

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 is 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 effectiveness for FY 2020 is disclosed as follows.

1 Evaluation Method

- (1) Distribute a questionnaire to each director and corporate auditor and obtain their anonymous responses (50 questions in total).
- (2) Individual interviews with five independent external directors, two external directors, and one executive 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
 - Composition of BOD
 - Management of BOD
 - Discussions of BOD
 - Monitoring function of BOD
 - Performance of internal and external directors
 - Support system for directors and corporate auditors
 - Training
 - Dialogue with shareholders (investors)
 - My own efforts
 - Operation of the Nomination and Remuneration Committee

2 Summary of analysis and evaluation results

In general, the evaluation confirmed that BOD is functioning effectively, but determined that actions for improvement are needed in the following aspects.

- Sufficient follow-up on the progress of the management plan should be conducted.
- Supervise and monitor the status of the operation of internal control systems based on the basic policy for the internal control systems for the entire Group, including subsidiaries.

3 Future issues and responses taking into account analysis and evaluation

- From now on, the progress of the new Mid-term Business Plan to be launched in this fiscal year will be periodically reported to BOD for sufficient follow-up. In addition, measures will be taken to deepen discussions at BOD by improving and restructuring the framework for sharing the status of business including that of subsidiaries with the BOD.
- With regard to the internal control of the entire Group, the operation status and risks of overseas subsidiaries in particular will be further visualized, and measures to improve the system and business processes will be examined, focusing on the risk management system, to strengthen supervision and monitoring.