

To the Board of Directors

Evaluation of the Board of Directors

As outlined in the Company's "Approach to the Corporate Governance Code" submitted on November 16, 2021, the Company will evaluate the Board of Directors and disclose the evaluation results.

Each year, the Board of Directors itself conducts an evaluation of the overall effectiveness of the Board of Directors with the purpose of reviewing how the Board is contributing, identifying issues, and making improvements. We are pleased to disclose our assessment of the effectiveness of our Board of Directors for the fiscal year 2023 as follows.

1. Evaluation method

In March, we asked each director and corporate auditor to complete a questionnaire, and the results were tabulated and analyzed. From this year, we have obtained the cooperation of an independent external organization to identify issues from a third-party perspective.

2. Evaluation results and analysis

The survey asked each director and corporate auditor to provide their opinions. We also identified "prior distribution and explanation of materials," "communication between management and outside officers," and "officer training" as key issue areas.

3. Application of evaluation results

We will further enhance the effectiveness of the Board of Directors by continuously working to improve the problem areas we have identified.

- Distribution and Explanation of Board Meeting Materials in Advance

In order to contribute to both enhanced deliberations and operational efficiency at Board of Directors meetings, we will work to distribute materials at the appropriate time with the appropriate amount of information.

- Communication between Management, Outside Directors and Outside Corporate Auditors

With the aim of enhancing the depth of deliberations by the Board of Directors, the Company will review the frequency of existing opportunities for exchange of opinions between Directors and Corporate Auditors, as well as work to establish additional opportunities to address important topics.

- Directors and Officers Training

In order for directors to fully fulfill their roles and responsibilities, including legal responsibilities, we provide them with opportunities to deepen their understanding of the Company's business, finances, and organization, as well as the laws and regulations related to the Companies Act, corporate governance, and internal controls.

4. Description of questionnaire items and results

Major items and number of questions

- (1) Composition and operation of the board of directors (8 questions)
- (2) Management and business strategies (6 questions)
- (3) Corporate ethics and risk management (5 questions)
- (4) Management evaluation and compensation (4 questions)
- (5) Dialogue with shareholders, etc. (2 questions)

Response Method: 5-point scale

- 5: Effective and appropriate
- 4: Somewhat effective, appropriate
- 3: Can't say either
- 2: Some room for improvement
- 1: Needs improvement, inappropriate

We asked for comments/requests on each of the major items and also asked for comments/requests on the effectiveness of the Board of Directors.

No.	Questions		Score
1- 1	Use of Independent Outside Directors	The Board of Directors is composed of a sufficient percentage of independent outside directors, and the independent outside directors are able to comment constructively to management as needed and to raise objections when necessary.	4.5
1- 2	Appropriate composition of the Board of Directors	The Board of Directors is composed of members who have the necessary knowledge, ability, experience, and diversity to fulfill their roles and responsibilities, and whose skills have been identified according to the management strategy.	4.3
1- 3	Appropriateness of Agenda Items	In preparing the agenda for the Board of Directors meetings, appropriate consideration is given to the importance of matters to be deliberated based on the expected role of the Board of Directors, and items to be deliberated by the Board of Directors are included in the agenda.	4.1
1- 4	Appropriate decision-making authority delegation	The Board of Directors appropriately delegates decision-making authority to the executives in order to focus on deliberation of important agenda items such as medium- and long-term management strategies, including agenda items related to decisions on individual business operations.	3.9
1- 5	Pre-distribution and explanation of materials	The content and volume of presentations and materials from management at Board of Directors meetings, and the timing of their distribution and explanation in advance, are appropriate to enable the Board of Directors to engage in active deliberations.	3.5
1- 6	Providing Information to Outside Directors	In order to improve the quality of discussions at the Board of Directors meetings, the Company has established an environment in which outside directors are provided with information, including attendance at management meetings and other executive meetings, access to minutes and materials, and participation in internal events.	3.7
1- 7	Communication between management and outside directors	Opportunities for communication between management and outside directors outside of board meetings and meetings exclusively for outside directors are appropriately provided to improve the quality of discussions at board meetings.	3.4
1- 8	Executive training	Newly appointed directors receive effective orientation and training appropriate to each director's level of understanding so that they can promptly deepen their understanding of the Group's management and business and contribute to discussions. Efforts are also made to ensure that they have opportunities to continuously update their knowledge after assuming office.	3.0
2-1	Provide information necessary for the deliberation of strategy	When the Board of Directors deliberates on important management or business strategies proposed to it, it is provided with a variety of information considered sufficient for such deliberations (information on industry trends, market conditions, and the internal and external business environment surrounding the company and its operations, including competitors, customers, etc., and the status of risks).	3.8

2-2	Comprehensive and multifaceted examination of strategies	When evaluating and discussing important management or business strategies with the Board of Directors, a comprehensive and multifaceted review is conducted, including the assumptions underlying the proposed strategy, key risks, resources required to implement the strategy, and performance targets set.	3.8
2-3	Actions to achieve capital profitability and stock price conscious management	The Board of Directors recognizes that stakeholders expect management to achieve return on capital and share price awareness, and oversee that management's strategy and business portfolio are formulated and driven toward that end.	4.0
2-4	Supervision to ensure diversity of core personnel	The Board of Directors confirms that it is making appropriate efforts to develop human resources and improve the internal environment to ensure diversity, in light of the importance of equipping not only the Board of Directors but also the management team and core personnel with diverse perspectives and values in order to realize new growth in a continuously changing business environment.	3.7
2-5	Enhancing corporate value by addressing issues surrounding sustainability	The Board of Directors and the Sustainability Committee oversee that management is aware of all sustainability themes closely related to the Company's sustainable growth and is constructively addressing the goals established under the Sustainability Policy.	3.9
2-6	Sustainable enhancement of corporate value through DX promotion	The Board of Directors oversees management's efforts to reform business models and business processes through the promotion of DX in order to realize sustainable enhancement of the Group's corporate value.	3.5
3-1	Establishment and monitoring of the Code of Conduct	The Board of Directors provides appropriate oversight and supervision to ensure that management establishes an effective Corporate Philosophy and Corporate Code of Conduct, etc., and faithfully adheres to them, and furthermore, encourages all employees to fully understand and widely practice them.	4.2
3-2	Effectiveness of the whistleblower system	The Board of Directors confirms that effective communication channels and pathways (e.g., hotlines and help desks) exist and function effectively for employees to report issues related to business ethics.	4.2
3-3	Establish a risk assessment process	The Board of Directors continuously confirms that management has an effective process in place to understand and identify risks facing the Group (e.g., natural disasters, infectious diseases, cybersecurity, legal violations, impairment, etc.) and to assess the potential impact of those risks.	3.8
3-4	Do you think that appropriate opportunities (e.g., opportunities for discussion with senior management, etc.) are provided for outside directors to fully exercise their supervisory functions outside of board meetings?	In order to ensure effective supervision by the Board of Directors, the Company ensures that outside directors collaborate with the Board of Corporate Auditors so that they can strengthen their ability to gather information without being influenced by their independence.	3.8
3-5	Reporting and appropriate handling of critical risks	Accurate information on significant risks is reported to the Board of Directors in a timely manner, and the Board of Directors is aware that management is appropriately addressing those risks.	4.1
4-1	Relationship between performance indicators and management indicators	The performance measures used by management in reporting performance to the Board of Directors are those associated with the company's key management or business strategies and key performance indicators (e.g., ROE, etc.) that determine the corporate value that the company focuses on as a firm.	4.0
4-2	Ensure transparency in management evaluation and compensation	The Board of Directors utilizes the Nomination and Compensation Advisory Committee to strengthen independence, objectivity, and accountability in its consideration of director and executive officer nominations and compensation, and confirms that the committee is functioning effectively.	4.4
4-3	Existence of a process for selecting a successor for the execution of operations	The Board of Directors is fully aware of the importance of overseeing the succession planning of operations in the implementation of its long-term strategy, and through the work of the Nominating and Compensation Advisory Committee, the Board confirms that a process exists for the timely selection of candidates to serve as successors to operations.	3.8

4-4	Nominating and Compensation Committee deliberations and feedback	(Committee members only) The Nominating and Compensation Advisory Committee plays a role in the oversight function that the Board of Directors is expected to fulfill. The Committee constructively deliberates on the matters it is asked to advise from an independent and objective standpoint, and appropriately reports its deliberation process and conclusions to the Board of Directors.	4.2
5-1	Establishment of a system to promote constructive dialogue with shareholders	The company has established an appropriate system to promote constructive dialogue with shareholders and other stakeholders, and the opinions and other information obtained through such dialogue are appropriately and effectively fed back to the board of directors and shared with them.	3.6
5-2	System for disclosure of materials and appropriate sustainability information	The Board of Directors confirms that the Company's sustainability-related information is organized in relation to its strategy and provides key information in a form that is easily reviewed by shareholders and investors, and that the quality of the information disclosed is assured.	3.6

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