

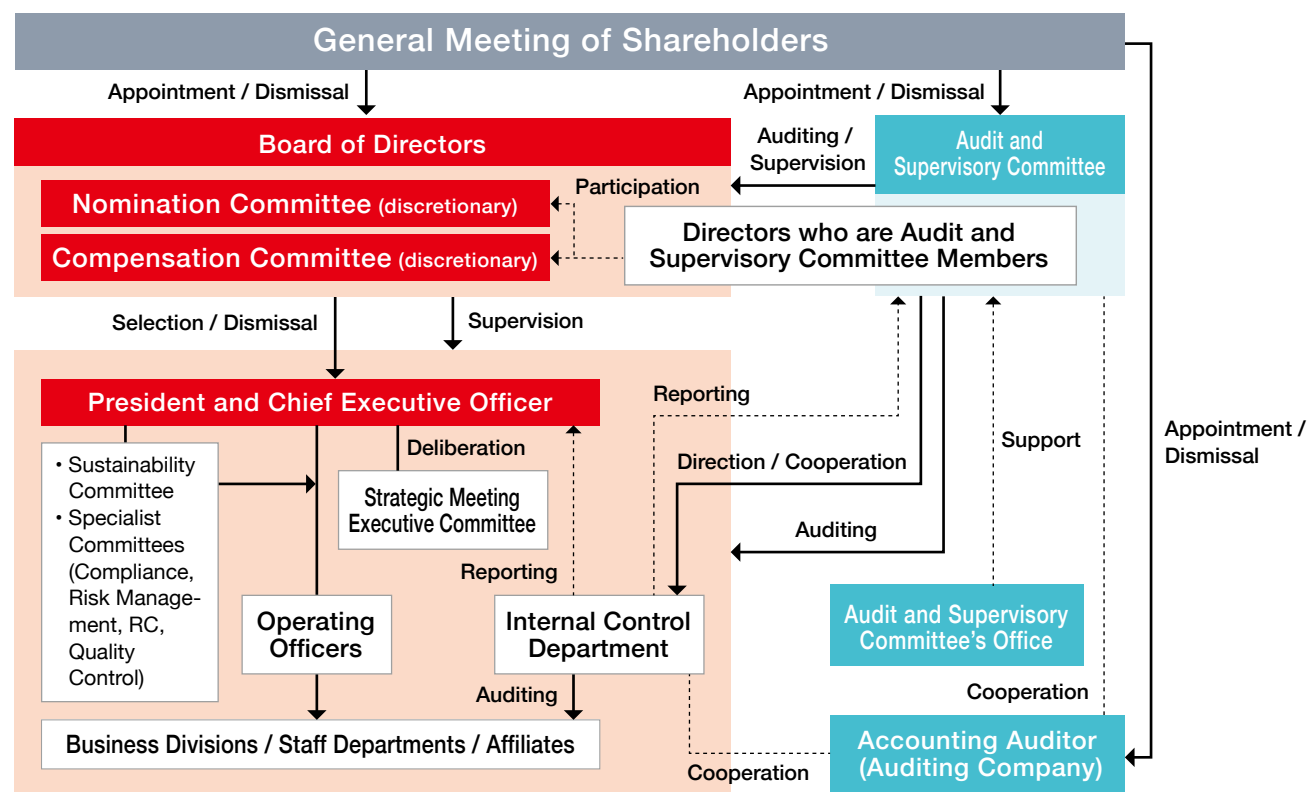


With a view to architecting a management setup that can appropriately respond to changes in the business environment, NOF introduced the operating officer system in 2000. It was intended to strengthen the decision making function and the supervision function of the Board of Directors and at the same time to enhance the efficiency of the executive setup under authorization by the Representative Director by separating the decision making function and the business executing function of management. In 2021, we shifted to being a company with an Audit and Supervisory Committee and appointed five independent Outside Directors (including Audit and Supervisory Committee members). This move was motivated by our determination to further strengthen the supervisory function of the Board of Directors by assigning voting rights for Board of Directors meetings to Directors who are Audit and Supervisory Committee members and to increase management efficiency and further improve corporate governance by facilitating agile decision-making. The Board of Directors, consisting of ten members including five Outside Directors, holds one regular meeting every month and extraordinary sessions are also convened as required. Besides deciding on important matters set forth by laws, regulations, the articles of incorporation, and the rules of the Board of Directors, the Board supervises the state of business execution. Any important matter to be referred to the Board of Directors goes through preliminary deliberation,

intended to ensure more appropriate decision making, by the Executive Committee from time to time attended by Directors who concurrently serve as Operating Officers, Operating Officers with a title, standing Audit and Supervisory Committee members, and heads of the organizational unit or units concerned or the weekly Strategic Meeting as a rule

attended by the Directors who concurrently serve as Operating Officers and Operating Officers with a title. To supplement these meetings, NOF from time to time receives advice from such experts as lawyers and certified public accountants regarding business management and daily execution of business for reference in making judgment on business affairs.

Corporate governance diagram





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.



Sustainability approach and initiatives (role of the highest governance body)

The NOF Group’s sustainability approach and initiatives are as follows.

Governance and risk management for sustainability in general

The NOF Group identifies materiality (important issues) related to sustainability through discussions in the Strategic Meeting, which is composed of Directors concurrently serving as Operating Officers as well as Operating Officers with a title, and the Sustainability Committee, which is chaired by the President. The Board of Directors then approves the materiality. For each materiality issue, KPIs and target values are set and activities are promoted by the supervising organization or department in charge. The progress and results are reported to the Sustainability Committee. The Sustainability Committee reviews materiality with the participation of all directors, and examines key issue items, KPIs, target values, and response policies in order to continuously improve the level of activities.

In regard to risks, the Risk Management Committee conducts a comprehensive assessment, and the various specialist committees supervise monitoring and managing the progress of risk countermeasures and response measures.

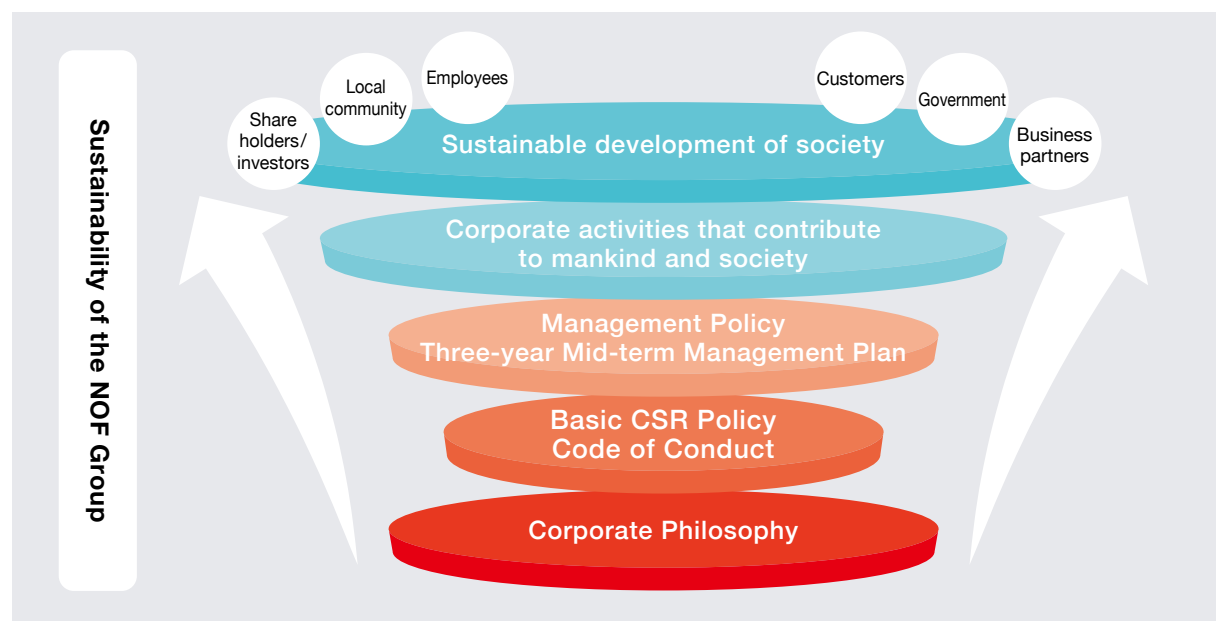
Opportunities are discussed by the Executive Management Committee and the Priority Business

Review Committee, and important matters are deliberated by the Executive Committee. A system has been put in place in which the results of these committees and meetings are reported to the Board of Directors at least twice a year for supervision.

Promotion of CSR

We will increase frequency of activities of the Sustainability Committee, an umbrella organization chaired by the President, as well as the various specialty committees to strengthen risk management system.

CSR promotion framework







	Name	Position	Years in current position	Business management, business administration, DX	R&D, quality and production technologies	Sales and marketing, SCM	Overseas business, global	Legal and ESG, environment and safety, HR and labor	Finance and accounting
Directors	1 Takeo Miyaji	Representative Director, Executive Chairman	12 years	●		●		●	●
	2 Koji Sawamura	Representative Director, President and CEO	-	●	●	●	●		
	3 Manabu Saito	Director and Executive Operating Officer	-	●		●		●	●
	4 Kazuyoshi Yamauchi	Director and Executive Operating Officer	2 years	●	●		●	●	
Outside	5 Shingo Unami	Outside Director	2 years	●				●	●
	6 Izumi Hayashi	Outside Director	2 years				●	●	
Audit and Supervisory Committee member	7 Masanobu Miyo	Audit and Supervisory Committee Member Directors	3 years	●		●	●		
	8 Kunimitsu Ito	Audit and Supervisory Committee Member Outside Director	3 years				●		●
	9 Yuriko Sagara	Audit and Supervisory Committee Member Outside Director	2 years				●	●	
	10 Keiichi Miura	Audit and Supervisory Committee Member Outside Director	2 years	●	●			●	

*The ● symbols indicate skills that are particularly expected of each director.

*The above table does not indicate all professional skills possessed by each individual.

**The number of years in current position indicates the terms of directors as of the close of the 100th Annual General Meeting of Shareholders.



Outside Director

Name	Audit and Supervisory Committee	Independent Director/Auditor	Reasons for Election	Reason for selection as an independent director/auditor
Shingo Unami		●	Mr. Shingo Unami has abundant experience and advanced insight in the financial industry as well as extensive knowledge of corporate management. He provides appropriate opinions on overall management from a fair and objective standpoint. He serves as chairman of the Compensation Committee and as a member of the Nomination Committee, and works on in deliberations in the Sustainability Committee. The Company expects that he can continue to play a role going forward in advising management and supervising business execution from a professional perspective, including HR and labor matters and financial accounting.	Mr. Unami formerly had an executive role in Mizuho Trust & Banking Co., Ltd., with which the Company engages in transactions. However, as of the fiscal year ended March 31, 2023, the Company's total loans from this financial institution account for 1.3% of the Company's total assets, which is a low percentage. Furthermore, the Company is not dependent on any particular financial institution. For these reasons, the influence of the business relationship between Mizuho Trust & Banking Co., Ltd. and the Company is not equivalent to that of the relationship with a subsidiary or an affiliate, the standard for consideration as a "major business partner" with regard to the decision-making of the Company's business execution. For the above reasons, the Company has deemed that there is no risk of Mr. Unami having a conflict of interest with general shareholders, and has designated him as an Independent Officer.
Izumi Hayashi		●	Ms. Izumi Hayashi is well versed in corporate legal affairs and has advanced knowledge of intellectual property and corporate compliance. She has served as an Outside Director. She is chairwoman of the Nomination Committee, is a member of the Compensation Committee, and engages in deliberations in the Sustainability Committee. The Company expects that she can continue to play a role going forward in advising management and appropriately supervising business execution from a global and professional perspective, including legal and risk management.	Ms. Hayashi meets the Tokyo Stock Exchange's requirements for independent officers and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." The Company has registered her as an Independent Officer with the Tokyo Stock Exchange as defined by the exchange. Ms. Hayashi is a partner of Sakurazaka Law Offices, but there are no consulting or other relationships involving commissioning of legal services between the Company and this office. The Company has no history of payments to this firm in the past three years. For the above reasons, the Company has deemed that there is no risk of Ms. Hayashi having a conflict of interest with general shareholders, and has designated her as an Independent Officer.
Kunimitsu Ito	●	●	Mr. Kunimitsu Ito is a certified public accountant and tax accountant with deep insight on accounting and taxation. He serves as a member of the Nomination Committee and the Compensation Committee, and also engages in deliberation in the Sustainability Committee. Although he has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that he will be able to continue to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on his specialized knowledge. Therefore, the Company has elected him.	Mr. Ito meets the Tokyo Stock Exchange's requirements for independent officers and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." The Company has registered her as an Independent Officer with the Tokyo Stock Exchange as defined by the exchange. Mr. Ito is the representative of ITO ACCOUNTING FIRM, but there are no consulting or other relationships involving commissioning of accounting and tax services between the Company and this firm. The Company has no history of payments to this firm. For the above reasons, the Company has deemed that there is no risk of Ms. Hayashi having a conflict of interest with general shareholders, and has designated her as an Independent Officer.
Yuriko Sagara	●	●	Ms. Yuriko Sagara has a high level of expertise and global-based knowledge as an attorney. In addition, as a patent attorney, she has a deep level of insight on intellectual property. She is a member of the Nomination Committee and Compensation Committee, attends meetings of the Sustainability Committee, and engages in the deliberations of these committees. Although she has never been involved in corporate management other than as an outside officer, the Company deems that she will continue to fulfill her duties as an appropriate auditor and supervisor of business execution.	Ms. Sagara meets the Tokyo Stock Exchange's requirements for independent officers and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." The Company has registered her as an Independent Officer with the Tokyo Stock Exchange as defined by the exchange. Ms. Sagara is a partner of Nakamura & Partners, but there is no consulting relationship between the Company and this office. The Company has paid an average of approximately ¥100,000 to this office each year over the past three years. For the above reasons, the Company has deemed that there is no risk of Ms. Hayashi having a conflict of interest with general shareholders, and has designated her as an Independent Officer.
Keiichi Miura	●	●	Mr. Keiichi Miura has been engaged in the management of TAIHEIYO CEMENT CORPORATION, and has abundant experience and advanced insight and capabilities regarding research planning, etc. He also has extensive experience, having served in positions such as outside director in the chemicals industry. He is a member of the Nomination Committee and Compensation Committee, attends meetings of the Sustainability Committee, and engages in the deliberations of these committees. For the reasons above, the Company deemed that he can continue to perform his duties such as appropriate auditing and supervision of business execution. Therefore, the Company has elected him.	Mr. Miura meets the Tokyo Stock Exchange's requirements for independent officers and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." The Company has registered her as an Independent Officer with the Tokyo Stock Exchange as defined by the exchange. Mr. Miura formerly had an executive role in TAIHEIYO CEMENT CORPORATION, but there are no transactional relationships between the Company and this company. For the above reasons, the Company has deemed that there is no risk of Mr. Miura having a conflict of interest with general shareholders, and has designated him as an Independent Officer.



Conflicts of interest

Processes conducted by our highest governance body to prevent and mitigate conflicts of interest

Competitive and proprietary transactions between NOF and its Directors are subject to approval by the Board of Directors under the “Rules of the Board of Directors.”

Mutual appointment to the Board of Directors

There are no cases of mutual appointments.

Cross-shareholdings with suppliers and other stakeholders

NOF holds shares for policy purposes only when it deems it reasonable based on a comprehensive assessment of the risks and capital costs involved in holding the shares, with the aim of enhancing NOF’s corporate value over the medium to long term through smooth business operations and the maintenance and strengthening of business relationships. Under the basic policy of reducing cross-shareholdings that are considered to be of unsubstantial significance, the Board of Directors examines each share and reviews whether to continue holding it on an annual basis. As a result of its review, NOF sold some of its cross-shareholdings in FY2022 to reduce its holdings. In the event that a shareholder that holds NOF

shares for policy purposes expresses the intention to sell NOF shares or another such action, NOF will not prevent the shareholder from doing so by, for example, suggesting the curtailing of transactions. NOF will not engage in transactions with shareholders that hold NOF shares for policy purposes that are detrimental to the company or the common interests of shareholders, such as continuing transactions without fully verifying the economic rationality for the transactions.

Existence of controlling shareholder(s)

There is no controlling shareholder(s).

Related parties, relationships with related parties, transactions, and outstanding balances

As NOF does not currently have a parent company or major shareholders holding 10% or more of its shares, no approval procedures have been established for transactions with these shareholders.



Analysis and evaluation of effectiveness of the Board as a whole

NOF analyzes and evaluates the effectiveness of the Directors once a year, in principle.

Since fiscal 2016, NOF has implemented an effectiveness evaluation every year. In fiscal 2022, the Company employed a questionnaire form crafted by an external institution, and implemented the Directors effectiveness evaluation questionnaire by surveying all 10 Directors.

By combining a five-level rating scale and open-ended questions, the questionnaire aimed to understand current conditions and identify challenges from both aspects of quantitative and qualitative evaluation.

As the questionnaire was answered by sending responses directly to the external institution, anonymity was ensured. The tallying and analysis of the questionnaire forms was also delegated to an external institution, for the purpose of securing

objectivity and further increasing the effectiveness of the Board of Directors going forward.

Based on the tallying and analysis of the results of the external institution, the Board of Directors conducted a deliberation and evaluation in April and May of 2023. The results of the fiscal 2022 effectiveness evaluation and points of improvement for the future are as follows.

Summary of results for fiscal 2022 effectiveness evaluation

The NOF Board of Directors ensures a suitable diversity of knowledge, experience, and abilities necessary in light of management strategies and provides appropriate opportunities to utilize the experience and expertise of Outside Directors. Through this, it was confirmed that the Board of Directors is generally operating appropriately, with Outside Directors freely and openly expressing

their opinions based on their careers and expertise, open and active discussions taking place as a Board of Directors, and ensuring of sufficient time for deliberation on important matters.

Among the challenges identified in the fiscal 2021 effectiveness evaluation, improvements were seen in the top management succession plan, such as semi-annual checks and discussions on the progress of the training process by the Nomination Committee. With regard to initiatives for constructive dialogue with shareholders, the Board of Directors held in-depth discussions after receiving reports from the divisions with jurisdiction over the matter.

Points of improvement for the future

It was confirmed that we will continue to further enhance our overall governance structure, including the top management succession plan.

Question matters in the questionnaire (30 total questions)

- Roles and functions of the Board of Directors (5 questions)
- Scale and composition of the Board of Directors (4 questions)
- Operation of the Board of Directors (5 questions)
- Cooperation with auditing institutions, etc. (4 questions)
- Relationship with Outside Directors (3 questions)
- Relationship with shareholders and investors (3 questions)
- Future direction of the Board of Directors' function (1 question)
- Degree of Improvement (1 question)
- Open-ended section (4 questions)



Method of determining policy concerning details of compensation, etc. of individual Directors

Regarding the policy on compensation of Directors (excluding Audit and Supervisory Committee members), after undergoing deliberation by the Compensation Committee, an advisory body to the Board of Directors, a resolution on partial revision of the policy was reached at the Board of Directors meeting held on January 27, 2023.

Overview of contents of determination policy

Under the policy to promote sustainable growth and medium- to long-term enhancement of corporate value based on the Company's Corporate Philosophy and reward Directors for business results and other achievements through an appropriate level of compensation, compensation for Directors consists of monthly compensation, bonuses, and stock compensation. In order to maintain incentives, at least 40% of the compensation paid is set as performance-linked compensation (bonuses, ESG indicators-linked compensation, stock compensation). Compensation for Outside Directors is limited to fixed compensation.

Compensation system

Type	Deliberation and resolution method
Fixed compensation	Calculation methods, etc. of fixed compensation for Directors are deliberated by the Compensation Committee and resolved at the Board of Directors meeting. In addition, with regard to the determination of the specific details of the amount of fixed compensation for each individual director, excluding members of the Audit and Supervisory Committee, a resolution is passed by the Board of Directors after deliberation by the Compensation Committee.
Performance-linked compensation	Bonuses Calculation methods, etc. of bonuses for Directors (excluding Audit and Supervisory Committee members and Outside Directors) are deliberated by the Compensation Committee and resolved at the Board of Directors meeting. The calculation method of the said bonuses is based on consolidated operating income, an important indicator related to the Group's business performance evaluation. The base amount is multiplied by a designated coefficient determined for each Director position. The Compensation Committee verifies this calculation method and the amount paid in each term.
	ESG indicators-linked compensation At the Board of Directors meeting held on January 27, 2023, it was decided to use a calculation method utilizing the level of achievement of ESG indicators and other factors for a portion of the compensation for Directors (excluding Audit and Supervisory Committee members and Outside Directors) in the next term.
	Stock compensation Based on the resolution of the 96th Annual General Meeting of Shareholders held on June 27, 2019, a new performance-linked stock compensation plan (Board Benefit Trust) was introduced. At the 98th Annual General Meeting of Shareholders held on June 29, 2021, NOF transitioned to being a company with an Audit and Supervisory Committee. In conjunction with this transition, the plan applies to Directors who concurrently serve as Operating Officers and Operating Officers with a title (excluding Outside Directors and Audit and Supervisory Committee members, hereinafter collectively "Directors, etc."). For each fiscal year, the Directors, etc. are awarded points, the number of which is to be decided taking into account their respective positions, achievement level of their performance, etc. based on the Officer Stock Distribution Rules. Each point awarded to the Directors, etc. is converted into one share of the Company's common stock at the time of the distribution of the Company's shares, etc. (In the event of a stock split, allotment of shares without contribution, or a consolidation of shares, the maximum number of points, the number of points already granted, and the conversion ratio will be reasonably adjusted in accordance with such ratio, etc.) The number of points held by a Director, etc., which will be used as the basis for the distribution of the Company's shares, etc., is, in principle, the number of points awarded to the said Director, etc. by the time of his/her retirement. The Officer Stock Distribution Rules, which determine the calculation method, etc., which considers such matters as the respective positions and achievement level of performance targets of the Directors, etc., is deliberated by the Compensation Committee and then resolved by the Board of Directors.

Calculation methods of stock compensation

1. Calculation methods of points awarded

The number of points awarded is calculated by multiplying the number of position-based points, decided for each position, by the performance evaluation coefficient, which is determined by the achievement level, etc. of consolidated operating income in the Mid-term Management Plan, an important index for the evaluation of the NOF Group's business performance.

(Formula) Number of position-based points × Performance evaluation coefficient *Taking into account the achievement level of performance, the value of the performance evaluation coefficient varies between 0 and 1.5.

2. Distribution methods

Distribution takes place after the retirement of Directors, etc., and the Company's shares and cash, equivalent to the Defined Number of Points, are distributed (when distributed as survivor benefits, cash is distributed).

3. Achievement level of the target for consolidated operating income in the Mid-term Management Plan during the fiscal year under review

The planned target for consolidated operating income in the 2022 Mid-Term Management Plan is ¥29.0 billion (final year of the said plan). The actual result of consolidated operating income in the fiscal year under review was ¥40.6 billion, representing a 140.08% achievement level in the fiscal year, calculated according to the level of growth in the period of the 2022 Mid-Term Management Plan. The Compensation Committee verifies the number of points awarded based on the defined calculation method in each term.



Reasons why the Board of Directors deemed that details of compensation, etc. of individual Directors concerning the fiscal year under review aligned with the determination policy

For matters regarding the compensation system and policy concerning Directors, matters regarding the calculation method in determining specific compensation amounts for Directors, and individual compensation amounts, etc., the Compensation Committee conducts deliberations from a multi-faceted perspective, including compliance with the policy on compensation of Directors. The Board of Directors respects the results of the deliberations, and deems that they are aligned with the said policy. Furthermore, the Compensation Committee consists of five Outside Directors and two Internal Directors, with an independent Outside Director serving as the Chairperson.

Total amount of compensation, etc. by officer category, total amount of compensation, etc. by type, and number of eligible officers

Category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of eligible officers (people)
		Fixed compensation	Bonuses	Stock compensation	
Directors (Excluding Audit and Supervisory Committee members and Outside Directors)	204	118	68	16	4
Audit and Supervisory Committee members (excluding Outside Directors)	24	24	–	–	1
Outside Officers	45	45	–	–	5

* The maximum amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee members) was resolved to be ¥360 million per year (including ¥40 million per year for Outside Directors, but excluding remuneration received as employees) at the 98th Annual General Meeting of Shareholders held on June 29, 2021. There were six Directors as of the conclusion of the aforementioned Annual General Meeting of Shareholders (including two Outside Directors).

* Based on the resolution of the 98th Annual General Meeting of Shareholders held on June 29, 2021, the Company will contribute up to a maximum of 12,000 points to the performance-linked stock compensation plan (Board Benefit Trust) for Directors who concurrently serve as

* Operating Officers, per fiscal year (each point awarded to the Directors, etc. is converted into one share of the Company's common stock at the time of the distribution of the Company's shares, etc.). There were four Directors who concurrently served as Operating Officers following the aforementioned Annual General Meeting of Shareholders.

The maximum amount of compensation for Directors who are Audit and Supervisory Committee members (¥80 million per year) was resolved at the 98th Annual General Meeting of Shareholders held on June 29, 2021. There were four Directors who concurrently served as Audit and Supervisory Committee members following the aforementioned Annual General Meeting of Shareholders.