

Evaluation of Board of Directors' Effectiveness

June 3, 2022

Nippon Sanso Holdings Corporation

In Nippon Sanso Holdings Corporation's "Principles of Corporate Governance" approved at the Board of Directors meeting on October 15, 2015, it is provided that the Board will carry out an annual analysis and evaluation of the overall effectiveness of the Board based on each director's self-evaluation, and will make a summary of the results public in a timely and appropriate manner. The Board implemented the first analysis and evaluation of its effectiveness in fiscal 2015 ended in March 2016, and has since continued efforts to improve its effectiveness. In fiscal 2021 ended in March 2022, the Board also analyzed and evaluated its effectiveness, and we report its summary as follows.

1. Evaluation process

- (1) Target officers: Directors (9 persons)
- (2) Evaluation method: Each director was asked to fill out a questionnaire in which evaluation items are listed and submit it to the Secretariat of the Board of Directors after entering his/her evaluations. The Secretariat compiled the evaluations of the directors in a report with their identities withheld, and distributed the report to all directors. The Board met to discuss the evaluations and decided on matters to be improved in the current fiscal year.
- (3) Evaluation items (overview):
 - 1) What the Board was or was not able to effectively engage in during this fiscal year regarding its four responsibilities* laid out in the Principles of Corporate Governance
 - 2) What the Board was or was not able to discuss effectively in formulating the Medium-Term Management Plan beginning in fiscal 2022 ending in March 2023
 - 3) What the Board should discuss and monitor on a priority basis in the next fiscal year
- 4) Composition of the Board
- 5) Activities of the Advisory Committee on Appointments and Remuneration
- 6) Management of Board meetings, support for outside directors, training of directors

* Four responsibilities of the Board: (1) Supervise the overall business and its management, (2) establish and maintain a system of internal control, (3) choose, appoint and dismiss the CEO and other management personnel, evaluate them, and decide their level of

remuneration, and (4) decide business strategy and take on important executive decisions.

(4) Chronology

- 1) The Secretariat briefs the directors on the method of Board evaluation, items for evaluation, and schedule for the current fiscal year (Jan. 22, 2022).
- 2) Directors submit their evaluations to the Secretariat (deadline: Feb. 10, 2022).
- 3) The Secretariat distributes the report of evaluations to the directors (March 17, 2022).
- 4) The Board discusses the evaluations (April 26, 2022).
- 5) Based on the above discussions, the Board decides an annual schedule, including details of what is to be discussed on a priority basis by the current-term Board (May 11, 2022).

2. Results of evaluation

(1) Board activities given high marks for their effectiveness

The Board gave the self-evaluation that it played the role it was expected to perform. From among the directors, some points were rated highly regarding Board activities in the previous fiscal year, including the following:

- 1) By appointing the American CFO who has work experience in Europe and allowing him to report on business results from global point of view, it has become possible to understand the status of our Group's management in greater detail.
- 2) With the CEOs of our US and European operations appointed as Board members, we are able to have Board discussions while always aware of business operations in the United States and Europe.
- 3) By appointing a female director, we have been able to realize Board diversity.
- 4) The Board met five times to discuss formulation of the Medium-Term Management Plan, and each Board meeting was able to conduct useful discussions thanks to voluntary participation in the debate by the representative of each business segment.
- 5) By setting non-financial KPIs in the Medium-Term Management Plan, we were able to show society our posture toward sustainability.

(2) Future issues

On the other hand, some directors requested that the following points be discussed further at Board meetings. The Board agreed to conduct further discussions on these points in the current fiscal year.

- 1) Our company's role as a holding company should be discussed continuously.
- 2) The Board should continue discussions as to how the company can contribute to customers and society through its business, including hydrogen business, regarding the realization of carbon neutrality.
- 3) People experienced in business management should be appointed as outside directors.

(3) Response to future issues

Matters deemed as future issues in the Board's evaluation will be discussed continuously during the monitoring of the Medium-Term Management Plan, to be taken up at three Board meetings a year, and on other occasions.

Based on the results of the latest evaluation, the Board will continue striving to realize efficient and effective corporate governance and, through such efforts, to achieve our Group's sustained growth and improvement in corporate value.