

## **Disclosure for the year ending March 31, 2018 (Evaluation of effectiveness of the Board of Directors)**

Each year, the Board of Directors analyzes and evaluates its effectiveness, taking into consideration relevant matters, including self-evaluations of each Director, and discloses a summary of the results. The methods and results of the evaluation of effectiveness of the Board of Directors for the year ending March 31, 2018 are summarized as follows:

### **< Evaluation method >**

In January 2018, questionnaires pertaining to matters such as the composition of the Board of Directors, its operational status, and individual responsibilities were distributed to fourteen Directors and five Audit & Supervisory Board Members (hereinafter referred to as the “2018 questionnaire”), who all subsequently completed and returned the questionnaires. Moreover, opinions were exchanged regarding the effectiveness of the Board of Director in meetings attended by all External Directors and External Audit & Supervisory Board Members (hereinafter referred to as the “external member meetings”) held in February 2018. In its meeting held in February 2018, the Governance Committee engaged in discussions on the basis of the results of the 2018 questionnaire and external member meetings, and then the Board of Directors, after discussing such matters while taking the committee’s report into account, decided on the matter of evaluating its effectiveness for the year ending March 31, 2018 in its meeting held in March.

With respect to carrying out the above evaluation method, at a Governance Committee meeting held in November 2017, the decision was made, as the current format’s effectiveness was recognized, to persist with the current self-evaluation format involving the evaluation of effectiveness of the Board of Directors for the year ending March 31, 2018, upon having verified the adequacy of processes that encompass methods of evaluating the effectiveness of the Board of Directors carried out by a third party.

### **< Questionnaire items >**

Major categories of questionnaire items of the 2018 questionnaire are listed below. The 2018 questionnaire contains fields for comments related to such categories, and has been evaluated using methodology that involves assigning one of five grades to each question in the major categories. Furthermore, evaluation also encompasses the extent to which effectiveness of the Board of Directors has improved in comparison with the previous year, in order to gain an understanding of progress achieved in that regard.

- I. Matters relating to composition of the Board of Directors
- II. Matters relating to the operational status of the Board of Directors
- III. Matters relating to deliberations of the Board of Directors
- IV. Matters relating to roles and duties of the Board of Directors
- V. Matters relating to advisory committee member composition, establishing meeting topics, reporting discussion results to the Board of Directors, other matters regarding status of committee management, etc.
- VI. Matters relating to execution of duties of the Directors and Audit & Supervisory Board Members themselves
- VII. Matters relating to support, etc. for Directors and Audit & Supervisory Board Members
- VIII. Overall comments

### **< Initiatives in the year ending March 31, 2018 geared to achieving greater effectiveness >**

During the year ending March 31, 2018, the Board of Directors and the Board of Directors Secretariat have engaged in the following initiatives taking into account results of the evaluation of effectiveness of the Board of Directors for the previous year. The Governance Committee also held meetings in July and November 2017, where committee members confirmed, reported and otherwise took action with respect to challenges of improving effectiveness and the status of initiatives geared to resolving issues.

- Topics for the Board of Directors to discuss

During the year ending March 31, 2018, the Board of Directors engaged in deliberations regarding business plans for the fiscal year, given the notion that more opportunities should be arranged for discussing the Company's overall direction on matters such as corporate strategy and the Medium-term Management Plan. The Board of Directors also engaged in deliberations with respect to the new Medium-term Management Plan, subsequent to deliberations of the external member meetings. Moreover at the external member meetings, opportunities were arranged to discuss topics that included "matters of concern regarding the capital market, and the Company's IR activities" and "the Company's digital transformation."

A significant majority of the external members responding to the 2018 questionnaire provided favorable assessment concerning the matter of discussions regarding the Company's overall direction at meetings of the Board of Directors, and a majority of the respondents overall feel the situation has improved in comparison with the previous year.

- Composition of the Board of Directors

During the year ending March 31, 2018, the Company achieved improvements with respect to striking a balance in diversifying the composition of its Board of Directors, having appointed Director Walsh who has experience being the CEO of a global corporation and Audit & Supervisory Board Member Mori who has expertise in accounting and auditing. A significant majority of the external members responding to the 2018 questionnaire provided favorable assessment concerning the composition of the Board of Directors, and a majority of the respondents overall feel the situation has improved in comparison with the previous year.

- Review of operations of the Board of Directors

With respect to matters that are to be referred and reported to the Board of Directors, beginning in the year ending March 31, 2018, materials for meetings of the Board of Directors now clearly state points that are to be discussed up to the stage of referral and reporting to the Board of Directors, including bodies such as the Portfolio Management Committee and the Corporate Management Committee. The materials for meetings of the Board of Directors now contain content that is appropriate with respect to deliberating on such points, and tables listing major points of discussion, risks, and countermeasures in that regard.

A significant majority of the external members responding to the 2018 questionnaire provided a favorable assessment concerning the notion that there is greater clarity with respect to points of internal Company discussion which have been the basis of discussions of the Board of Directors, and a majority of the respondents overall feel the situation has improved in comparison with the previous year.

< Summary of evaluation results >

Taking the aforementioned initiatives into account, the Company has reviewed the results of the 2018 questionnaire, and outcomes of exchanges of opinion at the external member meetings and deliberations of the Governance Committee and the Board of Directors.

Accordingly, with respect to effectiveness of the Board of Directors during the year ending March 31, 2018, the findings made by the Board of Directors are as follows:

- Many commented that improvement has been achieved in addressing the three challenges stated last year with respect to (1) discussion topics, (2) composition of the Board of Directors, and (3) revamping meeting management.
- The Board of Directors has a wealth of diversity, and has prepared a structure to secure effective management oversight.
- Meetings of the Board of Directors have been operating smoothly, underpinned by adequate support of the Board of Directors Secretariat in areas such as preparing materials for meetings of the Board of Directors, providing information, and scheduling.

- The Board of Directors has been securing sufficient time for deliberations and engaging in constructive discussions and exchanges of opinion.
- At meetings of the Board of Directors, reports are given on results of risk analysis from Company-wide and multiple angles, based on which the Board of Directors discusses and reviews such risks drawing on knowledge furnished by respective Directors and Audit & Supervisory Board Members.
- The respective Directors and Audit & Supervisory Board Members, upon understanding the Board of Directors' duty to carry out oversight and auditing of the management, have all been devoting sufficient time and effort in fulfilling their responsibilities as Directors or Audit & Supervisory Board Members from an objective standpoint separate from business execution.
- The Company adequately ensures the availability of opportunities and funds for enabling Directors and Audit & Supervisory Board Members to acquire knowledge necessary to fulfill their roles and duties, and also on the whole the Company has ensured availability of frameworks for collaboration involving external members, the management, the Independent Auditor, and the Internal Auditing Division.

Based on the details summarized above, the Company's Board of Directors concludes that it has adequately maintained its effectiveness during the year ending March 31, 2018.

< Further Initiatives geared to achieving greater effectiveness >

- Composition of the Board of Directors  
With respect to composition of the Board of Directors, there was a diverse range of comments on matters such as the proportion of external members, the appropriate number of members, and securing appropriate Outside Directors.  
Taking such opinions into account, the Company's Board of Directors will ceaselessly review options with respect to a membership composition that is adequately suited to how the Board of Directors is positioned within the governance framework chosen by the Company.
- Matters for deliberation by the Board of Directors  
With respect to matters for deliberation by the Board of Directors, consideration is being given to the matter of setting agenda appropriate for discussions involving external members. Moreover, some commented that opportunities for regular discussion should be arranged with respect to strategy, governance, compliance, cyber security and other Company-wide topics, and also with respect to agendas that take prevailing trends and current events into consideration.  
The Company's Board of Directors will continue to review options with respect to adequately establishing matters for deliberation by the Board of Directors, from the perspective of enabling the Board of Directors to bring greater added value in terms of managing the Company.
- Method of deliberation by the Board of Directors  
With respect to method of deliberation by the Board of Directors, some commented that they would like opportunities for open discussion established.  
The Company's Board of Directors will take these comments into account as it forges ahead in revamping Board of Director deliberation methods.
- Matters relating to the advisory committees to the Board of Directors  
With respect to matters relating to the advisory committees, some commented on the matters including regularly reporting details on deliberations of the respective advisory committees, as well as setting advisory committee schedules and frequencies of holding such meetings.  
The Company's Board of Directors will take these comments into account as it considers the possibility of revamping the methods of managing the advisory committees to the Board of Directors.

The Company's Board of Directors will aim to sustainably increase corporate value by engaging in ongoing initiatives geared to maintaining and enhancing the effectiveness of the Board of

Directors including those initiatives involving the aforementioned points, and ensuring adequate oversight with respect to management by the Board of Directors.