

### **Regarding Our Board Evaluation**

Article 22 of our Corporate Governance Guidelines states that, “Each Director shall perform self-evaluation on the validity of the Board of Directors, his/her performance as a Director, etc. on an annual basis, and submit the results to the Board of Directors. Each year the Board of Directors shall, based on self-evaluation of each Director, analyze and evaluate the effectiveness of the Board of Directors as a whole, and shall disclose a summary of the results in a timely and proper manner.”

We have completed the board evaluation for the 2019 fiscal year and would like to report an overview of the results as follows.

#### 1. Method for Evaluating Board Effectiveness

This year, the Board conducted self-evaluation through questionnaires to all Directors and Audit & Supervisory Board members, followed by discussion at the Board of Directors based on the results of the questionnaires.

##### <Main Interview Topics>

- The Board’s Understanding of and Response to Strategy and Risk
- Quality of the Board Discussion
- Composition of the Board
- Board Operations and Administration of the Board
- Effectiveness of the Nominating and Remuneration Advisory Committees for Directors and Senior Management Members
- The Board’s Decision-Making Culture
- Roles expected to Outside Directors/Outside Audit & Supervisory Board members
- Group Governance
- Relationship with Shareholders and other stakeholders

#### 2. Analysis of Board Effectiveness and Overview of Evaluation Results

We were able to confirm that our Board is highly effective overall.

##### <Notable Strengths of our Board>

We have judged that the following strengths noted in last year’s evaluation have been continuously maintained and reinforced this year.

- Strives to continuously reform and improve governance

- A cooperative atmosphere due to the leadership of the Chairman
  - Quick and appropriate decision-making process when executing duties
  - Appropriate monitoring by diverse Outside Directors
  - Proactive discussions about capital efficiency including the review of asset portfolio
- On the discussions about capital efficiency, review of asset portfolio (e.g. reducing “cross-shareholdings”) has shown progress, however, it has been pointed out that discussion on mid-to-long-term asset management policy is not still deep enough. For this year, “constructive dialogue with shareholders” has been newly appreciated as strength of our Board. On the other hand, evaluation on “Discussions on risk management for a threat of cyber attacks” was relatively low, thus the Board realized the necessity of further thoroughness. On the new topic, “Roles expected to Outside Directors/Outside Audit & Supervisory Board members”, added this year, was evaluated positively, we have confirmed each Outside Director/Outside Audit & Supervisory Board member has properly fulfilled their roles/responsibilities as expected.

#### <Progress of Measures to Improve Effectiveness>

- Improved discussions regarding the mid-to-long-term management policy and plan  
While deciding the essence of our new mid-term management plan starting from 2020 fiscal year, we had discussions on important policies the Group should work on and reconstruction of our competitive edge. These discussions will be further strengthened under our new mid-term management plan.
- Strengthen Group Governance  
Improvement of the reporting system and enhancement of accounting audits from/to our subsidiaries and affiliated companies have been confirmed. For the matters pointed out last year on ONE(Ocean Network Express), we will continue timely and appropriate monitoring as a shareholder, taking our financing to them as a large investment.
- Risk Management After Project Execution  
We confirmed implement of the Advanced Business Management has allowed us to manage risk by quantitative measurement and evaluation of investment projects. We have also confirmed the PDCA cycle has been established properly.
- Improve Board Diversity  
Although the absence of female Director has still not been solved, we have newly invited and Outside director from our shareholder, and increased number of Outside Directors. Also, in line with retirement of one of our Outside Audit & Supervisory Board member,

we have appointed one more female Outside Audit & Supervisory Board member, and we have made an improvement on diversity of the Board of Directors/Audit & Supervisory Board. The improvement of diversity on gender/internationality will be discussed as further challenge for next year onwards.

### 3. Going forward

Our Board of Directors concludes that its effectiveness is properly maintained at this moment, however for realizing more effective Board, we will work on further improvements including below items.

- Strengthen Group Governance
- Improve Board Diversity
- Improve discussions regarding the mid-to-long-term asset management policy and plan
- Discussions on risk management for the threat of cyber attacks