

Dialogue with Outside Directors

03 | ESG(Governance)



Towards the Creation of New Corporate Value

Growth Strategy and Management Innovation Discussed by Outside Directors

Increase the effectiveness of the Board of Directors and overcome the transition period.

It's been one year since you were appointed as an outside director.

What attracted you to the company and made you take on the position of outside director?

Shiraishi I have two reasons. First, as an important player in the circular economy, we make significant contributions to the realization of social and environmental sustainability. This is also a theme that I have made my life's work of, and I was strongly attracted to our company, which is a leading company in this field. Another reason is that the spirit with which the company was founded has been firmly inherited.

Imajo As environmental issues become global issues, Japan seems to be a little behind, but we are playing a leading role in this process. I sympathized with the president's strong desire to transform waste disposal, a field that has not had a very good image in the past, into an industry that is recognized by society by operating it as a proper business. I also took on the role of outside director because I wanted to contribute to this transformation by taking advantage of my experience with major chemical companies and venture capital firms.



Outside Director

Keiji Imajo

He engaged in research and development and new business planning and development at Kanegafuchi Kagaku Kogyo Co., Ltd. (now Kaneka Corporation). Subsequently, he served as President and Chairman of Future Venture Capital Co., Ltd., and then, has served as an outside director of ENVIPRO HOLDINGS since 2023.



Outside Director
(Audit and Supervisory Committee)

Tomoya Shiraishi

He served as a representative director of Permira Advisors, Inc. and as a representative director of Social Investment Partners. He has served as an outside director of ENVIPRO HOLDINGS since 2023.



Looking back on the activities of the past year, how do you evaluate the effectiveness of the Board of Directors?

Shiraishi The Board of Directors has three functions: to make decisions on important matters, to ensure transparency and oversight of the process, and to consider medium- to long-term strategies. The Board of Directors needs to maintain a moderate distance from management execution, sometimes hold detailed discussions, and sometimes supervise medium- to long-term strategies from a broad perspective. In this regard, the culture of our Board of Directors has taken root in which the Chairman makes decisions while properly listening to everyone's opinions. In addition to reporting performance, there is also a strong opportunity to seek input from outside directors on ongoing projects and strategic considerations.

Imajo As an outside director, it is necessary to understand not only the overall management and supervision, but also the actual execution of business. With regard to this as well, our company provides sufficient information in advance, and we repeatedly explain the background of particularly important projects, so we have a system in place that allows us to make accurate judgments based on a thorough understanding of the situation. However, in the future, apart from the Board of Directors, there may be opportunities to discuss in more depth the achievements of the medium-term management plan in terms of performance and the action items to be executed during the plan period. The position of an outside director is not necessarily limited to the role of management and supervisor and brake, but also the role of supporting the executive side so that they can step on the accelerator with peace of mind. I think that we should move forward while varying our pace.

We will identify issues that should be seen directly and integrate them across the business.

What do you think we are lacking at the moment?

Shiraishi We have a lot of potential, and we have a clear vision of a circular economy, but I feel that the design of a specific strategy is a little naive. Although we have the ability to solve problems, there may be some points that have not been fully sublimated as issues.

Imajo For example, looking back over the past year, there have been important issues such as fire accidents, occupational accidents, and tax issues. While we commend the fact that appropriate responses were taken in each of these cases, we need to think deeply about why this situation occurred in the first place. Based on my experience in the manufacturing industry, I believe that occupational accidents and fires should never occur for any reason. In particular, accidents threatening human life should never occur. In the future, I think it is necessary to focus more on not only reactive response but also building a proactive safety management system.



How can we make up for our shortcomings and expand our business?

Shiraishi First, I think it is necessary to properly organize a wide range of current business areas and connect the businesses literally. Since the basic flow of picking, sorting, and processing is common in each business, it is necessary to share intellectual capital and know-how, for example, "The physical sorting ability of this business may be available in that business." Up until now, we have proceeded with a culture of working hard for each individual company, but I hope that we can create synergies between groups by passing through the sideways.

Imajo Yes. Compared to cases where each division of a company is spun off and a holding company structure is adopted, our company has an advantage in that each division is independent, but it does make it difficult to coordinate in some ways. For example, last year we acquired Nitto Kako Co., Ltd. through M&A. It is a manufacturer that makes and sells products. The methods of procuring raw materials differ significantly between traditional waste treatment and recycling businesses and manufacturers. I think it is also important to understand these differences in business models and how to operate and integrate them in order to expand our business in the future.



Risk-taking+Uniqueness leads to value creation.

How can we continue to grow in the future?

Shiraishi In recent corporate management, attention has turned to the "six capitals" of financial capital, intellectual capital, manufacturing capital, human capital, social and relationship capital, and natural capital. Our company is also unique in terms of social and relationship capital. We are building relationships with a variety of stakeholders, including partners who provide waste, local governments, partner companies that are responsible for commercialization, and even joint ventures. If we think of the circular economy as a kind of ecosystem, our company occupies an important position in that not only we, but multiple other companies use us to realize circular business. That means that it is very sustainable as a business. Taking advantage of this potential and steadily building relationships in a variety of regions and business fields without rushing will lead to the creation of corporate value.

Imajo In the field of innovation, two ideas that have been attracting attention in recent years are "effectuation" and "causation." Based on the premise that the future is unpredictable, effectuation, which emphasizes creating results using given resources and means, and causation, which ensures that the PDCA cycle is reliably executed, are both indispensable for corporate management. For factors that are difficult to control, such as exchange rates and market rates, PDCA alone cannot adequately respond to them. In order for a company of this size to grow further, I think it is important to strike a balance between the two.

Shiraishi Certainly, if you stick to the PDCA cycle too much, you may end up going in the wrong direction. We must properly review the plan itself and strategy, and work on the PDCA cycle after formulating tactics. In that sense, a "market price" that is not under the control of the company cannot be a KPI, and the profits obtained from market fluctuations are temporary. That's why I think we should value areas that we can control. If we are profitable in an area that we can control and are good at, it is a highly sustainable business. For example, the business of recovering precious metals from incineration ash is an added value created by our uniqueness by applying the strength of "physical sorting" that we have continued to refine in our business, and it is a business model that allows us to secure our spreads even if it is affected by the precious metal market. In addition, the container business of Cyterrace Co., Ltd. has also secured a strong position in the logistics industry and generated profits as a result of risk-taking by purchasing surplus containers as inventory. In other words, by combining appropriate risk-taking with our unique strengths, new value can be created. If we can maintain a competitive advantage at all times after properly analyzing its value, we should be able to establish a structure in which we will become an indispensable presence in the ecosystem.

Imajo Also, in the current situation where we are at the stage of expanding our business, I don't think it's necessarily good to just be selective and focused, but I think it's also important to make bold decisions about "doing what you have to do" and "not doing what you don't need to do." We are at an important turning point, and I feel that there are many areas for improvement, but we also have great potential for the future and are very much looking forward to it. As an outside director, I would like to continue to support sustainable growth.

