

## **Board Effectiveness Evaluation(FY2025)**

### **[Initiatives for the Priority Implementation Items for the fiscal 2025 (Review)]**

As for the Priority Implementation Items for the fiscal 2025, we believe that certain progress has been made through various initiatives and discussions at Board, Directors offline meetings\*, each Committee, etc.

FY2025 Priority Implementation Items	Initiatives Undertaken
<ul style="list-style-type: none"> <li>Further improvement of the supervisory function of BOD as a monitoring board through implementation of "Basic Stance" and "Expected Conduct" by each Director as provided by the "BOD Charter".</li> <li>Monitoring (oversight) and focused discussion of identified "key management issues" and providing appropriate support to the management team as the situation requires (enhance decision-making, make suggestions, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring (oversight) and focused discussion of identified "key management issues" and providing appropriate support to the management team as the situation requires (enhance decisionmaking, make suggestions, etc.)</li> <li>Revised the Criteria for Agenda Items of the Board based on the BOD Charter.</li> <li>Board proceedings conducted by the BOD Chairperson in alignment with the BOD Charter.</li> </ul>
<ul style="list-style-type: none"> <li>Further enhancement of the Board meeting operation to contribute to invigoration of discussions at the Board meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented initiatives to enhance Board discussions, such as setting agenda based on the clarified purposes of Board and offline meetings, making meeting papers and presentations more concise.</li> </ul>
<ul style="list-style-type: none"> <li>Implementation of initiatives contributing to the enhancement of the Executive succession and the candidate recommendation process.</li> </ul>	<ul style="list-style-type: none"> <li>Increased sharing of personnel information of Executive Officers with the Nomination Committee.</li> <li>Created opportunities for communication with potential Executive Officer candidates through offline meetings, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Continued and more in-depth discussions with a view to more appropriate Management Incentive Plan in terms of incentivization.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously discussed the Management Incentive Plan at the Compensation Committee.</li> </ul>

\* Offline meeting that is distinguished from a formal Board meeting.

The "Board of Directors Charter" was developed and adopted by the Board of Directors in May 2024, setting forth the basic stance and expectations which are necessary for the Board of Directors to address to the current situation of the Group, with the aim that each Director will exercise his/her supervisory function based on a common understanding.

Please refer to [Board of Directors Charter](#).

### **[Effectiveness Review Process in the fiscal 2025]**

For the annual evaluation for the fiscal 2025, all Directors were evaluated through Questionnaire survey (four-grade evaluation and open-ended questions) and Individual follow-up interviews conducted by the Board of Directors Secretariat. The evaluation covered topics such as the composition of the Board of Directors and its Committees, meeting operations, agenda setting, the status of deliberations, the execution of oversight functions by the Board and individual Directors in alignment with the Board of Directors Charter, communication with the Executive team, and key issues requiring further in-depth deliberation. Based on the responses and feedback from each Director, the Independent External Directors held discussions, and the Board evaluated the effectiveness of the Board of Directors and its committee.

**[Board Priority Issues and Board Priority Implementation Items in the fiscal 2026]**

Based on the above process, the Board of Directors have confirmed the following Board Priority Issues and Board Priority Implementation Items in the fiscal 2026.

FY2026 Board Priority Issues	FY2026 Board Priority Implementation Items
BOD as a whole is still halfway in terms of fully realizing its oversight functions as outlined in the BOD Charter and each Director should engage in BOD activities with this goal in mind.	Initiatives to have the BOD Charter embedded further <ul style="list-style-type: none"><li>Effective leadership by the BOD Chairperson and review among Independent External Directors.</li><li>Share the BOD Charter with new Directors thoroughly in terms of its significance and background.</li></ul>
Improve qualities of BOD monitoring and discussions on the key management issues.	Initiatives for monitoring and enhancing discussion on the "key management issues" <ul style="list-style-type: none"><li>Demonstrate appropriate initiatives and set KPIs/milestones that are monitorable.</li><li>Clarification of Executive ownership of the key management issues.</li><li>Establish effective agenda for the BOD meetings.</li></ul>
Improve the effectiveness of Executive Officers (EOs)' initiatives to address various challenges further.	
Discuss BOD composition and diversity in light of the current structure and state of the Company's businesses.	Discussion on the Company's BOD composition/diversity <ul style="list-style-type: none"><li>Discussion on the Company's composition/diversity in light of business structure and current state, including the terms of Ind. External Directors.</li></ul>
Improve quality of BOD materials and presentation, timing of materials distribution, and pre-briefing by the Secretariat.	Enhancing the functions of the Secretariat to contribute to facilitating more effective BOD meetings <ul style="list-style-type: none"><li>Improve the quality of BOD materials and presentation.</li><li>Study and implement more effective ways of prior briefing to Directors.</li></ul>
For the discussion of appointment/ dismissal of EOs and their compensation, provide more information about EOs and candidates, including their performance appraisals, to enhance EO selection process.	More effective discussions on the appointment/dismissal of EOs, succession plan, and compensation. <ul style="list-style-type: none"><li>Provide more detailed information on EOs (candidates) from HR Function including their performance appraisal.</li><li>Continued discussions aiming to enhance the EO selection process.</li></ul>

As "key management issues" for FY2026, issues related to cash generation and strengthening of the executive organization were identified through discussions among Independent External Directors.

Through these efforts, the NSG Group will continue to strive to further improve the effectiveness of the Board of Directors.