

【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 priority implementation items 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 priority implementation items for regular monitoring to continuously aim for enhancement of the effectiveness of the Board as a whole.

The Group recently carried out the effectiveness review of the Board and Committees for the year ended March 2022. The key details of the evaluation are reported below.

## 2. Our effectiveness evaluation process

The Board confirmed the progress of the priority implementation items effective from prior years for improvement made during the year ended March 2022. In addition, as part of the annual evaluation process for the above financial year, 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 the Board and the Committees were all properly and soundly operated to ensure their effectiveness during the fiscal year under review.

At the same time, the following points were confirmed as issues to be addressed by the Board individually.

- NSG Group's Medium Term Management Plan (MTP)  
To deepen discussions on the medium- to long-term management strategy and important management issues with a view to enhancing the corporate value of the Group in a sustainable way. In addition, the Executives' initiatives to address the challenges incorporated in MTP (RP24) need to be specified further and their implementation needs to be accelerated in response to various changes occurring in the external environment.
- The Composition of Directors  
In order to properly deal with medium- to long-term important management issues, promote in-depth discussions on the skills and experiences required for the Board and enhance the effectiveness of the process of selecting Director candidates. At the same time, promote the appointment of a female Director who is currently absent.

#### 4. Priority Implementation Items (what to do next)

By reference to and on the basis of the evaluation results and views, the Board adopted the following priority implementation items 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 improving the Group's corporate value over a medium to long term in a sustainable manner through the Board and the Committees.

- In addition to in-depth discussions of the medium- to long-term management strategy and important management issues, regarding key measures set forth in MTP (RP24), request the Executive Team to further specify implementation items to achieve the plan and monitor the progress to ensure their swift implementation in view of the ongoing changes in the business environment.
- Pursue the significance of diversity in the Board, work on realizing an appointment of a female Director, which is an ongoing issue.
- In order to properly deal with medium- to long-term important management issues, promote in-depth discussions on the skills and experiences required for the Board and the current composition of the Board, and select Director candidates.

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 priority implementation items 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.