Message from the President

The world is making major moves to become carbon neutral by 2050.

The formation of a circular economy society has been increasingly highlighted as a means of achieving carbon neutrality. A concrete and effective means to achieve this is to implement a circular economy within society.

To this end, we have identified three material items (priority issues). The first is “increasing demand for green materials in the supply chain.” Specifically, this refers to “increased demand for ferrous scrap due to expansion of electric furnaces,” “increased demand for nonferrous metals and minor metals in line with electrification,” and “promotion of advanced resource recycling for waste plastics.”

The second is “reducing labor required in the production process, promotion of data utilization in business activities.” More efficient production that requires less labor is associated with lower greenhouse gases (GHGs). In addition, in the circular economy, it is necessary to accurately grasp the circulation of objects through the use of data.

The third is “investment in human resources to promote business activities.” Over the medium term, we plan to cultivate 100 business promoters. This will enhance the sharing of our corporate philosophy, which acts as the roots that support the company. Through hiring, training, and retention, we plan to cultivate executives, specialists, and generalists.

The core of our business is to solve problems that will help realize a circular economy society. Accordingly, our company’s growth and its contribution to society move in lockstep. As social contribution is an extension of my own business motivations, I am committed to the growth of the ENVIPRO Group.

Of course, we will work with our employees to enjoy this challenge to the fullest.

Sekkyoku Ikkan
(means “always be positive”,
the word of Tempu Nakamura)

Forward, MYWAY forward.

Tomikazu Sano
President, Representative Director

Top Management Interview

Our strengths have emerged out of a single desire: to make people happy.

Our Strengths

My father founded this company. By following his example, I have worked with the sole intention of making him, and by extension, others, happy. In 1985, my father passed away, and I became president. That

was around the time of the Plaza Accord, which led to a recession and a strong yen. Since that time, we have overcome the effects of various economic waves.

Along the course of this history, the company has developed several strengths.

The first is that we have a trading department that allows us to deal specifically with other countries. For the 40 years after World War II, Japan faced a shortage of ferrous scrap. In the 1990s, however, steel production reached a plateau and we gradually began to experience a surplus of ferrous scrap. As a result, even when we sourced ferrous scrap, there was no market for it in Japan. Because our company was far away from steelmakers' locations, we could only sell our products through trading companies, which presented us with a major sales challenge. We had the idea that we might be able to export our ferrous scrap to other countries, so we set up a trading department. Our first successful exports were to South Korea, and this marked a first for Japan. Developing our overseas business made us more competitive on prices, and we began sourcing ferrous scrap from companies that had previously been our rivals. This evolution brought us new functionality and spurred our business expansion from the city of Fujinomiya and Shizuoka Prefecture out to the rest of the country. Our Global Trading Business has grown accordingly.

We developed our second strength in the 1990s when we installed a shredder capable of handling large items, such as scrapped cars and appliances. At the time, it was an investment so large that some considered it reckless. However, this gave us the opportunity to acquire the advanced shredding and separation technology that would serve as the foundation for our current business expansion. In addition to separation using magnetic force, wind force, specific gravity, and eddy currents, we have recently been using separation technology like metal detectors based on various sensors. The plants used in our industry are mostly custom-made and fabrication is outsourced. We design and fabricate plants ourselves instead, leveraging our best on-site expertise. Our plants strongly reflect our own capabilities, allowing us to separate waste and other materials more precisely and thoroughly. This approach increases the value of the items we process, so we can sell them at higher prices. This, in turn, makes our sourcing more competitive. In the future, we plan to enter the world of chemical separation at the molecular level: extracting nickel and cobalt from the concentrated sludge of minor metals collected by physical shredding and the separation of lithium-ion batteries.

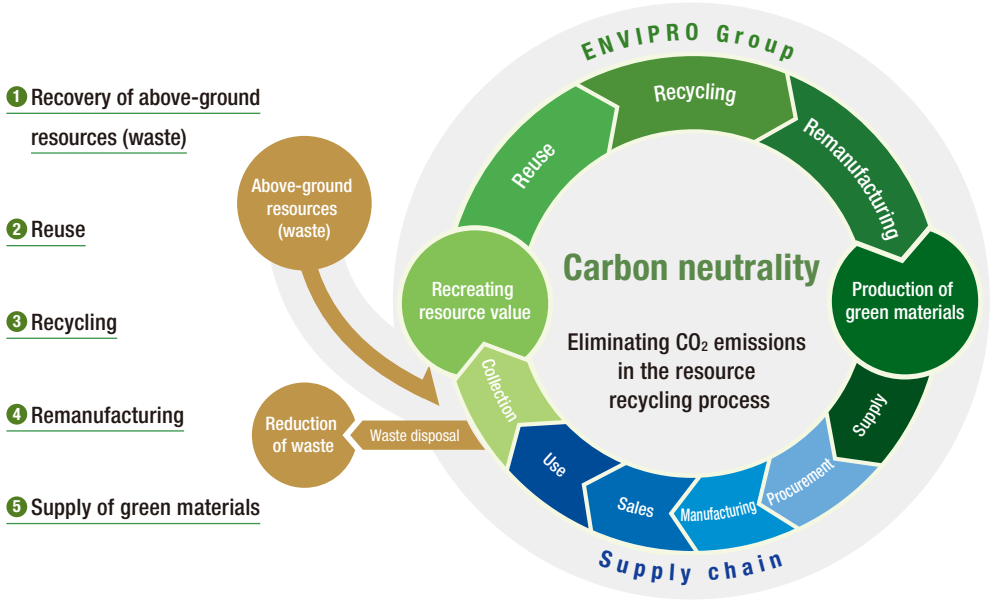
Our third strength comes from the fact that we have an environmental

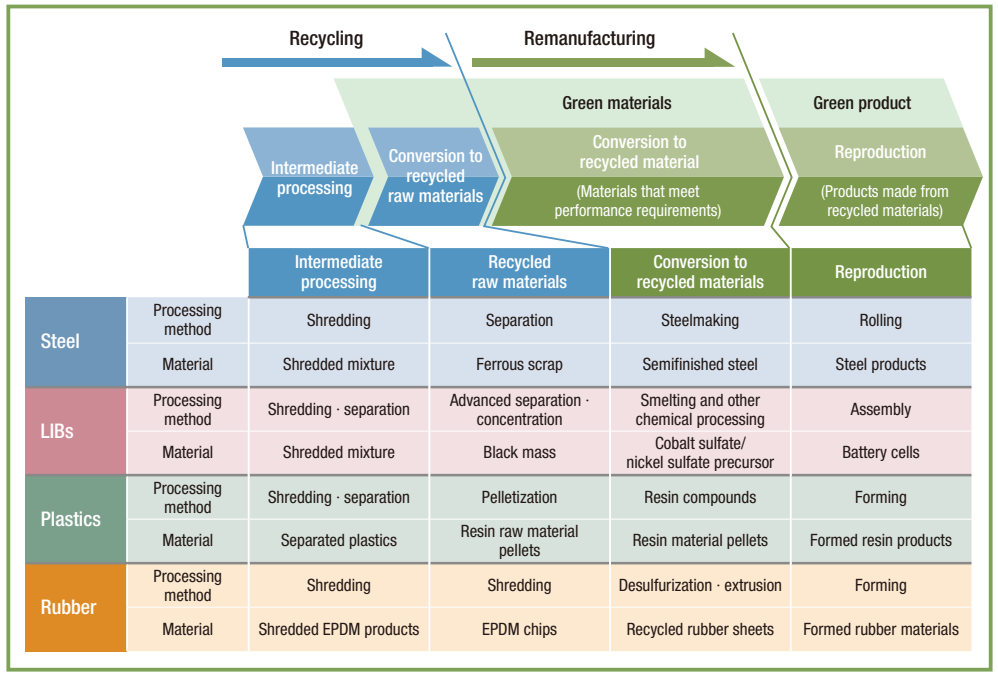
Achieving Low-Carbon Processes: QCD + C (Carbon Neutrality).

consulting company that enables us to make concrete proposals. Bright Innovation, founded in 2016, started as a consulting firm to support CDP responses and the planning of decarbonization strategy. More recently, the company has expanded into consulting related to the circular economy. Conventionally, the elements essential to the manufacturing industry have been expressed by the initialism QCD (quality, cost, and delivery times). We advocate QCDC, which adds the element of C (carbon neutrality) to the manufacturing process. We can make concrete proposals because we have processing technologies including those needed for physical plants. Going forward, we believe we will be able to differentiate ourselves through our consulting function, by developing and combining a traceability system for the circular economy.

Our greatest strength is our corporate culture, which is based on the permeation of our corporate philosophy. The specific strengths that I have mentioned must evolve and develop with the times. We will further hone and entrench our existing strengths. We will continue working to evolve and turn areas of technologies and expertise that are not yet strengths for us into future areas of strength, through corporate alliances and M&A. In this way, I believe that we can find many more opportunities in our area of business.

Our Role in the Overall Circular Supply Chain





		Intermediate processing	Recycled raw materials	Conversion to recycled materials	Reproduction
Steel	Processing method	Shredding	Separation	Steelmaking	Rolling
	Material	Shredded mixture	Ferrous scrap	Semifinished steel	Steel products
LIBs	Processing method	Shredding · separation	Advanced separation · concentration	Smelting and other chemical processing	Assembly
	Material	Shredded mixture	Black mass	Cobalt sulfate/ nickel sulfate precursor	Battery cells
Plastics	Processing method	Shredding · separation	Pelletization	Resin compounds	Forming
	Material	Separated plastics	Resin raw material pellets	Resin material pellets	Formed resin products
Rubber	Processing method	Shredding	Shredding	Desulfurization · extrusion	Forming
	Material	Shredded EPDM products	EPDM chips	Recycled rubber sheets	Formed rubber materials

Medium-Term Management Plan (Sustainability Strategy)

Financial Targets of the Medium-Term Management Plan (Sustainability Strategy)

(Fiscal year ending June 2027)

Net sales	¥75 billion
Ordinary profit	¥5 billion
ROE	13 %

To realize a decarbonized society by 2050, we will create QCDC manufacturing processes, promote RE100, and reduce CO_2 emissions from our plants. According to the Ellen MacArthur Foundation, a shift to renewable energy alone can only address 55% of the world's CO_2 emissions, but the remaining 45% can be addressed by a circular economy. The full utilization of recycled resources can thus help reduce CO_2 emissions. In addition to the conventional value of using recycled resources, their environmental value has begun to increase. For example, using ferrous scrap for steelmaking in electric furnaces is said to emit only around one-fourth the CO_2 compared to steelmaking from iron ore in blast furnaces. In other words, recycled materials such as ferrous scrap are low-carbon raw materials.

We joined the RE100 initiative in 2018. We are already operating with 97% renewable energy, and we will continue to supply low-carbon base fuel by reducing the carbon footprint of the production process itself throughout Scope 1, 2, and 3. Our financial targets for the fiscal year ending June 2027 are net sales of ¥75 billion, ordinary profit of ¥5 billion, and ROE of 13%.

Resource Circulation Business

In the Resource Circulation Business, we will continue to pursue initiatives for further growth while building on our existing business. The company's activities include the collection of gold, silver, and copper sediment sludge from incineration ash, the recycling of incineration ash as a resource, cleaning and dismantling work broadly across Japan, and the advanced recycling of plastics. In particular, I think of the collection of gold, silver, and copper sediment sludge from incineration ash as my "lifework." It is said that each ton of incineration ash contains a gram of gold. It seems to me a waste to think that rather than being extracted, such gold might be recycled into cement or disposed of in landfills. I also believe we could see technological breakthroughs in plastics recycling. Without the addition of technology, municipal waste is just that: waste. But I believe waste plastics will become an important resource once chemical recycling technology becomes an established part of the social system.

Global Trading Business

Overseas sales make up the bulk of operations in the Global Trading Business, but we believe it is time for a model change. I expect that Japanese demand for ferrous scrap will increase due to the new construction of large electric furnaces by major steel makers. Accordingly, the amount of ferrous scrap exported from Japan will decrease. Given this environment, over the medium term we aim to increase our handling volume from the current 540,000 tons to 1,000,000 tons. We will continue to expand our number of domestic collection points. In addition, we will focus on increasing our overseas sales and the number of products we handle, such as through trilateral trade. In the future, we plan to add our own technologies to overseas locations to establish resource processing bases, not just distribution bases.

Lithium-ion Battery Recycling Business

We are promoting the Lithium-ion Battery Recycling Business as a strategic business to drive corporate growth. We believe this business will truly come into its own after 2030. We will start operating a hydrometallurgical plant in 2025. By 2027, we intend to increase the number of plants producing black mass, the raw material for the hydrometallurgical plant, to four (in Japan and overseas) and establish a system for collection and production. VOLTA is in charge of this business. In 2020, we made VOLTA independent from the Resource Circulation Business because we believed this would facilitate the

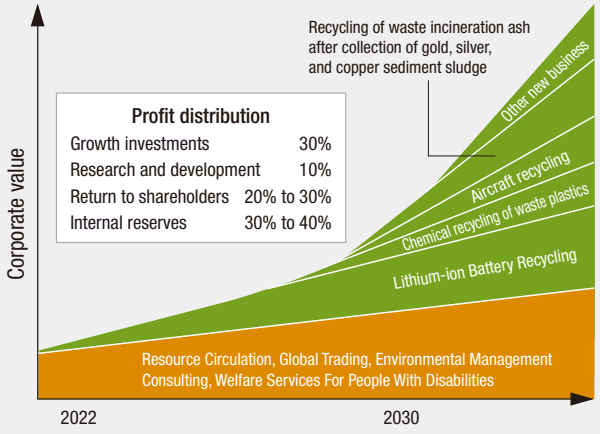
Build a “platform” filled with good quality energy where all employees work energetically.

alliances and other collaboration necessary to ensure development speed and secure management resources. In this area, we are combining caution with boldness.

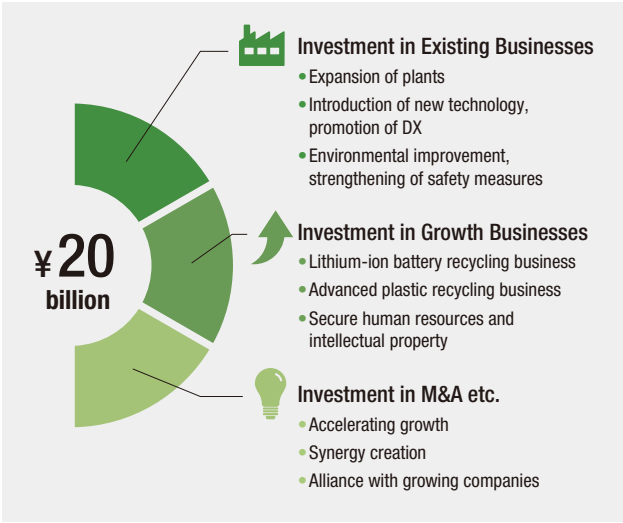
Other Business

In Other Business, we will further strengthen our Environmental Management Consulting Business as a contact point for the creation of social systems. In addition, Welfare Service Business for People with Disabilities does not have a large financial impact, but it plays an important role in shaping the corporate culture. In the future, we will focus our business on cooperation between agriculture and welfare.

Optimize business portfolio by deepening our involvement in or withdrawing from existing businesses, aggressively investing in growth areas and searching new businesses



Capital Investment



The company has made capital investment totaling around ¥6 billion over the past five years. Now that profit has been rising, we plan to increase this level. We plan to invest ¥20 billion over the next five years. We have already earmarked more than half this amount for new technologies and DX in existing businesses, investment in expansion (including for safety measures), and for growth businesses such as Lithium-ion Battery Recycling and advanced recycling of waste plastics. At this stage, we have no concrete plans for the remainder. My attitude toward investing has been changing.

Human Resource Strategy

I believe that our first priority is to improve working conditions; in this industry, the on-site working environment is hard. Thinking of our human resource strategy from a long-term perspective, it is important to nurture people. For several years now, we have been offering a business school for the next generation of management. Over the next five years, we will develop 100 business promoters. We plan to establish several companies in the future, and I would like these people to experience being the president of a company. To ensure a company’s future growth, I think it is necessary for people to have emergent capabilities so they can grow by themselves and for them to be in a field or organization where they can take the lead and act with self-discipline. To this end, we will instill our corporate philosophy, create a bright, open, and pleasure culture, and train people with a sense of mutual trust, Hands-on learning, a shared vision, a spirit of taking on challenges, wholehearted effort and heart that cherish people. Naturally, we will need to create an environment for this.

In the wise words of Peter Drucker, whom I admire, “culture eats strategy for breakfast.” Above all, we will ensure our employees are well-versed in our corporate philosophy and culture, and to use this as the driving force for our human resources strategy.