

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 2020 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
- Constructive dialogue with shareholders

For this fiscal year, we added a new topic to evaluate how the Board tackled issues on CSR, ESG and SDG's, and it has been pointed out that there was room for enhancement in discussions and efforts to improve corporate sustainability. In this April, we have re-organized departments in charge of sustainability and environmental issues to establish a new structure to promote corporate sustainability. From the ESG's viewpoint, while promoting qualitative aspects such as governance and branding enhancement, we will strengthen initiatives for carbon-neutral businesses such as renewable energy-related business and also centralize the study and planning of technologies and strategies in terms of next-generation energies and various energy- saving methods. Simultaneously, we will accelerate initiatives for de-carbonization through GHG reduction and incorporate the sustainability promotion into our next mid-term management plan.

<Progress of Measures to Improve Effectiveness>

- Strengthen Group Governance
It has been confirmed that enhancement of monitoring and governance by us as a major shareholder of the container business integration company (Ocean Network Express Pte. Ltd) having a significant impact on our consolidated financial results is in progress, but there is still room for improvement in a timely understanding of its performance trends. As a consolidated group in general, it has been reconfirmed that quantitative management of financial indicators and response to irregularities of each of group companies are duly executed. On the other hand, it has been pointed out that there is room for reinforcement in orientation to improve our corporate value as a group and also in function to support group companies while we continue to respect independence of each company, and we recognized this point again as a theme which we should continue to tackle.
- Improve Board Diversity
As one female outside director was elected at the annual general shareholders' meeting held in June 2020, the absence of female directors was resolved. We will organize aspects such as capabilities, skills and backgrounds which are necessary for the Board of Directors as a whole and continue to build a structure in which we can realize board diversity not only by meeting superficial standards such as gender and career background.

- Improved discussions regarding the mid-to-long-term management policy and plan
Since the spread of COVID-19 had a very significant impact on our business, we had no choice but to concentrate our discussions on a short-term damage control at the beginning of the fiscal year. As the impact of COVID-19 on the business was dealt with, we moved to discuss our new business plan and capital policy at the board meetings and strategic meetings, looking ahead to our post-COVID-19 business plans. Recognizing that our important task is to strengthen our financial position and to stabilize our business base, we will continue to enhance our discussions.
- Discussions on risk management for the threat of cyber attacks
Our information system group reported the current situation and issues on this subject to the Board of Directors, then it was reconfirmed that countermeasures against the threat of cyber attacks had been effectively in place by introducing various kinds of security products and having regular third-party diagnoses. However, regrettably, we encountered enterprise system failure in mid-March. Considering this incident very seriously, we, as the Board of Directors, should share issues including emergency response and prevention of recurrence, further enhance measures of protection, detection, countermeasure and recovery, and thoroughly educate our executive officers and employees.

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 the following items.

- Promote corporate sustainability
- Strengthen group governance
- Improve discussions regarding the mid-to-long-term capital policy
- Enhance and reinforce measures against the threat of cyber attacks