



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 the propriety of holding it on an annual basis. As a result of its review, NOF sold some of its cross-shareholdings in FY2023 to reduce its holdings.

We aim to reduce the ratio of cross-shareholdings to consolidated net assets to 15% or less by the end of FY2025.

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 Board of Directors once a year, in principle. Since fiscal 2016, NOF has implemented an effectiveness evaluation every year. In fiscal 2023, the Company employed a questionnaire form crafted by an external institution, and implemented the Board of 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 2023.

Summary of results for fiscal 2023 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. It was confirmed that based on the Corporate Philosophy and values of the NOF Group, the Board of Directors is generally operating appropriately, with Directors freely and openly expressing their opinions while leveraging 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.

To further enhance the overall governance structure, the challenge recognized in the fiscal 2022 effectiveness evaluation, the Board of Directors decided to appoint the C-suite to direct strategies across the entire Company. Through this initiative, we will further strengthen our governance structure.

Points of improvement for the future

It was confirmed that the Company will continue to further expand the agenda of the Board of Directors to include discussions toward the realization of cost of capital-conscious management and on non-financial information, such as sustainability.

Question matters in the questionnaire (30 total questions)

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