

FY2022 Evaluation of Effectiveness of the Board

PERSOL HOLDINGS CO., LTD.

1. Implementation Method

In a bid to further enhance the oversight function of the board, the Company annually evaluates overall board effectiveness, and discloses the method and process of evaluation and a summary of the evaluation results.

For the evaluation of the board's effectiveness in fiscal year 2022 (FY2022), we appointed a third-party evaluator (Board Advisors Japan, Inc.: BAJ) to conduct an external review, with the aim of enhancing the transparency and objectivity of evaluation. Specifically, BAJ carried out a questionnaire survey and individual interviews with all the board directors and executive officers, attended a board meeting as an observer, reviewed documents submitted to the board and the minutes of board meetings from the past two years, and produced a third-party evaluation report (hereinafter the "Evaluation Report") summarizing the results. In addition, the chairperson of the board conducted individual interviews with all the board directors. Then, based on the Evaluation Report and the findings from the interviews conducted by the chairperson of the board, the board identified issues that need to be addressed, deliberated about the direction of solving them, and compiled the final evaluation results.

2. Evaluation Method and Process

(1) The method and schedule of effectiveness evaluation were considered, and then reported to and deliberated by the board. (January 2023)

(2) The third-party evaluator carried out an anonymous questionnaire survey of all the board directors and executive officers. (January and February 2023)

[Major items of the questionnaire for directors]

(i) Evaluation of overall board performance (alignment in understanding of roles and functions; KPIs, granularity, and details of monitoring)

(ii) Composition of the board (number of board members; roles of independent directors; diversity; procedure for nomination of independent directors)

(iii) Operation of board meetings (frequency of meetings; deliberation time; allocation of time; scope and volume of agenda items)

(iv) Systems supporting the board (provision of information; inquiries; training)

(v) Culture and communication within the board (culture open to discussion and opinions; communication among directors and between directors and senior executives)

(vi) Board's discussion and oversight function (strategic debate; support for risk-taking; appropriateness of the nomination and compensation of executive officers)

- (vii) Operation of committees (roles and composition of the three board committees, i.e., the Supervisory, Nomination and Compensation, and Corporate Governance Committees)
- (viii) Relationship with investors and shareholders (provision of information on the status of dialogue; supervision of the system for promoting dialogue)
- (ix) Other (optional comments)
- (x) Adequacy gap between the degree of importance of agenda items and the volume of discussion dedicated to them

[Major items of the questionnaire for executive officers]

- (i) Board's oversight function (strategic debate; KPIs, granularity, and details of monitoring; support for risk-taking)
- (3) Ensuring anonymity, the third-party evaluator conducted an interview with each of the directors and executive officers, asking in-depth follow-up questions based on the responses and optional comments provided by the interviewee to the questionnaire survey. (February and March 2023)
- (4) The chairperson of the board conducted an interview with each of the directors and exchanged opinions on the overall operational performance of the board and issues that need to be addressed. (March 2023)
- (5) The third-party evaluator attended a board meeting as an observer and reviewed documents submitted to the board and the minutes of board meetings from the past two years. (January through March 2023)
- (6) The Evaluation Report, the findings from the interviews conducted by the chairperson of the board, and the key points at issue based thereon were presented to the board, which then deliberated on the evaluation of the outcome of efforts made to address the issues identified in the effectiveness evaluation in FY2021 as well as on issues that need to be addressed in the future and the direction of solving them. (April 2023)
- (7) A summary of the deliberations to that point was presented to the board, which then determined the final results of the effectiveness evaluation. (May 2023)

3. Evaluation Results

After discussing the board effectiveness based on the Evaluation Report and the findings from the interviews conducted by the chairperson of the board, the board confirmed that the effectiveness of the board is ensured in terms of its composition, operation, culture and communication, discussion and oversight function, support systems, operation of committees, and relationship with investors and shareholders. We received the following comment from the third-party evaluator: "The board's effectiveness has steadily improved as a result of the establishment of a system for monitoring the current state of business operations and the diligent efforts made on both sides, i.e., oversight and execution." As characteristics underlying the effectiveness of the board, it pointed to: the board

composition that ensures the independence and objectivity of the board; the appropriate delegation of authority to executive officers and the proper exercise of the monitoring function; a board culture that allows frank and open discussion; and the appropriate operation of committees.

Meanwhile, the board confirmed that its effectiveness has improved by properly addressing the issues identified in the effectiveness evaluation in FY2021. In addition, taking into account what has been pointed out by the third-party evaluator, the board identified issues that need to be addressed in the future in order to further enhance its oversight function.

(1) Progress in initiatives to address the issues identified in FY2021 board effectiveness evaluation

(i) Setting key agenda items that should be given priority in discussion at board meetings

In developing a new Mid-term Management Plan 2026 covering the upcoming three-year period, the board discussed purposes that serve as the basis of the plan as well as medium to long-term strategic policy, etc., and company-wide strategies (resource allocation across the business portfolio, capital policy, etc.). This led to a significant increase in the amount of time dedicated to discussing medium to long-term management strategies and company-wide strategies, from about 300 minutes in FY2021 to about 1,100 minutes. It is recognized that these efforts have produced some tangible results such as the development of the Mid-term Management Plan 2026 and the identification of eight areas of materiality, i.e., priority areas to focus efforts on in the years through 2026 toward realizing our group vision, “Work, and Smile.” At the same time, it is also recognized that there are some issues requiring further efforts. For instance, there is a need to further clarify the goals to be achieved under the Mid-term Management Plan 2026 and improve the method of monitoring the progress of the plan.

(ii) Composition of the board

The board and its committees considered the composition of the board that would have greater diversity in terms of gender and internationality in order to ensure diversity of perspectives aligned with the changing external environment while keeping the size of the board unchanged. As a result, the board decided on, and proposed to the 15th annual meeting of shareholders, their appointment as board members.

(iii) Allocation of time to key agenda items and the management of meetings to foster meaningful discussions

To secure sufficient time to deliberate on priority agenda items, we strived to ensure the efficient management of board meetings, for instance, by simplifying explanations of agenda items for the purpose of information sharing at a meeting while enhancing briefings to individual directors. Although these efforts have produced some positive results, it is recognized that it is necessary to implement continuous improvement activities—such as changing the timetable for convening board meetings and further improving the quality of meeting materials—to foster meaningful discussions.

(2) Issues to be addressed in the future

(i) Setting key agenda items in line with the direction of medium to long-term management strategies

There is a need for the board to regularly discuss the direction of long-term management strategies from the perspective of both risks and opportunities. In setting this kind of agenda items, i.e., those that require a medium to long-term perspective, it is crucial to ensure beforehand that the board and executive officers have a shared understanding of issues with an eye on future changes in the social and business environments.

(ii) Monitoring business execution in a way conducive to corporate value

It is crucial to create a fully aligned understanding across the board as well as between the board and executive officers about the way in which the board should carry out monitoring, in working toward realizing "A 'Career Well-being' Creation Company," a vision of what we want to be in the future, as set forth in the Mid-term Management Plan 2026. Also, there is a need to discuss the necessity of changing the selection of monitoring targets and/or KPIs, as appropriate, in accordance with changes in the environment assumed in developing the Mid-term Management Plan 2026.

(iii) Securing sufficient communication opportunities between the board and executive officers

In solving the issues described above, there is a need to secure more communication opportunities between the board and executive officers as a basis for achieving a common understanding among them. To that end, it is necessary to: enhance opportunities for independent directors to gain a better understanding of the Company's management, business operations, and key persons; and increase opportunities for the board and executive officers to exchange frank opinions both formally and informally.

(iv) Further enhancing the management of board meetings to stimulate discussion

To secure sufficient time to deliberate on priority agenda items, it is necessary to achieve more efficient meeting management, for instance, by extending the length of board meetings, setting up an opportunity for intensive discussion on a different day, and making effective use of written reports. To this end, it is important that in convening a board meeting, the chairperson of the board, the lead independent director, and the secretariat to the board closely communicate beforehand on the management of the meeting. Also, it is necessary to change the format of meeting materials to promote substantive discussions by clarifying the points at issue.

Based on these evaluation results, the Company's board will continue to promote the PDCA cycle to improve its effectiveness and drive governance reform, so as to enable the PERSOL Group to realize sustainable growth and enhance corporate value.

End
