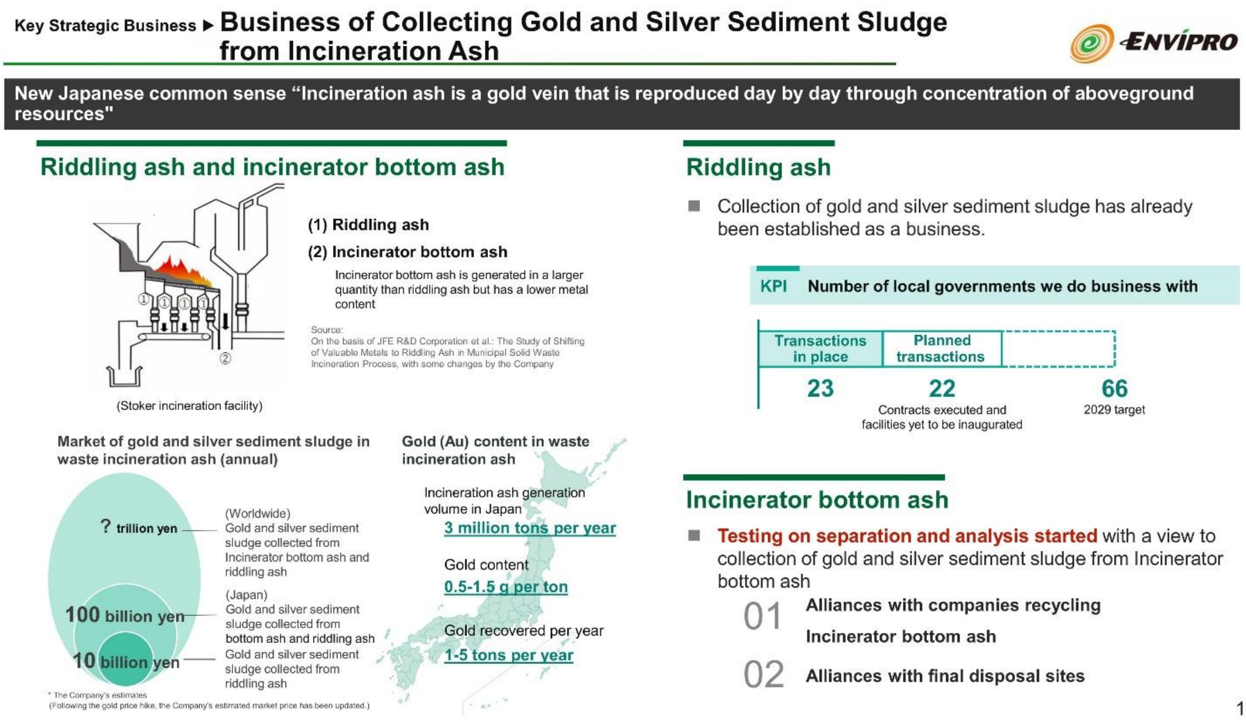


Next slide.

Here, we have listed our important strategic businesses: recovery of gold, silver, and copper sediment sludge from waste incineration ash, battery recycling business, and chemical recycling business. We will intensively invest our management resources in these businesses where we can utilize the know-how and technology we have cultivated so far.

Chemical recycling is a new field for us, but we plan to work on this with Ebara Environmental Plant.

We released our medium-term plan in August, and we aim to achieve the figures in this plan by nurturing these important strategic businesses and monetizing them.



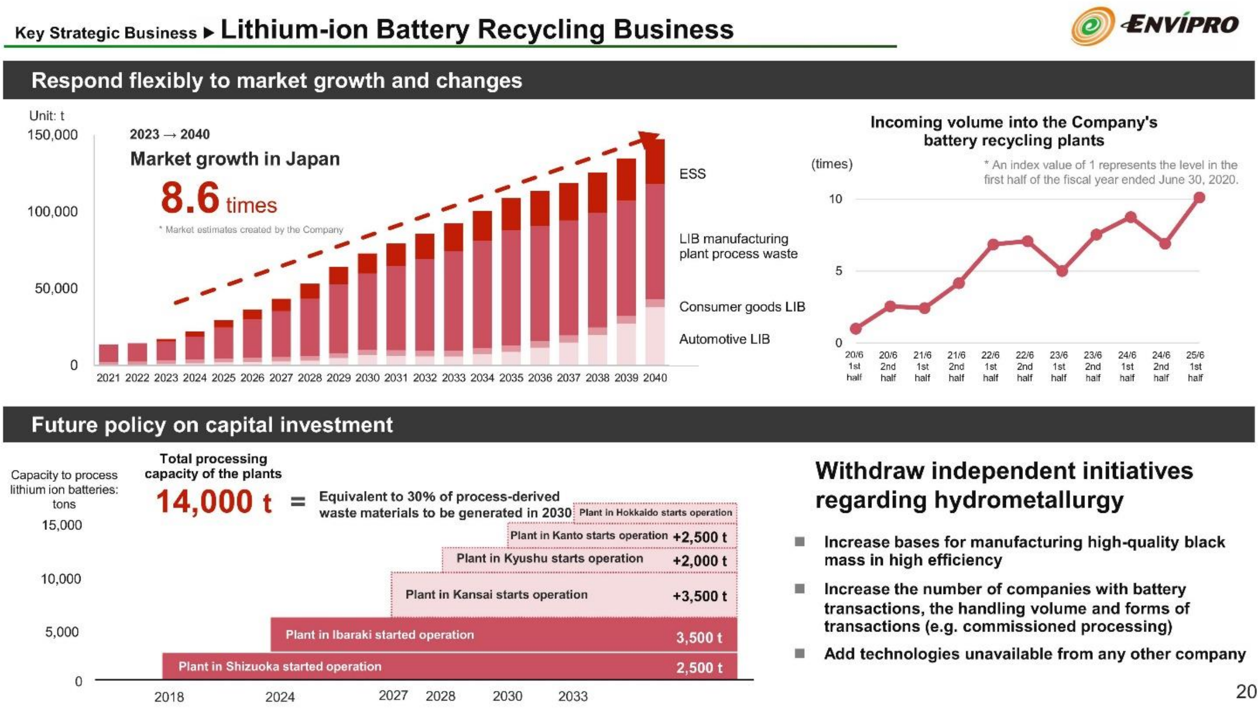
This is our project for the collecting business of gold and silver sediment sludge from waste incineration ash. Internally, we call it the "Hanasaka Jiisan Project," referring to recovering gold from ash. I think this business has significant potential. As the saying in Hagakure goes, "Treat important matters lightly and minor matters seriously," we're approaching this project with a sense of enjoyment within the Company.

Most of the gold in ash is currently being landfilled or, at best, used as cement material. Previously, we estimated the market for riddling ash to be around JPY7 billion, and the entire ash market including incinerator bottom ash to be around JPY70 billion for gold, silver, platinum, and palladium. However, with recent price increases in gold, silver, and copper, we now estimate the market for riddling ash to be JPY10 billion and the entire waste incineration ash market to be around JPY100 billion, based on our experience and calculations.

We are currently contracting for riddling ash in this manner. While these numbers haven't grown much, we're making various preparations. Rather than growing one by one, when our efforts come to fruition, the numbers may increase all at once. Also, more new incinerators are being specified for this process, so we expect to steadily increase the number of local governments we deal with for riddling ash.

The challenge is collecting gold, silver and copper sediment sludge from incinerator bottom ash, which is the largest market. However, dealing with municipalities and the unique Japanese waste management system that distinguishes between industrial and general waste presents high barriers. We're now starting to experiment with partners who have experience in this field, providing our know-how to recover valuable metals.

We couldn't even experiment before, but some municipalities are gradually showing interest. Through our dealings with riddling ash, we've built trust in this business, and we're now starting demonstration projects with several municipalities. I personally consider this my life's work, and I'm committed to growing this business.



Regarding the lithium-ion battery recycling business, as shown in the bottom right of the slide, we have decided to halt our primary efforts regarding hydrometallurgy. We've been like the boy who cried wolf, saying we'd start operations in 2025, then delaying by two years. After various calculations, we've decided to focus on our strength in physical sorting technology. Instead, we'll expand black mass production nationwide on a large scale.

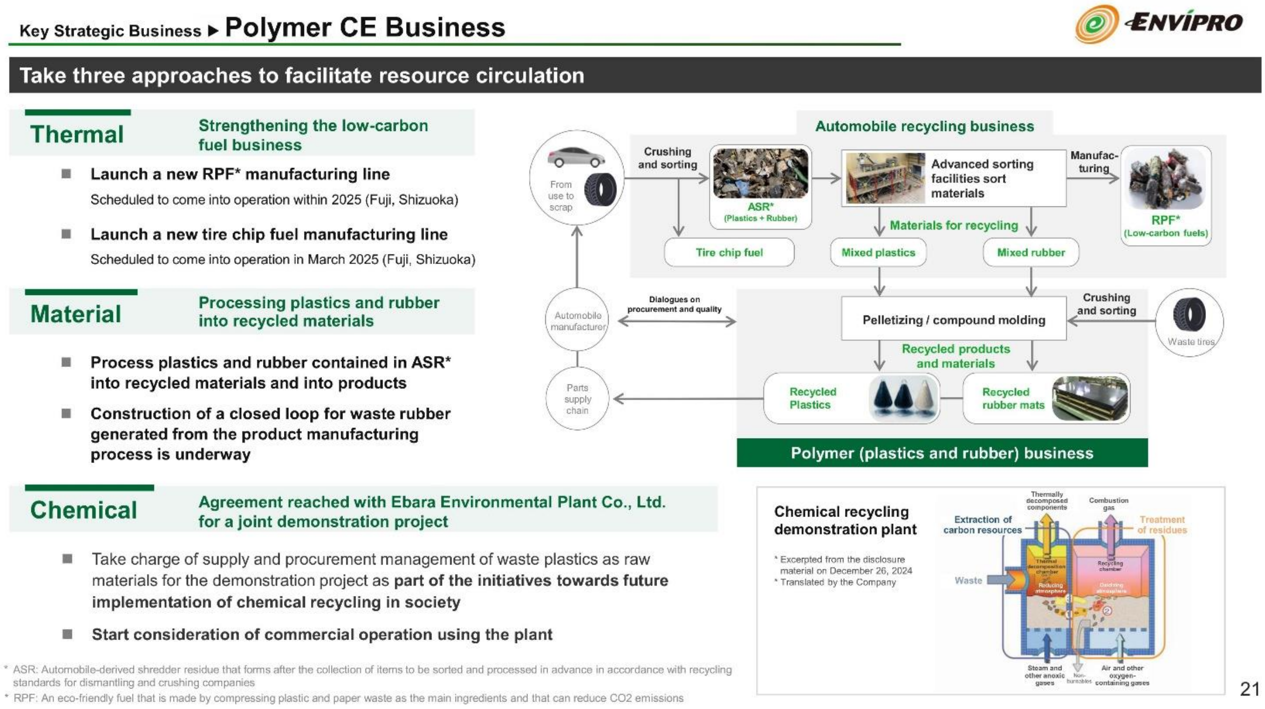
We'll provide this to hydrometallurgical plants. Currently, there are no domestic receivers, so we're exporting overseas; but eventually, these valuable metals will be circulated within Japan. We plan to collaborate with automotive companies and battery companies to specialize in proper recycling.

Therefore, we're seeing increases in battery trading companies, handling volumes, and transaction forms. Recently, we're seeing more consignment processing where we process and return products, truly embodying the circular economy. We expect this type of transaction to increase.

We're also adding technologies that others don't have. We're currently thinking about carbon. We're doing thermal recycling of carbon, but we're exploring ways to add more value. We're also looking at collecting lithium from lithium-iron phosphate batteries called LFP that don't use nickel or cobalt. While these have low added value, they're too valuable to treat as industrial waste, so we plan to make this our specialty.

On the bottom left, there are the Kansai Plant, Kyushu Plant, Kanto Plant, and Hokkaido Plant. The companies we are currently dealing with are building battery factories in Kansai and Kyushu. In Kanto, it seems a car manufacturer is also planning to build a new battery factory. This is based on news reports, so we can handle it from Shizuoka and Ibaraki, but eventually, we might be able to build closer facilities with some time lag.

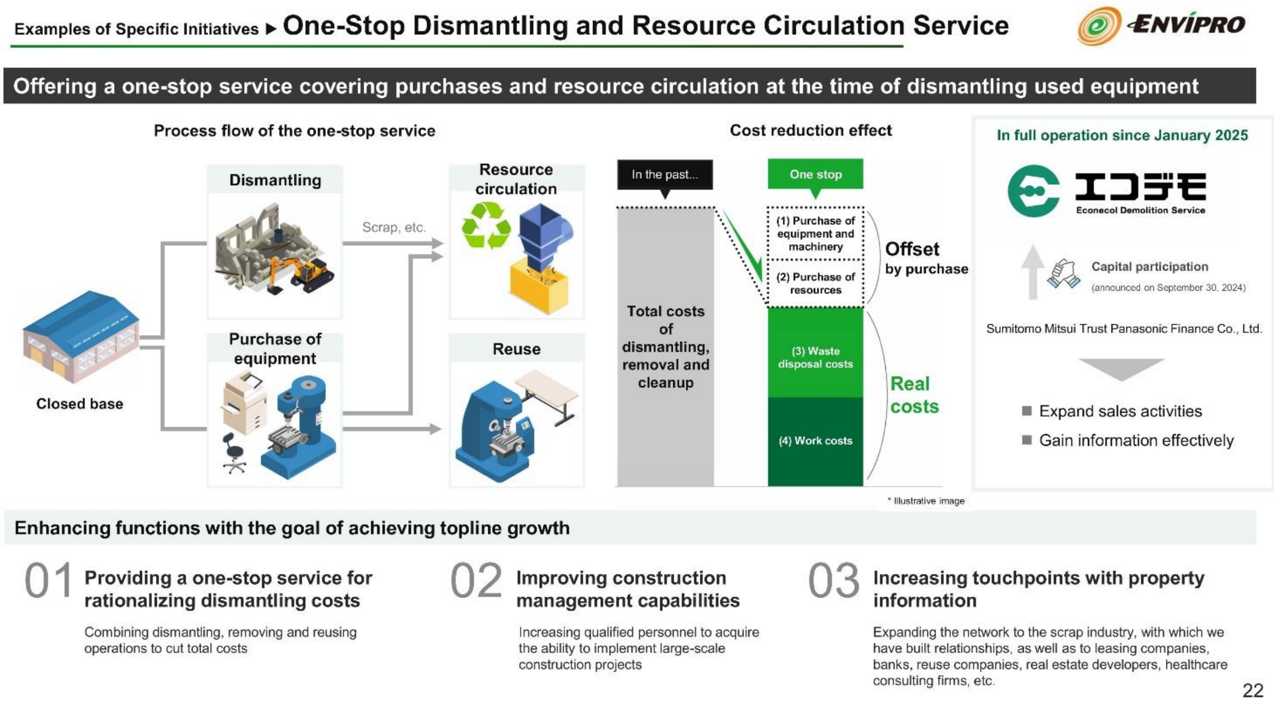
As a statement of intent to expand nationwide, we have included Hokkaido. There are no battery manufacturers in Hokkaido, but there is a significant amount of storage batteries for power generation using solar panels. This applies to Hokkaido and Kyushu. Therefore, we expect that such items will increasingly be discarded after 2030. Targeting used items in particular, we plan to build processing plants nationwide and shift our strategy to establish a system where we can reliably fulfill a certain role when large volumes emerge, replacing hydrometallurgy.



Next slide.

This is about polymer circular economy. While we're doing new things in thermal and material recycling, we're also focusing on chemical recycling. As I mentioned earlier, we're now conducting a joint demonstration project with Ebara Environmental Plant, which is scheduled to start operating around May this year.

We'll provide raw materials for this demonstration while accumulating our own know-how. In the medium to long term, I believe chemical recycling will become the main player, surpassing thermal and material recycling. It will take considerable time to monetize this, perhaps on the order of 10 years, but as a company, we want to challenge this revolutionary approach even if it takes time.



Next, this slide shows our one-stop service for demolition and resource circulation.

The demolition business field is already a red ocean, to put it mildly. However, as plants and buildings built in the past start to be demolished, including infrastructure, the market will grow. But there are too many players, making it a red ocean in a sense.

In this context, we're combining financial functions to obtain more property information. While we don't have much actual demolition experience yet, we're developing our practical demolition capabilities.

Ultimately, with our resource circulation business, there are synergistic effects, so we want to focus on this area as well.

Examples of Specific Initiatives ▸ **Construction of Resource Circulation Supply Chains in Japan and Overseas**

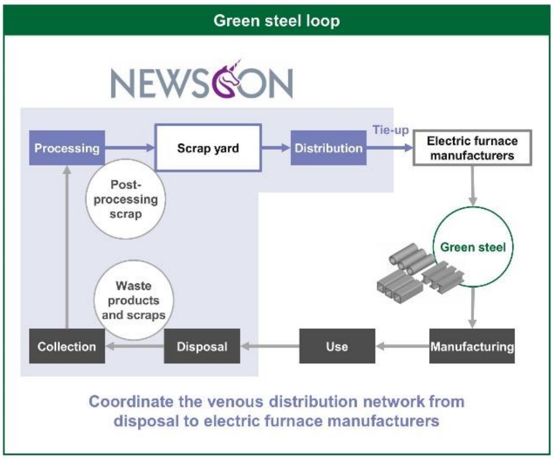
Specific measures for green steel

Achieve closer relationships with steel manufacturers in Japan to help build CE

- Strengthen the system for stable collection and sales in partnership with domestic electric furnace manufacturers
  (Started at Amagasaki in June 2024 and scheduled to be started at Funabashi in June 2025)
- Accelerate the construction of a closed loop by capitalizing on the cooperative relationships with steel manufacturers in the country
- Build a supply chain from a global perspective

Push resource circulation in international distribution

- Construct a scheme for international resource circulation (for nonferrous and rare metals)
- Increase procurement of low-carbon fuels (thermal recycling) from Japanese and overseas sources
- Procure recycled plastic materials from overseas and supply them



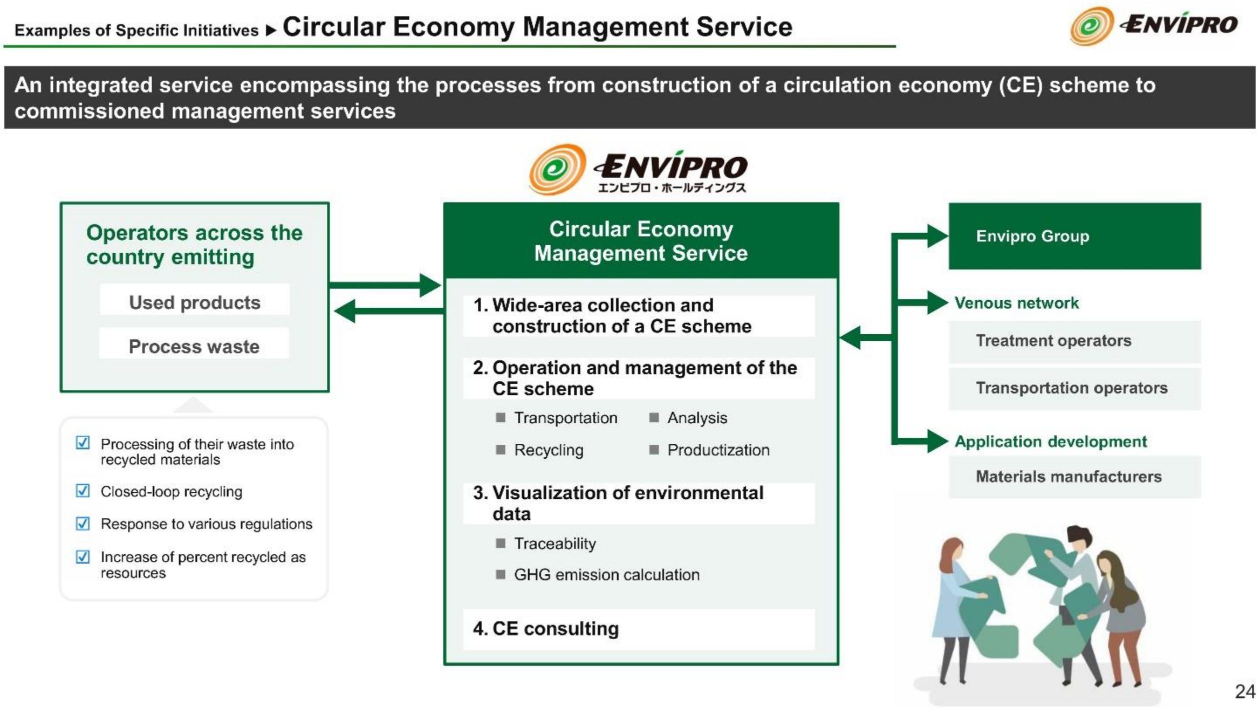
We will now explain the business model change of NEWSCON, our global trading business company. Recently, there's been talk of "green steel." This company originally specialized in exports, but after 30 years since around 1992, that business model has become obsolete in a sense. We are starting new domestic initiatives.

Particularly, it has already been disclosed, we've been working with Tokyo Steel in Amagasaki since last June, and we'll start in Funabashi this June. Our handling volume will increase and stabilize. While the profit margin isn't very high, it provides a stable revenue source. We're changing our steel business model in this way for what we can't sell outside.

Secondly, when demolishing buildings, although still rare, there's a trend where general contractors contract with steel manufacturers like Tokyo Steel, and we're commissioned for transportation and processing. This won't apply to everything, but in terms of building circular economy, this company has extensive relationships with domestic industry peers, demolition companies, and general contractors. We believe we'll have a coordinating role in this. NEWSCON is challenging to become a behind-the-scenes player in creating these closed loops.

That said, there's still ferrous scrap unsuitable for domestic use, so we'll continue exporting about half while handling half domestically. The domestic ratio will likely increase, but we'll adjust according to the situation. For non-ferrous and rare metals, we're actively engaging in export, import, and trilateral trade. This area is growing gradually, so we'll focus on it as an international distribution company, not just limiting ourselves to domestic distribution but rather intensifying international distribution for certain materials.

We're also expanding into low-carbon fuels, typically tires. We've started importing crushed tires from Northern Europe and the US in sample quantities of a few hundred tons per container, selling to cement companies and paper raw material companies. This is just beginning, but demand is increasing. We're also importing plastic pellets from Korean resin manufacturers, though this also has just started.



On the last page, as a circular economy management service, we have Bright Innovation, a company that provides climate change CDP consulting. They're gradually increasing their circular economy consulting services.

In this context, we're receiving inquiries for comprehensive contracting of waste scheme construction and subsequent management for large companies. While cases are still few, the biggest advantage is the combination with ENVIPRO HOLDINGS Inc.'s various crushing and sorting capabilities. This consulting company manages while ENVIPRO and our domestic industry peers contribute to the client company.

This is a new business model, which we call BPO, and it's still developing. We're expanding this soft aspect of our business, creating systems for material collection. Our business is all about collecting materials. Therefore, we want to change our business model to one where we create systems that our competitors aren't doing, or collaborate with them, to collect materials together, add high value-added processing technology, and contribute to society.

That concludes my explanation. It's been exactly 30 minutes, so let's move on to the Q&A session.

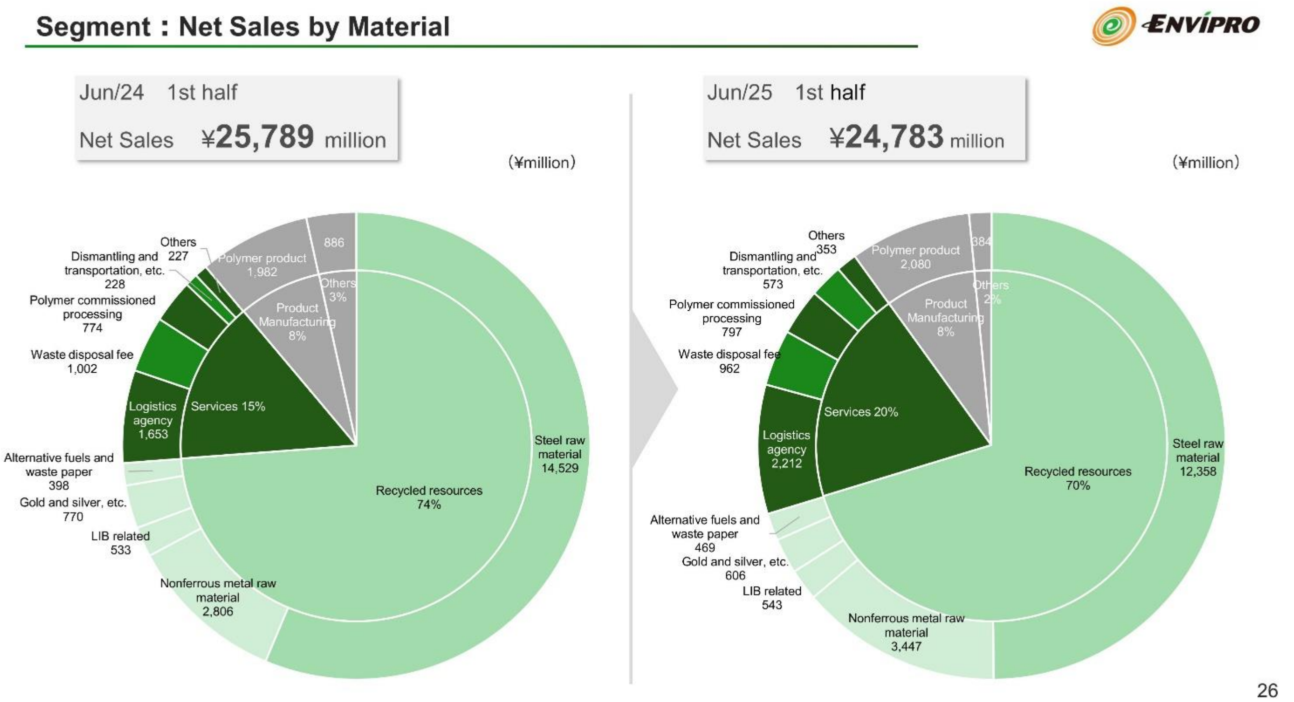
Thank you very much for your attention.

Moderator: Thank you very much for your explanation, Mr. Sano.

Question & Answer

Moderator [M]: Now we will move on to the Q&A session. First, I'd like to read out the questions we received in advance. Now the first question.

Participant [Q]: What measures are you taking to reduce volatility?



Sano [A]: As shown at the end of the reference materials in our financial results presentation, our service business ratio increased from 15% to 20%. This ratio can fluctuate when ferrous scrap prices decrease, or the proportion of ferrous scrap decreases. In terms of actual amounts, industrial waste has slightly decreased, but the proportion of the service business, which isn't about buying and selling goods, is currently increasing. Since other businesses cannot escape price volatility, increasing this kind of field is one of our strategies.

Moreover, we're focusing on increasing businesses with higher profit margins that can maintain profits even with some price fluctuations. Ultimately, volatility occurs due to thin gross profit margins, so we aim to increase business models that can generate sufficient profits.

The gold, silver, and copper sediment sludge from waste incineration ash is a prime example of this, provided we can handle sufficient volume. We believe increasing such businesses will help reduce volatility.

Moderator [M]: Thank you. Here's another question we received in advance.

Participant [Q]: Could you tell us about the recent situation following your collaboration with HyProMag?

Sano [A]: To be honest, there hasn't been much progress. They are currently building a factory, which is expected to start operations around June or July this year. However, they are mainly dealing with small neodymium magnets from hard drives.

We focus on magnets from wind turbines, MRI machines, and eventually EVs. Since we're working with batteries, we're interested in neodymium magnets from EV motors used in e-axles. The size may be a little different.

HyProMag is a UK company, and we have a liaison office in the UK that maintains close contact and exchanges information with them. We've heard that once they have a concrete plan, they'll arrange an opportunity to introduce it to us in Japan again.

Moderator [M]: Thank you very much. Now, let's open the floor to questions from our online participants. Does anyone have any questions? It seems there are no questions at the moment. We're also accepting questions through the Q&A function, but it appears there are none there either.

If you have any questions later, please feel free to inquire through the Company's IR department. As there are no further questions, we'll conclude today's briefing session. Mr. Sano, thank you very much for your explanation.

Sano [M]: Thank you very much.

Moderator [M]: To all our online participants, thank you very much for joining us today despite your busy schedules.

This concludes our session.

[END]

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.*