

## **Board Effectiveness Evaluation(FY2024)**

### **[Initiatives for the Priority Implementation Items for the fiscal 2024 (Review)]**

As for the Priority Implementation Items for the fiscal 2024, we believe that certain progress has been made through various initiatives and discussions at meetings of Independent External Directors, Board, Nomination Committee, etc.

FY2024 Priority Implementation Items	Initiatives Undertaken
① In order to further improve supervisory functions, deepen discussions on the roles that the Board and Independent External Directors should play and foster common understanding among Directors using meetings of Independent External Directors and offline mtgs.	<ul style="list-style-type: none"> <li>As a follow-up to the evaluation of the effectiveness of the Board of Directors for FY2023, multiple discussions among External Directors were held at the Independent External Directors Meeting (five times in total) with the cooperation of Board Advisors, Inc., the External organization responsible for the evaluation of the effectiveness of the Board of Directors for FY2023</li> </ul>
② Discuss an ideal form/method of monitoring by the Board, and after sufficiently coordinating with the Executive Team, perform monitoring in a way that will support speedy execution of initiatives by the Execs.	<ul style="list-style-type: none"> <li>Drew up the "Board Charter" for each Director to perform oversight based on common understanding, and reviewed the Board operation. External Directors identified "key management issues" and requested the Executive members to present monitoring items. (The detailed discussion process and the contents of the Board Charter are as follows)</li> </ul>
③ Mainly at the Nomination Committee meetings, deepen discussions on the skills/experiences and diversity necessary for the Board, and work to improve the appointment process of Directors.	<ul style="list-style-type: none"> <li>At the meetings of Independent External Directors and the Nomination Committee, skills/experiences and diversity necessary for the Board were discussed towards implementation of the new MTP.</li> <li>Discussion was held at the Nom. Com. based on widely shared candidate information aiming to increase transparency of the appointment process in the succession of External Directors.</li> </ul>
④ Towards sustainable improvement of corporate value, deepen discussions on the medium- to long-term strategies that the Group is aiming for, and formulate a new medium-term management plan based on those discussions.	<ul style="list-style-type: none"> <li>In preparation for the new medium-term management plan, discussions were held multiple times at Board(6 times) and Offline meetings that are distinct from formal Board (hereafter referred to as "Directors Offline Meetings")</li> </ul>
⑤ Strive to enhance the sophistication of the Board operation in order to stimulate substantive discussions.	<ul style="list-style-type: none"> <li>Initiatives were undertaken to improve the Board operation, including briefing prior to the Board mtgs, enhanced information sharing with External Directors, introduction of rules for the Board materials.</li> </ul>

In particular, for the purpose of (1) "fostering common understanding among directors regarding the roles to be played by the Board and Independent External Directors," meetings of Independent External Directors was held and Independent External Directors discussed from October 2023 to April 2024.

schedule	meeting	Theme
October 2023	Meeting of Independent External Directors	Roles and Legal Responsibilities of Independent External Directors in a Company with Three Committees
December 2023		Roles and responsibilities of the Board of Directors
January 2024		Roles and responsibilities of the Board of Directors
March 2024		Board composition and culture
April 2024		Review of discussions and development of Board Charter
May 2024	Board of Directors Meetings	Development of Board Charter

Through the above discussion, 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](#).

Going forward, the Board of Directors will strive to ensure that each Director fulfills the expected supervisory functions and roles in accordance with the "Board of Directors Charter". Also, the Board of Directors will make effective use of this "Board of Directors Charter" in the process of selecting candidates for the Board of Directors and in the evaluation of the effectiveness of the Board of Directors in assessing their endorsement of and commitment to the aims of this Charter.

In addition, the Board of Directors has reviewed the operation of the Board of Directors by reorganizing the positioning of the Board of Directors Meeting and Directors Offline Meeting to focus on discussion of "Key management issues".

(Major revisions to the operation of the Board of Directors)

- The Board of Directors Meeting is positioned as meetings to identify and focus discussion on "Key management issues," and in principle, monitoring (oversight) and discussion of "Key issues" are conducted at every the Board of Directors Meetings.
- Directors Offline Meeting is positioned as meetings for deepening understanding of the status of initiatives in each business unit and for exchanging opinions between Directors and Executive Officers, and the number of Directors Offline Meeting held and agenda items expanded.

As "key management issues" for the FY2025, issues related to cash generation and strengthening of the organization and human resources were identified through discussions among the Independent External Directors.

#### **[Effectiveness Review Process in the fiscal 2024]**

For the annual evaluation for the fiscal 2024, 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. Questions were asked about the composition of the Board of Directors and each committee, the operational status, agenda setting, deliberation status, role fulfillment, communication the Executive team, and material agendas requiring further in-depth deliberation. Based on the responses and opinions of each Director, Independent External Directors discussed, and the Board evaluated the effectiveness of the Board of Directors and each committee.

#### **[ Board Priority Issues and Board Priority Implementation Items in the fiscal 2025]**

Based on the above process, the Board of Directors have confirmed the following Board Priority Issues and Board Priority Implementation Items in the fiscal 2025.

FY2025 Board Priority Issues	FY2025 Board Priority Implementation Items
More in-depth deliberation on key management issues	<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>
Enhancement of responsive capability and speed of the Executive Team to solve management issues	
Further improvement in the process and contents of the Board agenda setting, time allocation, and preparation of papers	<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>
Assuring sufficiency of personnel information incl. performance appraisal to be shared in the course of executive succession or recommendation agenda	<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>
Reviewing Current Management Incentive Plan with a view to effective executive incentivization when addressing and delivering key management issues.	<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>

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