

Governance

Roundtable Discussion with Outside Directors

Governance supports taking on challenges

Sincere corporate culture underpins organizational strength, felt through face-to-face interaction with employees

Sawamura The NOF Group is currently aiming for sustainable growth centered on the three values of “challenge,” “fairness” and “harmony.” Since establishing these values in FY2023, I myself have worked to instill them through communication with employees. From the perspective of our two Outside Directors, how do you see the extent to which these values have taken root?

Hayashi I have followed in real time since 2021 the process of formulating these three values through a project team that included young employees and women, with careful company-wide discussions held over time and feedback gathered from diverse groups. The very way employees engage earnestly with this as “personal matters” reflects the NOF Group’s sincere corporate culture, and I believe this kind of process forms the foundation for embedding the values.



Kunimitsu Ito

Outside Director and Audit and Supervisory Committee member

After joining a U.S.-affiliated accounting firm, Mr. Ito was posted to London for five years. After returning to Japan, he handled accounting audits for domestic listed companies, and was also involved in audit quality control work at the headquarters of an audit corporation and at the Japanese Institute of Certified Public Accountants. After retirement, he worked as a tax accountant and also engaged in activities with JICA and others.

Izumi Hayashi

Outside Director

After serving as a prosecutor, Ms. Hayashi worked for approximately 40 years as a lawyer engaged in domestic and international corporate legal affairs. Focusing on the field of intellectual property, she has also been involved in corporate legal affairs for intellectual property strategy and the legislative process through government councils and other bodies.

Koji Sawamura

Representative Director, President and CEO

Joined NOF in 1988. Starting in R&D, Mr. Sawamura has held positions including overseas sales, General Manager of DDS Division, and General Manager of the Life Science Division. He leads core businesses such as life science, a strength of the NOF Group. In his current position since 2023.

In particular, the direction toward taking on new things with a sense of speed and without being bound by preconceived notions—“challenge”—has certainly become clearer. For example, since FY2022, the NOF Group has stepped up its support for sports and artwork by people with disabilities and has entered into partnership agreements with the Japan Para Shooting Sport Federation and the Shougaisha Jiritsu Suishin Kikou Association (Paralympic Art). That has spread into company-wide activities, such as holding experience events for employees and publishing articles and artwork in the internal newsletter.

Ito In contrast, I feel that there are still issues in the area of “fairness.” There may be gaps in communication due to generational differences and differences in sensitivity to harassment. However, the whistleblowing system has become well established, and all reported cases are shared with the Board of Directors in terms of how they are handled. I hope that organizational management that values people will continue to advance.

Sawamura The NOF Group is also placing strong emphasis on initiatives involving site visits by officers, and both of you have visited various sites as well. What were your impressions from what you actually saw there?

Hayashi A distinctive feature of the NOF Group is that Outside Directors have many opportunities to interact with employees active at worksites. For example, when I met with female researchers working with cosmetics materials (ODM), I was also able to hear about their career steps since joining the Company, their work-life balance, and training programs for young employees. At NOF, it seems there has long been an opportunity for employees in their fourth year with the Company to give a presentation to the President at the Head Office, and

they begin preparing for it from their first year, supported by senior colleagues around them. I would never have known of such a wonderful tradition just by attending meetings at the Head Office. In addition, when I accompanied the President on a visit to a production site, I was impressed by the sight of young employees confidently reporting on examples of improvements made on the plant floor.

Ito When I see young employees reporting before management on the results of activities they have thought through themselves, I truly feel that “self-directed employees” are being developed. Another thing that left a particular impression on me was when I visited a site where an accident had occurred in the past. The employees spoke sincerely about the lessons they learned from the accident, and I could sense that awareness of safety is deeply ingrained in each person at the site. I feel that a culture is steadily taking root in which safety and quality come first while people think for themselves and continually make improvements.

Sawamura These kinds of visits by officers will continue going forward. From FY2025, I and other officers began holding town hall meetings in which we visit plants and engage in free discussions with employees. In FY2025, we were able to hold candid exchanges of opinions on the theme of human resource empowerment.

Economic and social value delivered across a broad range of business domains

Sawamura Next, what do you think are the NOF Group’s strengths from the perspectives of economic value and social value?

Ito Would you not say that NOF’s strength lies

precisely in combining uniqueness and sustainability in both economic and social value? In terms of economic value, we have established the leading position in several niche fields, and secured a stable earnings base through overwhelming technological superiority. In terms of social value, we contribute to solving social issues through diverse business domains and create technologies that contribute to sustainability.

Hayashi Like other companies, the NOF Group is facing the risk of dramatic changes occurring around the world. In that context, developing multifaceted initiatives across a broad range of business divisions is a strength in both economic and social terms. I believe this very structure is the foundation that enables us to respond in a flexible manner to changes in the business environment and continue growing in a sustainable manner.

Sawamura Looking back at our Company’s history, it is clear that we have made flexible decisions in response to the social context of each era. The “business domain expansion” stage that began in FY2026 is precisely the time to significantly transform our business structure with the next 20 years in mind. How do both of you evaluate the results of the “expanding profit” stage of the previous Mid-term Management Plan?

Hayashi The NOF Group strictly checks the budget plans of each business division and their quantitative results. In the “expanding profit” stage, we achieved challenging plan targets amid severe changes in the business environment, and I highly value this accomplishment as the fruit of organizational strength.

Ito In contrast, the fact that the planned investment amount for strategic investment was not achieved was an issue. In the 2028 Mid-term Management Plan, I hope the Company will take on even more challenges in terms

of investment as it pursues business domain expansion.

Sawamura That is exactly right. One reason strategic investment did not progress as planned was the rapid change in the business environment. Meanwhile, we also recognize as an issue that discussions regarding the creation and execution of new investment opportunities were insufficient in the face of those changes. We view changes in the environment as opportunities for growth. Under the new Mid-term Management Plan, we will execute strategic investments in response to market changes more quickly and steadily.

The importance of group governance is growing further toward strengthening global expansion

Sawamura Next, what are your assessments of the effectiveness of the Board of Directors?

Hayashi As a lawyer, I am always conscious of the duty of care of an Outside Director. At Board of Directors meetings, if I have doubts about the reasonableness of explanations from the execution side in light of previous explanations, I raise questions or express opposing views. So far, the chair has instructed the officers in charge on the spot to address the issues raised, and I have been satisfied after receiving reports and explanations at subsequent meetings.

Ito When I was appointed as a Director, many outside officers were concentrated among people from financial institutions, leaving room for improvement in terms of diversity—now Directors with a wide range of backgrounds have been selected, making discussions more active. One particularly memorable case in recent years was deliberation on a particular capital expenditure proposal. In response to questions from Outside

Directors regarding risks and capital efficiency, the executive side provided additional explanations and data, resulting in constructive and substantial discussions.

Sawamura Earlier, Ms. Hayashi mentioned that she is conscious of the duty of care as a lawyer, but how do you view your own role on the Board of Directors, Mr. Ito?

Ito I think it is, after all, to “fully exercise the supervisory function.” As I am an Audit and Supervisory Committee member from outside the Company, it is important how we strengthen coordination with full-time Audit and Supervisory Committee members. Going forward, I hope to contribute to strengthening group governance in particular, including overseas operations.

Sawamura What issues do you currently see in governance across the Group as a whole?

Ito One challenge is that because overseas subsidiaries are managed by the business divisions in charge, it is difficult for the Board of Directors to properly understand the situation. Thanks to efforts by corporate divisions centered on the Corporate Planning & Strategy Department, improvements such as direct coordination with overseas subsidiaries can be seen, but I still feel that we have not yet reached a system where all risk information from subsidiaries quickly reaches the Board of Directors.

Sawamura What will be required for future global expansion?

Ito The key point of governance is, after all, whether we are able to communicate effectively with local overseas human resources. It is important to deepen personnel exchanges so that local personnel can share the same values and judgment standards as the Head Office. Our company still does not yet have a culture where employees of different nationalities come and go on a daily basis, and building relationships in which

people can “see each other’s faces” is a challenge that we need to address in the future.

Hayashi To expand business globally, is it not also necessary to take into consideration how to secure overseas human resources with strong management-level capabilities who are able to take charge of governance and risk management at overseas sites? I believe that is necessary in order to communicate closely with management at the Head Office and enhance the effectiveness of the governance and risk management envisioned by the Head Office. President Sawamura, given that you have experience serving as the head of an overseas site, I hope that you will strengthen these initiatives.

Sawamura At present, overseas human resources capable of taking on management roles are limited. In addition, it is necessary to strengthen governance education for local employees at the mid-career and managerial levels. While exchanges have increased compared with the past, the situation is still not sufficient. Going forward, we will vitalize communication, including organizing local visits by Outside Directors.

Investment in intangible assets is the key as a management strategy for enhancing corporate value over the medium to long term

Sawamura At the NOF Group, we are setting KPIs and undertaking initiatives related to materiality issues such as responding to climate change and human resource empowerment. What do you both think about these matters?

Ito As the responses required of chemical manufacturers increase, I feel that the Sustainability Committee, RC

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Committee, and Risk Management Committee are being operated with a great level of seriousness. The Company is also actively allocating budget to talent development, and new initiatives such as liberal arts training have begun. The foundation for creating innovation and expanding globally is, after all, an environment where people with diverse backgrounds are able to thrive. In that sense, I believe the Company is moving in a very positive direction.

Hayashi In terms of diversity activities as well, I have seen the process in which employees themselves, instead of leaving it to outside consultants, planned initiatives as their own personal matter and took on the challenge of new things with the seriousness characteristic of the NOF Group. I look forward to continued autonomous initiatives of this kind.

Sawamura At present, we are engaged in sustainability activities as an important theme for enhancing corporate value. We will make disclosures in accordance with stricter standards so that we are able to meet stakeholder expectations. Next, please share your frank opinions and advice regarding the “business domain expansion” stage of the 2028 Mid-term Management Plan.

Ito This time in particular I am paying attention to the fact that the direction of focusing on the “Solutions Business” has been clearly indicated. I find it highly encouraging that the Company is committed to providing value by leveraging its strengths in technology to solve customer issues. I also highly value the direction of accelerating global expansion. Of course, risks will increase, including differences in regulations and cultures by country and human resource management, so it is important to properly establish a governance system and strike a balance with risk. And from a financial perspective, as investment expands, it will become important to make further progress in management that emphasizes capital efficiency while utilizing quantitative indicators such as ROIC.

Hayashi As stated in the Corporate Governance Code and the Intellectual Property Strategic Plan 2026 of the Cabinet Office, it is important to explain investments in intellectual property and intangible assets that are treated as SG&A expenses in accounting terms—such as R&D, human resources development, and DX—in relation to management strategy. When speaking of strategic investment, attention tends to fall only on M&A, but M&A involves the uncertainty of matching with a

suitable partner. By contrast, investment in intellectual property and intangible assets undertaken by our company can be considered proactive and important strategic investment for reliably capturing market opportunities and expanding business domains. In particular, President Sawamura has a research background, so I believe he is well positioned to explain, with a compelling narrative, such investment in intellectual property and intangible assets and its medium- to long-term connection to the business afterward. I would very much like the Company to communicate this to the market in a proactive manner too.

Sawamura Just as you said, the foundation of a “solution-oriented business model,” under which we clearly identify customer needs and make proposals, is precisely intellectual property, including patents. From June 2026, we appointed Executive Operating Officer Kang, who was newly assigned as a Director, as CTO* and established a structure to promote strategies including intellectual property that can become pillars of future earnings. We intend to add such strategies to the “NOF VISION 2030” we have been advancing and aim for major growth. Thank you very much for today.

* Chief Technology Officer

