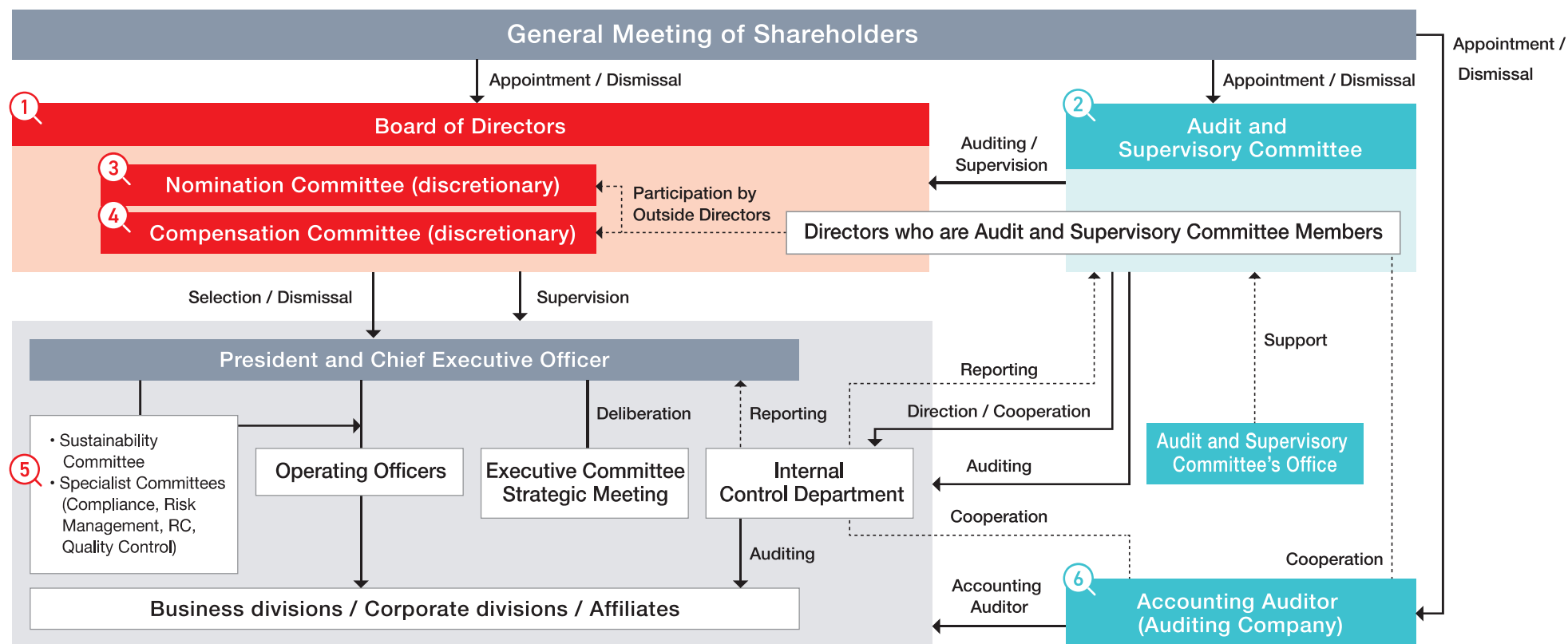


Corporate Governance

Policy (our fundamental view)

In order to respond precisely to changes in the business environment and the intensifying competition between companies, NOF strives to speed up management decisions and, from the perspective of securing transparency and improving accountability, recognizes that the strengthening of corporate governance is an important issue, and endeavors to secure the effectiveness thereof.

Corporate governance diagram



Corporate Governance

1

Board of Directors

The Board of Directors, consisting of ten members including five independent 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.

2

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four Directors, including three independent Outside Directors. In accordance with auditing policy and standards, the standing Audit and Supervisory Committee members play a leading role in attending important meetings including meetings of the Executive Committee, implementing audits through inspection of important documents, and supervising the business execution of Directors. In addition, with regard to internal control, the Committee receives reports on audit plans and audit results conducted by the Internal Control Office, our Internal Audit Department, and confirms the situation to aim for effective collaboration, including giving instructions for investigations as necessary. In addition, the Committee maintains close cooperation with the Accounting Auditor by holding meetings regularly and as necessary to exchange relevant information, including receiving reports on audit plans and audit results.

3

Nomination Committee

In order to improve the oversight function of the Board of Directors and strengthen the corporate governance system, the Nomination Committee, which is a voluntary advisory committee to the Board of Directors, has been established. In consultation with the Board of Directors, the Nomination Committee deliberates and reports to the Board of Directors on matters such as the election and dismissal of directors (excluding Audit Committee members), the selection and dismissal of representative directors, and succession planning for such directors. The committee is chaired by an independent Outside Director, and consists of five independent Outside Directors and two Internal Directors. This ensures the committee's independence and objectivity.

4

Compensation Committee

In order to improve the oversight function of the Board of Directors and strengthen the corporate governance system, the Compensation Committee, which is a voluntary advisory committee to the Board of Directors, has been established. 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. The committee is chaired by an independent Outside Director, and consists of five independent Outside Directors and two Internal Directors. This ensures the committee's independence and objectivity.

5

Specialist committees

For management risks, the Risk Management Committee takes the lead in conducting company-wide risk assessments. The Risk Management Committee, Responsible Care Committee, Quality Control Committee, and other specialized committees analyze risks, consider counter-measures, analyze and evaluate matters under their jurisdiction, and report to the Board of Directors.

6

Accounting Auditor

Ernst & Young ShinNihon LLC has been selected as the Accounting Auditor.

Outside Directors

Name	Audit and Supervisory Committee Member	Independent Director/Auditor	Reasons for election
Shingo Unami		●	Mr. Shingo Unami has abundant experience and advanced insight in the financial industry, as well as broad knowledge in corporate management, and provides appropriate opinions on overall management from a fair and objective standpoint. He is also a member of the Compensation Committee and the Nomination Committee, attends meetings of the Sustainability Committee, and engages in the deliberations of these committees. The Company expects that he can continue to play a role in advising management and appropriately supervising business execution from his professional perspective, including his high expertise on HR and labor matters and financial accounting.
Izumi Hayashi		●	As an attorney, Ms. Izumi Hayashi is well versed in corporate legal affairs and has advanced knowledge of intellectual property and corporate compliance. She fulfills her role as an Outside Director of NOF. She is also a member of the Nomination Committee and the 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, for the above reasons, the Company expects that she can continue to play a role going forward in advising management and appropriately supervising business execution from her professional perspective, including her global view of legal and risk management.
Kunimitsu Ito	●	●	Mr. Kunimitsu Ito is a certified public accountant and tax accountant with deep insight on accounting and taxation. He is a member of the Nomination Committee and the Compensation Committee, attends meetings of the Sustainability Committee, and engages in the deliberations of these committees. Although he has never been involved in corporate management except as an outside officer, for the reasons above, the Company expects 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.
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 the 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 except as an outside officer, for the reasons above, the Company expects that she will be able to continue to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on her specialized knowledge.
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 and knowledge, having served in positions such as outside director in the chemicals industry. He is a member of the Nomination Committee and the Compensation Committee, attends meetings of the Sustainability Committee, and engages in the deliberations of these committees. For the reasons above, the Company expects that he will be able to continue to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution, based on his abundant experience and knowledge of advanced technology as a corporate manager.

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

Corporate Governance

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.

Overview of the policy on determining compensation

Under the policy to promote sustainable growth and medium- to long-term enhancement of corporate value based on our Corporate Philosophy and reward Directors for business results and other achievements through an appropriate level of compensation with decisions made through a fair and transparent process, compensation for Directors, excluding Audit and Supervisory Committee members, 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. In addition, the compensation system, compensation levels, individual compensation, and other such matters are deliberated by the Compensation Committee.

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 (monthly compensation) for Directors (excluding Audit and Supervisory Committee members and Outside Directors). The method for calculating this compensation is based on ESG indicators related to the NOF Group's efforts to address sustainability challenges. It is determined by multiplying a standard amount, which is set for each Director position, by an evaluation coefficient that reflects the degree of achievement. The Compensation Committee verifies this calculation method and the amount paid in each term.
	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>