

Summary of the Results of Evaluation on Effectiveness of the Board of Directors in Fiscal 2022

Frontier Management Inc. (hereafter the “FMI”) aim to achieve sustainable growth and increase corporate value over the medium to long term. To achieve this, FMI recognize that it is necessary to improve the effectiveness of the Board of Directors and further substantiate corporate governance.

FMI assessed the effectiveness of the Board of Directors in the fiscal year ended December 2022 and recognized issues that need to be addressed in order to further improve the effectiveness of the Board of Directors. The overview of these issues is as follows.

1. Summary of the Effectiveness Assessment Method

(1) Determination of valuation method

At a meeting of the Board of Directors held in November 2022, the effectiveness of the previous questionnaire method (a method of evaluating respondents by giving free descriptions to each question of the questionnaire) was recognized. Therefore, it was concluded that the questionnaire method would be continued for the evaluation of the effectiveness of the Board of Directors for the fiscal year ending December 2022.

(2) Feedback receiver

All five directors and three corporate auditors

(3) Evaluation method

- ① From November 2022 to December 2022, FMI conducted a questionnaire survey of all directors and corporate auditors.
- ② At a meeting of the Board of Directors held in February 2023 (meetings attended by all directors and all corporate auditors), opinions were exchanged on the effectiveness of the Board of Directors.
- ③ After discussions at a Board of Directors meeting held in March 2023 based on the report of the Board of Directors Meeting, the effectiveness evaluation of the Board of Directors for the fiscal year ended December 2022 was finalized.

(4) Evaluation items

In light of the issues identified through the "Fiscal 2021 Evaluation of the Effectiveness of the Board of Directors," FMI formulated a question after deliberating on matters to be implemented in order to further improve the effectiveness of our Board of Directors.

The questionnaire for the fiscal year ended December 2022 contains the following major items. The system evaluates each question by 10 points, and a free response column is provided for each question.

- ① Effective supervision of directors and management (executive officers, etc.) (5 questions + open responses)
- ② Securing human resources (6 questions + open responses)
- ③ Initiatives related to sustainability (3 questions + open responses)
- ④ Other functions of the Board of Directors (2 questions + open responses)

2. Summary of Evaluation Results

(1) Effective Supervision of Directors and Management (Executive Officers, etc.)

The Board of Directors was positively evaluated as follows: (i) the Board of Directors holds necessary and adequate discussions on management strategies, management plans, important matters, etc.; (ii) the composition and operation of the Board of Directors are appropriate in exercising its supervisory function with respect to directors and management (executive officers, etc.); and (iii) the internal control and risk management systems are properly established and effective supervision is provided to directors and management (executive officers, etc.).

On the other hand, there were opinions that the establishment of a dedicated secretariat should be considered in order for corporate auditors to supervise directors and the management team (executive officers, etc.) more appropriately.

(2) Securing Human Resources

The Board of Directors was positively evaluated as follows: (i) the nomination and compensation systems required for securing human resources are appropriately designed, and (ii) the Nominating and Compensation Advisory Committee is appropriately functioning for securing human resources for directors and management (executive officers, etc.).

On the other hand, there were opinions that the succession plan for directors and management (executive officers, etc.) was not sufficient.

(3) Sustainability Initiatives

The Board of Directors was positively evaluated for (i) full discussion of sustainability initiatives (basic policies, materiality, promotion system, etc.), and (ii) long-term strategic discussions for our sustainable growth.

(4) Other functions of the Board of Directors

The Board of Directors has an executive team with a variety of knowledge, experience and expertise. There were positive opinions such as appropriate and constructive discussions regarding various issues from the perspective of experts, and deliberations have not been completed due to ambiguous circumstances.

On the other hand, there was an opinion that, in order to further improve the functions of the Board of Directors, it is necessary to further deepen business discussions such as management strategies.

3. Efforts to Improve the Effectiveness of the Board of Directors

Based on the issues recognized through the "Fiscal 2022 Evaluation of the Effectiveness of our Board of Directors," FMI will decide on fiscal 2023 policies after deliberating on matters to be implemented in order to further improve the effectiveness of our Board of Directors.