【Supplementary principle 4.11.(3) Analysis and evaluation of the overall effectiveness of the board of directors】

With a view to continuously enhancing its effectiveness, the Company's board of directors has been carrying out evaluations of the effectiveness of the board of directors once each year since 2018, with the support of an independent organization. For this fiscal year, a new evaluation methodology has been formulated that is focused on a more practical perspective, based on the recognition that a framework of governance involving the board of directors has largely been successfully established, as a result of the improvement initiatives derived from the evaluations undertaken on the past two occasions by the independent organization commissioned to conduct questionnaire-based surveys, interviews, etc.

■Evaluation process

(1) Subjects of evaluation: Three representative directors, four external directors, and four audit & supervisory board members

(2) Method of evaluation: Questionnaire-based survey and interview

(3) Evaluation period: From December 2021 to June 2022

(4) Evaluation process

The effectiveness evaluation for FY2020 was carried out as follows.

- January 2021: Review of the key points of the evaluation and the items to be included in the questionnaire, based on the opinions of the independent organization
- February 2021: Distribution and collection of the questionnaire (compiled and analyzed by the independent organization)
- March 2021: Interviews based on the results of the analysis of the questionnaire (conducted by the independent organization)
- April 2021: Decision by the chairperson of the board on the issues to be addressed and a draft of the strategic direction for improvement, based on an identification of such issues and associated recommendations presented by the independent organization

- June 2021: Decision at the board of directors on the issues to be addressed and the strategic direction for improvement as a result of the evaluation of the effectiveness of the board of directors for this fiscal year

(5) Key points of the evaluation

I. Ensuring that an autonomous PDCA cycle has been established at the board of directors (clarification of the annual and medium- to long-term targets at the board of directors, quality/expertise/diversity of the board of directors, validity/adequacy of the themes to be deliberated, validity/adequacy of the decision-making process regarding executive nominations and remuneration, adequacy of the information provided to the external directors, validity/adequacy of audits as a significant component of the supervisory function, etc.)

II. Critical themes on both offensive and defensive aspects of the supervision by the board of directors (supervision of SDGs/ESG initiatives, monitoring of expectations/requirements for stakeholders, supervision over the status and others of business model transformation, supervision of group governance and group risk management, etc.)

III. Adequacy of engagement in tackling the issues pointed out in the previous fiscal year, and the status of improvement

(6) Results of the evaluation

Summary

The Company's board of directors confirmed that the vision of corporate governance envisaged by the Company has largely been materialized, with its effectiveness adequately ensured. Good scores were also given to the expertise/skill balance of the board of directors and the adequacy of information sharing, such as through pre-meeting briefings to the external directors. Supervision over the status and others of business model transformation particularly received a high evaluation, for speedy and in-depth discussions.

Status of the response to the issues pointed out in the previous fiscal year

Many opinions indicated that improvement was made as a whole regarding the points identified as issues to be addressed in the evaluation for the previous

fiscal year. In particular, a high evaluation was given to the speedy actions in sharing of information on the deliberation at the nominating committee, as well as in establishing a system of reporting on the SDGs/ESG initiatives. On the other hand, not a few respondents voiced the concern that more should be done to enhance risk monitoring across the Group, as well as to further deepen the operation of the board of directors so that more substantial discussion is materialized.

Issues to be addressed as identified in this fiscal year; group strategies in line with the pace of expansion of the Group, enhancing the supervision of the status of execution of risk management, ensuring sufficient time for discussion on strategies at the board of directors, and reflecting the opinions of the external directors in setting the agenda for board of directors and other meetings

With regard to the aforementioned issues, the Company's board of directors will remain engaged in initiatives to enhance its effectiveness, in view of the strategic direction of the Company and the business environment it faces.