

FY2021 Evaluation of Effectiveness of the Board

PERSOL HOLDINGS CO., LTD.

1. Implementation Method

The Company, every year, evaluates the effectiveness of the entire Board to further improve the oversight functions of the Board and discloses the evaluation method and outline of the result. In the evaluation of the effectiveness of the Board for fiscal year 2021, the Company conducted a self-evaluation questionnaire survey of all directors, individual interviews of each director by the Chairperson of the Board, and a questionnaire survey of the executives who are being supervised. The Board at its meetings discussed the issues recognized based on the results over two occasions and then produced the final evaluation.

2. Evaluation Method and Process

(1) We considered the method of the effectiveness evaluation and its schedule, and reported them to the Board, which deliberated them (January 2022).

(2) We prepared the self-evaluation questionnaire and conducted the questionnaire survey for all directors (January and February 2022).

[Questionnaire items (major items)]

(i) Structure of the Board (number of Board members, ratio of independent directors, diversity, term of office, etc.)

(ii) Operation of the Board meetings (frequency of meetings, number of agenda items and meeting materials, time for deliberation, atmosphere, etc.)

(iii) The Board's oversight function (strategy debate, demonstration of monitoring function, consideration of appropriateness of nomination and compensation of executives, etc.)

(iv) Structure supporting the Board (company information and opportunities to receive advice from external experts, training for officers, etc.)

(v) Relationship with investors and shareholders (discussions based on evaluation by investors and shareholders as well as level of interaction with them, etc.)

(vi) Other (comments)

(3) We conducted a questionnaire survey of the executives who are being supervised (January and February 2022).

[Questionnaire items (major items)]

(i) The Board's oversight function (strategy debate, demonstration of monitoring function, consideration of appropriateness of nomination and compensation of executives, etc.)

(4) The Chairperson of the Board individually interviewed the directors and exchanged opinions

regarding the effectiveness of the Board (February 2022).

- (5) We reported the results of the questionnaire, interviews by the Chairperson of the Board, and key issues based on these results to the Board. The Board deliberated the evaluation of the outcome of efforts regarding the issues recognized in fiscal year 2020 and the issues subject to future consideration (March 2022).
- (6) Taking into account the deliberation results of the issues subject to future consideration, the Board deliberated the issues it recognized and the direction of responses to them (April 2022).
- (7) We put together the results of deliberations so far, reported them to the Board, and the evaluation by the Board was finalized (May 2022).

3. Evaluation Result

As a result of multiple discussions at the Board meetings based on analysis result of the self-evaluation questionnaire survey and interviews, the Board confirmed that the effectiveness of the Board of the Company is ensured in terms of its structure, operations, oversight function, support system, and its relationship with investors and shareholders, as it carries out open and constructive discussions, etc., by clarifying the points at issue at Board meetings. Further, it was confirmed that the effectiveness of the Board has been improving given the appropriate implementation of initiatives addressing the issues recognized in fiscal year 2020 and other factors. At the same time, the Board confirmed the issues to be addressed in the future for further demonstration of the oversight function by the Board.

- (1) Progress in initiatives to address the issues recognized in the evaluation of effectiveness in fiscal year 2020

- (i) Discussion of the basic management policy

The Board received reports from the executives on human resource development policy for ensuring diversity in human resources, progress in the initiatives addressing sustainability issues including climate change, and the concept of the business domain, on which business portfolio is based, among other topics, and deliberated on them, which advanced discussions regarding the basic management policy.

- (ii) Appropriate monitoring of the Mid-Term Management Plan

Based on the Mid-Term Management Plan and the key performance indicators (KPIs) for the achievement of the plan, the Board monitored the progress every quarter. While it confirmed that the Mid-Term Management Plan was progressing smoothly, it recognized issues for further improvement in the future in better clarification of goals to be achieved in the plan and sophistication of monitoring methods.

(iii) Continuous initiatives for securing sufficient deliberation time for important agenda items

We promoted vitalization of deliberations at the Board meeting through prior dissemination of meeting materials utilizing IT including distribution of tablet terminals to independent directors and develop information infrastructure that enables them to access meeting materials of major meetings of the Company and enhancement of prior briefings to independent directors of the agenda items submitted to the Board meetings. We also implemented sessions between the representative directors and independent directors after the meetings ended and executive sessions just among independent directors for sharing of the management's awareness regarding important management issues and appropriate information and opinion exchange among independent directors. In addition to these initiatives, we managed the meetings in a more focused manner through measures such as controlling deliberation time for each agenda item.

(2) Issues to be addressed in the future

(i) Setting forth important agenda items that should be given priority in discussions at Board meetings

Upon formulation of the Mid-Term Management Plan, we, in addition to purposes that serve as the basis as well as discussions of mid- to long-term strategies and company-wide strategies (resource allocation over business portfolio and others, capital policies, and so on), realized that we need to further clarify goals we should aim to achieve in the Mid-Term Management Plan and monitoring in light of setting appropriate KPIs. Through discussions of these important management issues, we realize the importance of keeping in mind a consistent story that leads to the Group Vision of "Work, and Smile."

(ii) Composition of the Board

Upon selection of director candidates, it is necessary to consider gender and internationality to ensure diversity of perspectives reflecting the external environment while maintaining the current Board size. At the same time, we acknowledged that we should ensure opportunities such as briefings and site visits for better understanding of the employees who are potential successor candidates upon supervising an appropriate succession plan by the Board and the executives.

(iii) Allocation of time to important agenda items and concept of meeting management for generating high quality discussions

To secure deliberation time for important agenda items that should be prioritized at the Board meeting, we acknowledged that we need even more effective meeting management through measures such as securing opportunities for focused discussions and enhancing individual briefing and simplification of explanation of agenda items at the meeting for the purpose of information sharing and limiting it to confirmation in writing. At the same time,

continuous activities to improve quality of discussions by reviewing the time of the meeting and improving meeting materials are also necessary.

The Board of the Company shall take into account these evaluation results and continue to improve its effectiveness and promote implementation of PDCA cycle for governance reforms so as to realize sustainable growth and corporate value improvement of the PERSOL Group.

End
