

March 22, 2023

MODEC, Inc.

Summary of Board of Directors' Effectiveness Evaluation

Each year MODEC, Inc. ("MODEC")'s Board of Directors Meeting ("BOD") conducts an annual evaluation of the effectiveness of BOD. The evaluation and opinions expressed by each director and corporate auditor are compiled to verify whether the BOD as a whole functioning appropriately, and to continuously verify the status of improvement of issues identified, thereby aiming to continuously improve its effectiveness.

The outline of the evaluation results of the effectiveness for FY2022 is disclosed as follows.

1 Evaluation Method

(1) Distribute a questionnaire to each director and corporate auditor and obtain their anonymous responses (48 questions in total).

(2) Individual interviews with five independent external directors and the representative director (about one hour each).

(3) Appointment of an external third-party organization for the implementation of (1) and (2) above

(4) Based on the results of the questionnaire and interviews, discussions by the BOD.

(5) Main contents of the questionnaire

- How BOD should be
- Composition of BOD
- Management of BOD
- Discussions of BOD
- Monitoring function of BOD
- Performance of external directors
- Performance of internal directors
- Support system for directors and corporate auditors
- Training
- Dialogue with shareholders (investors)
- Executives' own efforts
- Management of the Nomination and Remuneration Committee

2 Summary of analysis and evaluation results

In general, it is confirmed that BOD is functioning effectively. However, it is recognized that actions for improvement are required in the following aspects.

- In order for BOD to concentrate on the deliberation of important proposals, it is necessary to further delegate responsibility for the discussion of individual cases to the Management Board ("MB").
- To conduct deliberations at BOD meetings more efficiently, points at issue need to be clarified in a proposal document, and concise explanations need to be given in presentations.

- In order to strengthen the effectiveness of Group governance, it is necessary to discuss the "Group human resources strategy" and further enhance the "subsidiary management system."

3 Future issues and responses taking into account analysis and evaluation

- To make BOD management efficient, the content of discussions by MB needs to be promptly shared with the Directors and Corporate Auditors. Based on such information sharing between BOD and MB, further delegation of responsibility for individual cases to MB will be considered.
- In order to make the discussion of individual cases to be brought up at BOD more efficient, discussion materials for BOD need to be prepared in a concise and easy-to-understand manner and such materials need to be explained efficiently by limiting the number of main points.
- To strengthen the effectiveness of Group governance, the subsidiary management system needs to be further enhanced.
- Through the above efforts, BOD will concentrate on and deepen discussions on strategies and management policies from a medium- to long-term perspective.

(End)