



Development of internal control system

Each NOF Group company has developed an internal control system for ensuring adherence to laws and regulations, the articles of incorporation and various internal rules of the Company, and appropriateness of business operations. Regarding observance of social norms and laws and regulations, the Company's code of conduct is formally spelled out as the NOF Code of Ethical Conduct, based on the NOF Basic CSR Policy, and an Ethics Committee is established to ensure thorough adherence to the code. Further, in order to secure safety in production sectors in the Five Core Components, including the environment, products, plants, transportation, and labor, the Responsible Care (RC) rules are instituted, with the RC Committee checking conduct in actual scenes of production and performing internal auditing.

Internal audits and audits by Audit and Supervisory Committee

Internal audits are performed by the Internal Control Department, which is an organization reporting directly to the President. The Audit and Supervisory Committee has in place a system for auditing and supervising the business execution of Directors through effective cooperation with the Internal Audit Department, etc. and by having the Committee members, primarily standing Audit and Supervisory Committee members, actively participate in Executive Committee meetings and various

other meetings.

The Audit and Supervisory Committee, the Accounting Auditor, and the Internal Control Department exchange information by sharing their respective audit plans and audit results, etc., and strive to mutually cooperate through methods such as assembling periodically. In addition, Audit and Supervisory Committee members engage in appropriate coordination with the relevant organs by attending the meetings of the competent committees on CSR and risk management, sitting in on internal audits conducted by the internal auditing organs of each committee, and receiving and exchanging opinions on the audit result reports of the internal audit organs of each committee.

Nomination Committee / Compensation Committee

In order to improve the oversight function of the Board of Directors and strengthen the corporate governance system, the Nomination Committee and Compensation Committee, which are voluntary advisory committees to the Board of Directors, have been established.

The Nomination Committee, in consultation with the Board of Directors, deliberates and reports to the Board of Directors on matters such as the election and dismissal of Directors (excluding Audit and Supervisory Committee members), as well as the selection and dismissal of Representative

Directors and the succession plan.

The Compensation Committee, in consultation with the Board of Directors, deliberates and reports to the Board of Directors on matters related to the compensation of Directors, excluding Audit and Supervisory Committee members. Both committees are chaired by an independent Outside Director, and consist of five independent Outside Directors and two Internal Directors. This ensures the committees' independence and objectivity.

Specialist Committees

The Risk Management Committee, the Compliance Committee, the RC Committee, and the Quality Control Committee analyze management risks, consider countermeasures, and report to the Board of Directors. The Sustainability Committee conducts integrated assessment of various business risks, including those related to compliance, information management, and environment and safety, as well as confirmation and evaluation of the comprehensiveness of risks.