

Evaluation Results of the Effectiveness of the Board of Directors

May 15, 2024
SMK Corporation

To enhance the effectiveness of the Board of Directors, we evaluated their performance in FY 2023.

1. Evaluation method

Evaluation areas were determined through deliberations with the Board of Directors. From February to March 2024, all directors (4 internal and 2 outside directors) and auditors (3 outside auditors) participated in the evaluation by responding to questionnaires on the composition of the Board of Directors, its operations, deliberations, and level of cooperation and support provided to the directors and auditors. Members of the Board of Directors discussed the evaluation results and reached a final assessment.

2. Progress on issues identified in the FY2022 evaluation

We addressed the following two points identified in the FY2022 evaluation:

- (1) Regarding medium-term business plans, ensure sufficient time is taken to discuss follow-up measures.
 - Regarding the 11th medium-term business plan (2024/4–2027/3), the number of discussions increased, and individual briefings were held to deepen the understanding of the medium-term business plan and to enhance discussions.
- (2) To ensure sufficient discussion of management strategies, proposals should be further scrutinized during the Board of Directors meetings, and the number of Board of Directors meetings should be reviewed.
 - The number of Board of Directors Meetings increased from five to nine times a year to ensure sufficient time for discussions and management strategies were fully discussed.

3. Results of the evaluation in FY2023

- Based on the evaluation conducted in FY2023, we determined that the Board of Directors operated at an appropriate level of effectiveness without significant dysfunctions or deficiencies, in accordance with the Companies Act and Corporate Governance Code.
- Regarding the operation of the Board of Directors, it was confirmed that the number of Board of Directors meetings has been reviewed (increased from five to nine times a year), and the distribution of materials in advance has been accelerated to facilitate sufficient discussion.
- Regarding deliberations at the Board of Directors meetings, it was confirmed that sufficient time was spent discussing the draft 11th medium-term business plan.
- However, further improvements in the analysis of the causes of failure to achieve the medium-term business plan, enhancing discussions on countermeasures, and composition of the Board of Directors are needed.

4. Initiatives for further improvement of effectiveness

Based on the results of the FY2023 evaluation, the Board of Directors will focus on the following actions:

- (1) Regarding the 11th medium-term business plan (2024/4–2027/3), further discussions will be held to confirm progress and analyze causes and countermeasures if the plan is not achieved.
- (2) Consider how to ensure further diversity (knowledge, experience, ability, gender, nationality, age, etc.) in board composition.

To further improve the effectiveness of the Board of Directors and strengthen corporate governance, we will conduct an annual evaluation and strive to improve based on the evaluation results.

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