

### **[Supplementary Principle 4.11.3 ]**

#### **Analysis and evaluation of the Effectiveness of the Board of Directors as a whole, and an outline of the results**

##### 1. Our philosophy on the Board effectiveness evaluation

The NSG Group (“Group”) has been firm in its view on the importance of enhancing the effectiveness of overall corporate governance in order to increase the enterprise value of the Group in a sustainable way on a medium-to-long term basis, thereby increasing the common value of the Group for various stakeholders, including its shareholders, all as further set forth in NSG Group Corporate Governance Guidelines.

An example of one particular exercise for such purposes is the Group’s continuous efforts to enhance the level of function and effectiveness of its Board of Directors (“Board”) as well as the Nomination, Audit and Compensation Committees ( “Committee” individually; “Committees” collectively). The Group has made it an internal practice to implement an independent effectiveness review of the Board and Committees on an annual basis commencing with the financial year ended March 2016. In this process whilst the Board confirms the status of progress of the ongoing action plan as relates to the issues previously identified, it also creates an additional action plan addressing the issues newly found and then combine and integrate all of them into one integrated action plan for the purpose of regular monitoring whereby we aim to continuously aim for enhancement of the effectiveness of the Board as a whole.

The Group recently carried out the 3<sup>rd</sup> round of such evaluations for the fiscal year ended March 2018 and its results are as follows.

##### 2. Our effectiveness evaluation process

The Board confirmed itself as to the status of progress of the action plans effective from prior years for improvement made during FY March ended 2018. Then in a way similar to the previous cases, as annual review exercise in relation to the above financial year, the effectiveness review of the Board and Committees was conducted with reference to feedbacks and views taken from each Director in terms of composition, status of meeting management, agenda setting, direction in the role of such organization and material agendas requiring further in-depth deliberation by the Board on a going-forward basis. The entire process for such review was led and supervised by the Independent External Directors under

the leadership of the Chairman of the Board to ensure sufficient adequacy and independence.

### 3. Evaluation summary

- As regards the issues already recognized from prior years, the Company had an affirmative evaluation about the steady progress of actions plans regarding meeting management of the Board and each Committee. Next, as regards the need for further in-depth deliberation of the matters of strategic direction and measures to secure implementation of robust risk management system of the group in terms of its deliberation and oversight, although steady progress was observed for each generally, among others it was opined that at least in relation to the former subject, the Board would need to discuss the matter in more in-depth whilst subdividing and concretely specifying it in terms of its themes or areas.
- In this round of the Board effectiveness review, in the first place, the current effectiveness review resulted in a positive evaluation that mandated effectiveness characteristics had further improved than prior years across all the meeting vehicles and were deemed to be properly and soundly operated to ensure the effectiveness of the Board and the Committees. On the other hand, as relevant to the ongoing subjects from the previous year, active opinions and views were shown in the area although steady progress itself from the prior years was confirmed and in particular intermittent efforts for further enhancement are sought for the Board to delve into the important business strategies of the Group (e.g. growth or financial strategy, talent development/human resources generally) and develop an in-depth risk management to further enhance adequacy for managing material risks of the Group.
- Further, it is also pointed out that the Company should develop a plan for directors candidates in terms of increased diversification including from the viewpoint of gender diversity and further diversified international experiences in addition to the skills, expertise and experiences currently referred to specifically in the NSG Group Corporate Governance Code AND should have more robust succession plans regarding senior executives including of course CEO again in terms of appropriate diversification.

#### 4. Action Plan (what to do next)

With the aid and on the basis of such results and views, a session consisting exclusively of Independent External Directors was convened for a detailed exchange of the views for further consideration of the Board. This process has resulted in the creation and introduction of specific action plans whose collective aim is to ensure further in-depth opportunities for discussion and confirmation by the Board and/or the Committees including in relation to the strategic direction of the Group.

- In-depth and focused discussion on material business strategies of the Group (e.g. growth or financial strategy, talent development/human resources generally)
- Continuous efforts for enhancement of robust risk management process and reporting
- Discussion on the desirable Board composition of the Company (enhancing diversity)
- Need to further strengthen succession plans for senior executives specifically CEO

In order to promote and ensure the management structure adequate for aiming for sustainable growth and enterprise value of the Group on a medium-to-long term basis in the light of establishing appropriate corporate governance structure of it, those action plans are the subject of regular review in terms of its status of implementation and effect as well as the contents themselves. The plans are also anticipated to constitute a material element when conducting the ensuing Board effectiveness review the next following year.