

【Supplementary Principle 4-11-3: Analysis and Evaluation of Effectiveness of the Board of Directors as a whole and an Outline of the Results】

Board Effectiveness Evaluation

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 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.

An example of one particular exercise 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 for all Directors including Independent External Directors on an annual basis commencing with the financial year ended March 2016. In this process the Board confirms the progress of the ongoing action plan as it relates to the issues previously identified, creates an additional improvement plan addressing the newly found issues and then combines and integrates the issues into one integrated improvement plan for regular monitoring to continuously aim for enhancement of the effectiveness of the Board as a whole.

However, with regard to the effectiveness review of the Board and Committees for the fiscal year ended March 2020, the formulation of the action plan based on the effectiveness review results was cancelled since it became difficult to draw up a new medium term management plan originally scheduled to start in the fiscal year ended March 2021 due to the impact of the Covid-19 pandemic; and it was decided to hold further discussions on the effectiveness review for the year ended March 2020 and the improvement plan based on the effectiveness review results once the new medium term management plan has been put together, and its content, the outlook for the Group’s business conditions and the targets have been clarified.

This year, the new medium term management plan, “Revival Plan (RP24)” to be

launched in the year ending March 2022, has been developed after being postponed for a year from the original plan, in order to promote the Group's fundamental structural transformation, and the strategic direction of the Group has been clarified accordingly. In consideration of the above, the effectiveness review of the Board and Committees for the year ended March 2021 was conducted for Directors with the aim of contributing to a further examination of the content of the medium management term plan. The key details of the evaluation are reported below.

2. Our effectiveness evaluation process

As part of the annual evaluation process for the fiscal year ended March 2021, the Board conducted an analysis and evaluation of the effectiveness review of the Board and Committees based on the feedback and views taken from each Director in terms of composition, status of meeting management, agenda setting, status of deliberations, performance of the role of the Board, communication with the Executive team and material agendas requiring further in depth deliberation by the Board on a going forward basis. The entire process 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

The effectiveness review endorsed that during the fiscal year under review the Board and the Committees were all properly and soundly operated to ensure their effectiveness.

In addition, the following points were confirmed individually.

- NSG Group's Medium Term Management Plan

In executing structural reforms (cost structure, business structure and corporate culture) and key initiatives (restoration of financial stability and transformation into more profitable business portfolio), the Group needs to identify a more concrete execution plan and improve effectiveness of such efforts including speed. At the same time, in order to increase the Group's corporate value over the medium to long term, it is also necessary to conduct in-depth examinations and discussions to come up with specific measures to address important management issues such as business structure reform, business strategy,

growth strategy, organizational strategy, and sustainability issues such as climate change agenda.

- The Composition of Directors

The Group should develop a plan for director candidates to seek and deliver desirable diversification including adding further international experience or election of a female directorship currently vacant, not to mention skills, expertise and experiences as currently referred to by the NSG Group Corporate Governance Guidelines.

4. Improvement Plan (what to do next)

With the aid and on the basis of the evaluation results and views, the Board adopted the following improvement plans through the exchange of views at sessions consisting exclusively of Independent External Directors and discussions at the Board meetings, with a view to ensuring the execution of the Revival Plan (RP24) and the improvement of the Group's corporate value over a medium to long term in a sustainable manner through the Board and the Committees.

- Monitoring of the Revival Plan (RP24) to ensure its rapid implementation and check progress status and facilitating in-depth discussions on overall management issues of critical importance to the Group
 - Request the Executive team to further specify each of the issues and actions incorporated in the Business Transformation and Key Initiatives in the Revival Plan (RP24) and to clarify their commitment.
 - Monitor the priority actions deliberated at the Board with a higher frequency and realize the consistent follow-up management through a thorough exercise of the PDCA cycle which also involves the Executive team.
 - In addition, through this process, delve into the overall management issues of importance to the Group, (including business transformation/business strategy, growth strategy, organizational strategy and sustainability issues such as climate change agenda, many of which are also elements of RP24), with a focus on clarifying its strategic direction and developing specific measures.

- Promotion of diversity at the Board
 - Support and implement initiatives to ensure diversity in the organization (ensuring diversity, also from a gender viewpoint, and in particular, the appointment of a female Director).
 - Creation of more robust succession plans for CEO and other top management members, also in terms of gender diversity.

In order to drive forward the management structure facilitating sustainable growth and enhancement of enterprise value of the Group in a medium to long term in light of establishing an appropriate corporate governance structure, these improvement plans should be validated on a regular basis in terms of their implementation status and effects while their contents should be reviewed as appropriately. The plans are therefore anticipated to constitute a material part of the Board effectiveness evaluation process for the following year.