



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.
	Bonus	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 (monthly compensation) for Directors (excluding Audit and Supervisory Committee members and Outside Directors) in the next term. The calculation method for this compensation is determined by multiplying a standard amount, set for each position, by an evaluation coefficient that reflects the degree of achievement concerning ESG indicators related to the NOF Group's efforts toward sustainability challenges. The Compensation Committee reviews this calculation method and the payment amounts each fiscal year.
	Stock compensation	<p>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.").</p> <p>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.</p> <p>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., are deliberated by the Compensation Committee and then resolved by the Board of Directors.</p>

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 and ROE 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

*Performance evaluation coefficient= (performance evaluation coefficient based on consolidated operating income × 50%) + (performance evaluation coefficient based on ROE × 50%)

*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 targets for consolidated operating income and ROE during the fiscal year

The planned target for consolidated operating income in the 2025 Mid-term Management Plan is ¥46.0 billion (final year of the said plan). The actual result of consolidated operating income in the fiscal year under review was ¥42.1 billion, representing a 99.4% achievement level in the fiscal year, calculated according to the level of growth in the period of the 2025 Mid-term Management Plan. In addition, the ROE target for the final fiscal year of the 2025 Mid-term Management Plan is 12% or more, and the actual ROE for this fiscal year was 13.48%, representing a 112.3% achievement level of the target.



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, and an independent Outside Director serves 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	Bonus	Stock compensation	
Directors (Excluding Audit and Supervisory Committee members and Outside Directors)	226	137	75	13	6
Audit and Supervisory Committee members (excluding Outside Directors)	24	24	—	—	2
Outside Officers	45	45	—	—	5

- *1 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).
- *2 Separate from the maximum amount of compensation for Directors mentioned in point 1 (excluding Directors who are Audit & Supervisory Committee members), 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 Company conducted a split of common stock at the ratio of 1 share to 3 shares effective April 1, 2024. Therefore, from that date onward, the maximum total number of points granted per fiscal year to Directors who concurrently serve as Operating Officers is set at 36,000 points.
- *3 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 Annual General Meeting of Shareholders.