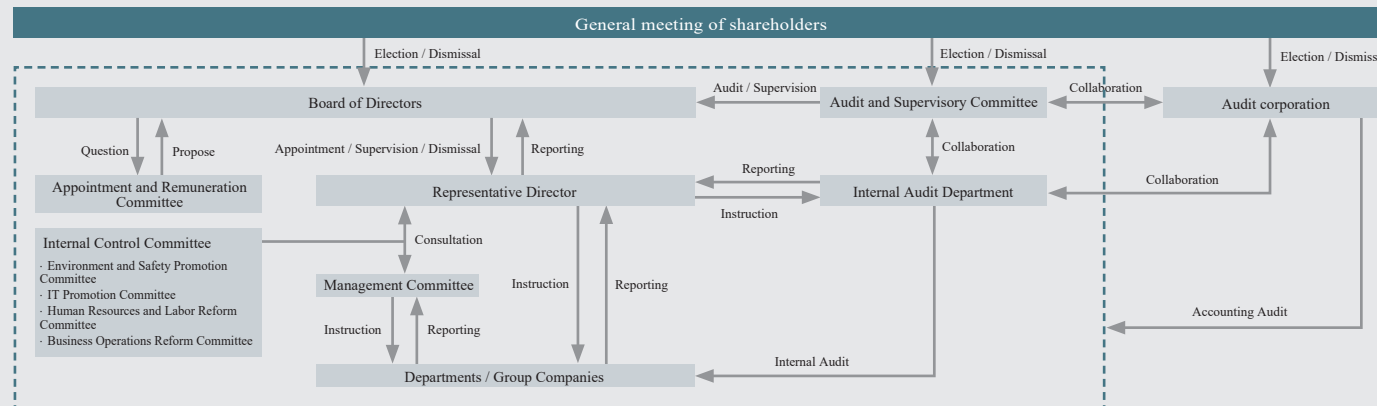


Business foundation / Growth foundation | **Corporate Governance**



We believe that corporate governance is an important business foundation as well as a precondition to strongly promoting goal achievements. To promptly respond to changes in the economic environment, we strive to implement both prompt decision-making along with efficient and transparent management, and to continuously improve our corporate value. To this end, we will keep evolving to verify and operate the management and internal control systems, and enhance their effectiveness.

Corporate governance system



Board of Directors

The Board of Directors of ENVIPRO HOLDINGS Inc. is composed of 11 directors, six of whom are outside directors (three of whom are members of the Audit and Supervisory Committee) and, in principle, meets once a month. The Board of Directors makes decisions on matters important to the execution of the Company's business and oversees the execution of directors' duties. In fiscal 2019, the Board of Directors met 13 times, and all directors attended all meetings. At the meetings of the Board of Directors, the President and Representative Director acts as a chair, respects all other directors and encourages them to express opinions, not from the viewpoint of short-term benefits, but rather to discuss even seemingly irrelevant policies or measures and other matters from the perspective of medium- to long-term business growth.

Outside directors of ENVIPRO HOLDINGS Inc.



Mr. Yoshiharu Murakami (Independent Director)
Elected as an Outside Director because Mr. Murakami can offer valuable advice to the business strategy development of the Group, based on his experiences as a top management of a publicly listed company.



Hwang Kyu Chang (Independent Director)
Elected as an Outside Director because Professor Hwang can offer valuable advice to the business strategy development of the Group, based on his academic knowledge as a scholar of economics.



Mr. Keiji Miyaki (Independent Director)
Elected as an Outside Director because Mr. Miyaki can offer valuable advice to the business strategy development of the Group, based on his broad global knowledge and experiences on business management gained, among others, by his service as the representative of an international consulting firm.



Mr. Shoji Ide (Independent Director, Chair of Audit and Supervisory Committee)
Elected as an Outside Director because Mr. Ide can offer valuable advice to the business strategy development of the Group, based on his experiences as a former top management of a publicly listed company.



Mr. Naoyoshi Komuro (Independent Director, Member of the Audit and Supervisory Committee)
Elected as an Outside Director because Mr. Komuro can offer valuable advice to the business strategy development of the Group, based on his experiences as a former city mayor.



Mr. Takashi Wada (Independent Director, Member of the Audit and Supervisory Committee)
Elected as an Outside Director because Mr. Wada can offer valuable advice to the business strategy development of the Group, based on his experiences as a former top management of a major subsidiary of a publicly listed company.

■ Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three Outside Directors. In addition to attending the General Meetings of Shareholders and Meetings of the Board of Directors, the directors who are members of the Audit and Supervisory Committee actively participate in various meetings of the Company to better understand the situation of the Company, including the management system and the execution of businesses. Furthermore, the Audit and Supervisory Committee meets regularly with the President, Representative Director to exchange views and maintain close communication on issues that the Company must address, the situation of the environment for auditing by the Audit and Supervisory Committee, and other important matters pertaining to audit. In order to maintain close collaboration with the Internal Audit Department and the Accounting Auditor, the Audit and Supervisory Committee holds liaison meeting regularly with them and otherwise exchanges information actively to enhance the auditing functions. The Committee conducts adequate audit by collecting information from internal control departments, in addition to the one from Internal Audit Department.

■ Appointment and Remuneration Committee

The Appointment and Remuneration Committee is composed of six members comprising one Representative Director, one full-time Director, and four Outside Directors who are independent directors. As an advisory body to the Board of Directors, the Committee holds preliminary deliberations on the nomination of candidates for directors (excluding those who serve as members of the Audit and Supervisory Committee) and their remunerations.

■ Management Committee

The Management Committee is composed of the full-time directors and the Chair of the Audit and Supervisory Committee, and may be joined by some executive officers, department managers, as well as some members of the Board of Directors of the Group companies, as required depending on the matters to be deliberated. In principle, the Committee meets at least once a month. The Management Committee makes decisions on matters important to the execution of the Company's business and on their timely disclosure of information.

■ Sustainability Committee

In fiscal 2018, we newly looked deeply into the relationship between the Envipro Group's business activities and social issues, and formulated a "Sustainability Strategy" to achieve harmonious sustainable development of both society and our Group. The Sustainability Committee is engaged in flexible and vibrant discussions and examination of the progress and future direction of the strategy from a long-term perspective. The Sustainability Committee consists of the full-time directors and some executive officers, and meets every month. The matters discussed and examined include the feasibility of a new business in light of the Strategy, establishment of the business and growth foundations, and synergy effects among the Group companies. When firmed up, the directions and specific measures are submitted to the Board of Director, etc.

Interview: Director Ide, Chair of Audit and Supervisory Committee

● Could you tell us about your business career?

I joined an IT company affiliated with a manufacturing company. But I spun off in 1973 to set up an independent company with the owner and about a dozen employees. Thirty years after its establishment, the company made an IPO to the second section of the Tokyo Stock Exchange. Helped by the good market sentiment at the time, we were successful in moving up to the first section in less than a year. Although the company was family-owned, I served as its president for six years from 2003. Because of that experience, I came to be acquainted with ENVIPRO and was asked to lend a hand to this family-owned company aiming to go public. ENVIPRO made an IPO to the second section of the Tokyo Stock Exchange in 2013 and succeeded in changing the designation to the first section in 2018. During that time, I served for six years as an outside director, and the next three years as an outside director and a member of the Audit and Supervisory Committee. This is my tenth year with ENVIPRO.

● What are the major features of our corporate governance?

Of the 11 ENVIPRO directors, three are outside directors and another three are outside directors and members of the Audit and Supervisory Committee. This high ratio of outside directors in a family-owned company is something I have never heard of elsewhere. It is great that ENVIPRO, based on the personality of the President, has earned the trust of people outside the company. Another important feature is that

■ Internal Control Committee

The Group has established an "Internal Control Committee," chaired by the President of the Company. The Internal Control Committee has four sub-committees: the Environmental Safety Promotion Committee, the IT Promotion Committee, the Human Resources and Labor Reform Committee, and the Business Operations Reform Committee. The Internal Control Committee identifies risks, formulates countermeasures, and constructs and operates internal controls across the Group, including awareness-raising activities. The Internal Control Committee is convened on a quarterly basis, in principle, to hear reports from the presidents of Group companies and members of the subcommittees with respect to important compliance matters, litigation and other legal risk matters, and other matters that may have a major impact on the management, before it sets policy and makes decisions.

the history and experiences of the IPO and the designation change to the TSE first section have made ENVIPRO a highly transparent group of companies, satisfying most provisions of corporate governance codes.

● We see you attending some company meetings besides the board meetings and the Management Committee meetings. From what standpoint are you taking part in those meetings?

Any member of the Audit and Supervisory Committee is entitled to participate in any meeting of the Group as an observer when it is deemed important. I participate voluntarily because I want to learn more about the front line, out of my belief that what takes place at the front line does count. Among the four sub-committees of the Internal Control Committee, I think the Environmental Safety Promotion Committee is particularly important, because it deals with our lifeline theme that cuts across the entire Group. I am very interested in what measures are taken. Also, I think it's important for me to attend such meetings because I can get to know the middle management people better.



Director Ide

Human resources development and realizing diverse working styles

■ Recruiting of new graduates introduced

The ENVIPRO Group began recruiting new graduates, with the view that securing diverse human resources is important for corporate value enhancement over the medium to long term and that the company needs to reinforce its business foundation by fostering future leaders on its own. The recruiting activity is effective not only for securing the human resources for the future of the Group, but also is helpful for the Group's businesses to be better understood by a wider spectrum of audience. In fiscal 2019, we were able to issue preliminary job offers to three students for formal joining in April 2021. In the course of the recruiting activity, many students showed a strong interest in keywords such as "environment," "sustainability," "SDGs," and "social contribution." The stated mission of our Group, "Contribute to create a sustainable society," was received with strong support and empathy. While making necessary improvements in the recruitment activity, we plan to recruit new graduates again for joining in April 2022.

■ Holding Business Schools

We have been running the in-house business school which is aimed at improving the skills and expertise that employees need to carry out their work, and is operated as a series of training lessons and seminars. In fiscal 2019, we introduced a new format with a theme set for every lesson so that we can widely invite employees to attend the lesson of their interest. The idea was to attain better training outcomes by encouraging voluntary participation and to pinpoint and enhance the skills required of the individual employees. We will continue to work on building effective training programs, including the introduction of web-based training courses, in order to develop human resources in a systematic manner.

● Examples of fiscal 2019 themes

- Problem solving through logical thinking
- Management theory and coaching for human resource development
- Understanding the regulatory regime on appropriate treatment of waste and responsibility of corporations
- Building an IoT-based Smart Factory and important tips for it

■ Building personnel evaluation system

We operate a personnel evaluation system for employees. We consider it has an impact on employees' motivation and is also very important from an aspect of human resource development. We will continue to work toward optimization of the system.

● Characteristics of the Group's personnel evaluation system

- Transition from behavioral assessment to a system that emphasizes the performance of the employee
- Makes it easier for the assessed to know "what evaluation can be obtained by doing what"
- Makes it easier for assessors to know "what performance leads to what evaluation," and clearly tells their roles, including aspects such as objective planning and process management

■ COVID-19 countermeasures and realizing diverse work styles

In response to the expansion the COVID-19 infection, we reevaluated the conventional working style and schemes with the aim of reducing the risk of infection and realizing opportunities such as enhancing our resilience. In fiscal 2019 we took measures such as introducing telecommuting, making a trial of flextime system with eventual formal launch in mind, switching from personal seals to electronic stamp for the internal application procedures and replacing the contracts both for internal and with outside parties by Cloudsign. Even after the pandemic is over, we will continue to work on constructing new schemes with the aim of achieving higher operational efficiency, improving the working environment, and offering more diverse working styles.



Business foundation / Growth foundation | Challenge to contribute to creation of a sustainable society

The ENVIPRO Group developed a “Sustainability Strategy” in fiscal 2018, as a growth strategy to realize the sustainable development of society and our group concurrently, and we have been promoting our businesses.

Until we were listed on the Second Section of the Tokyo Stock Exchange in September 2013, we prioritized the establishment of our business foundations, and after being listed, we planted a variety of seeds for future growth with the objective of promoting the diversification of our businesses. Later, we reviewed the business areas we had expanded, and decided to concentrate our investment and management resources mainly on our resource circulation business. Based on this decision, we will further promote the new businesses that we have already launched and accelerate investments in new growth fields, and we will engage ourselves in the development of a sustainable society as a company which is relied upon by our stakeholders.

Fostering corporate culture

We believe that establishing the business objectives and values as a corporate culture and matching them with the daily business activities is the best governance and is an essential step toward the sustainable enhancement of corporate value. In order to foster corporate culture, we distribute books of a copy of the management plan to our employees, setting forth clearly our corporate philosophy, values, and code of conduct. We aim to build a foundation for long-term, sustainable growth by utilizing the management plan in our business activities, instilling our corporate philosophy throughout the organization, and fostering our corporate culture.

Response to COVID-19 disaster

The COVID-19 disaster has caused a considerable slowdown in socio-economic activities and even changed our working environment. Although the business environment is in a difficult situation, we are taking steps toward change, because we see this circumstance as an opportunity to make a significant transformation.

Basic policy to counter the COVID-19 crisis

Cash is king (short-term perspective approach)

We will conduct thorough cash management in all sales, administrative, and production divisions

- Tighten control over personnel expenses and expenses for business operations
- Review unprofitable businesses and business formats
- Strengthen the occupational safety system to prevent cash outflow due to accidents or occupational injuries

Restructuring of work (medium-term perspective approach)

Take the COVID-19 disaster as a good opportunity to conduct a fundamental review of the way we work and make the company “transformation” dramatically

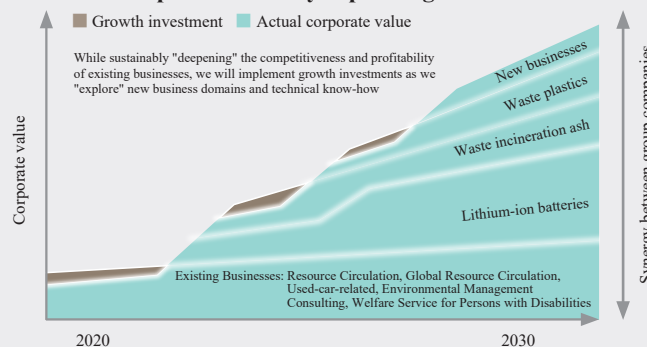
- Implement remote work, web meetings, and flextime systems
- Conduct research on remote management of facilities possibilities using IoT and robots
- Change from a membership-based approach to a job-based approach and explore better evaluation system

Reaffirming the purpose (fundamental and long-term perspective approach)

To become a company that is strongly needed by the world to create a sustainable society

- Help realize a circular economy as a manufacturer of recycled raw materials
- Improve the efficiency of resource collection by strengthening the platformer role through combination of resource circulation with digitalization
- Achieve 100% recycling by establishing recycling systems by making full use of chemical technologies

Enhance corporate value by expanding businesses



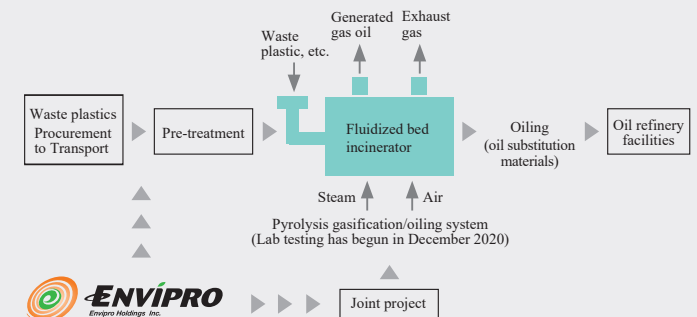
Until a business is stabilized, the increase in corporate value will slow down because it cannot match the initial investment. The brown areas indicate a negative balance caused by this condition.

An example of new business area

Research on chemical recycling of waste plastics

We are conducting research on the recycling business of dirty waste plastics, which would realize chemical recycling by oiling waste plastics and recovering them to crude oil, which is the raw material of plastics.

Outline of the contemplated business model



Profit distribution

To realize the above-mentioned policies, we will principally distribute profits according to the following proportions: 30% for investment in growth fields, 10% for research and development, 20-30% for dividends to return to shareholders, 30-40% for internal reserves.

Profit distribution	
Investment in growth fields	30%
Research and development	10%
Return to shareholders	20-30%
Internal reserves	30-40%