

# Corporate Governance Report

Last Update: June 27, 2023

**NOF CORPORATION**

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Securities Code: 4403

<https://www.nof.co.jp/english>

The corporate governance of NOF CORPORATION (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views Updated**

Under the corporate philosophy of “contributing to humanity and society as a corporate group that creates new value through the power of chemistry, from the biosphere to outer space,” the Company aims to realize stable and sustainable growth and development, as well as to continue to be a company valued by all kinds of stakeholders through fulfilling its corporate social responsibility as a member of our society, such as by protecting the natural environment and securing health and safety, in addition to compliance.

In order to respond precisely to changes in the business environment and the intensifying competition between companies, the Company 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.

### **[Reasons for Not Implementing the Principles of the Corporate Governance Code]**

(Applied Code)

The information in this report is based on the revised code issued in June 2021. The Company implements all the principles of the Corporate Governance Code.

### **[Disclosure Based on the Principles of the Corporate Governance Code] Updated**

[Principle 1.4 So-called Strategic Shareholdings]

(Policy on Strategic Shareholdings)

In order to improve the Company’s corporate value over the mid- to long-term by maintaining and enforcing smooth business operations and business relationships, the Company holds shares for strategic purposes only when it is deemed reasonable, after comprehensively considering factors such as risks of holding and the capital cost. Under the basic policy of reducing strategic shareholdings for which the significance of holding is deemed to have diminished, each year, strategic shareholdings shall be individually examined by the Board of Directors, who will review the pros and cons of continuing the holding. As a result of the above review, the Company sold and reduced a portion of its strategic shareholdings in fiscal 2022.

(Standards regarding Exercising of Voting Rights pertaining to Strategic Shareholdings)

Regarding the exercising of voting rights pertaining to strategic shareholdings, the Company shall exercise its voting rights, based on the premise that it would contribute to the Company’s interests, after comprehensively considering whether each proposal contributes to the sustainable growth and mid- to long-term improvement of the investee company’s corporate value, whether it would not damage shareholder value, etc. The Company shall review proposals submitted at the General Meeting of Shareholders, and make the

final judgment of approval or disapproval after examining each proposal individually for proposals that demonstrate the following.

- (1) A proposal deemed to be problematic from the standpoint of securing the company's corporate governance function
- (2) A proposal deemed to possibly damage shareholder value
- (3) A proposal on a dividend payout ratio which is deemed to be continuously low without sufficient explanation, or which is extremely high and may potentially have a negative impact on financial soundness

[Supplementary Principle 1.4]

(Response to Intentions of Holders of Strategic Shares to Sell the Company's Shares, etc.)

- (1) If a shareholder who holds the Company's shares as strategic shareholdings indicates his/her intention to sell the Company's shares, etc., the Company shall not prevent the sale of the strategic shares by, for instance, implying a possible reduction of business transaction.
- (2) The Company shall not engage in any transaction with a holder of the Company's shares as strategic shareholdings that would damage the interests of the companies or the common interests of their shareholders by, for instance, continuing the transaction without adequately examining the underlying economic rationale.

[Principle 1.7 Related Party Transactions]

A transaction between the Company and its Directors that involves a conflict of interest or is a self-dealing transaction requires approval by the Board of Directors, as stated in the "Rules of the Board of Directors." As the Company does not currently have a parent company or a major shareholder who holds 10% or more of the Company's shares, the procedures for approval when conducting a transaction with such a shareholder has not been stipulated.

[Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources]

The Company has ceaselessly taken on the challenge of entering new fields to earnestly address the ever-changing and diversifying needs of the market. In order to support and further expand its wide range of businesses "from the biosphere to outer space," the Company engages in recruiting activities that respect the individualism and values of diverse human resources.

"People" are what make up an entity, and it is important that diverse human resources of different specialties and expertise collaborate, inspire each other and lift each other up. For this reason, the Company is promoting diversity regardless of gender, nationality or whether they are new-graduates or mid-career recruits when promoting core human resources, recognizing that the vitality generated from diversity supports the development of our business.

[Approach to diversity]

In order to fulfill our Corporate Philosophy to "Encourage employees to take on new challenges, working to create a rewarding place to work and fulfilling lifestyles," the Group accepts and respects diversity in the attributes of our people, such as nationality, gender, race, and whether or not they have a disability. The Group aims to establish and is currently building an organization in which willing and capable employees are properly evaluated in every aspect including recruitment, treatment after recruitment and promotions, and are allowed to demonstrate their capabilities.

[Promotion of the active participation of women]

The Company actively recruits women and strives to enhance its workplace environment in which women can play an active role. We are working to create diversity in work styles, including shortened working hours, and in working conditions such as employment status and working location through various childcare and nursing care systems. Moreover, we will promote the improvement of the in-house environment in various ways, such as by conducting training concerning the active participation of women for new-graduate employees and newly appointed managers and effectively implementing skill development (\*) according to the individuality and occupation of each employee.

Target: Percentage of female new graduates recruited for career-track positions above 30%

(We have reached this target each fiscal year since 2016)

More than triple the number of women in management positions

(From the end of fiscal 2021 to fiscal 2030)

(\*) For details, please refer to the Skill Development System clause of “(1) Investment in Human Capital” in [Supplementary Principle 3.1.3].

[Promotion of international human resources and mid-career recruits]

The Group recognizes the importance of securing superior human resources regardless of nationality, and, especially when expanding overseas business, we appropriately secure human resources, including the recruitment of experienced personnel. Our overseas Group companies (overseas subsidiaries) have been hiring local employees and promoting them to management positions, and will continue to hire non-Japanese employees.

For mid-career recruits, the Company actively promotes the recruitment of human resources (career human resources) who possess knowledge and experience necessary for the Company and their promotion to management positions. We also hire mid-career employees in conjunction with business expansion and other cases.

The Company develops human resources and promotes human resources to management positions regardless of nationality and career, and we have not set a target for the ratio of international human resources and mid-career recruits in management positions.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

Regarding the Company’s contract-type defined benefit corporate pension plan, the Company establishes an Asset Management Committee chaired by the General Manager of the Human Resources & General Affairs Department and stipulates basic policies regarding the management of pension assets. In addition, the Company formulates its policy asset mix from a mid- to long-term perspective by utilizing ALM for pension funds, and the internal department in charge periodically receives information from trust banks and life insurance companies, which are asset managers, monitors the management status, and reviews composition ratios as necessary. All of the asset managers that the Company has entrusted its funds to have declared their acceptance of Japan’s Stewardship Code, and the Company delegates the exercising of voting rights to these asset managers.

[Principle 3.1 Enhancement of Information Disclosure]

(1) The Company’s Goals (Corporate Philosophy, etc.), Corporate Strategy, Management Plan

[Corporate Philosophy]

The NOF Group is dedicated to contributing to humanity and society as a corporate group that creates new value through the power of chemistry, from the biosphere to outer space.

[Values]

“Challenge,” “Fairness,” “Harmony”

[Code of Conduct]

1. Provide the highest quality products and services globally for the development of humanity and society.
2. Leverage the group’s collective strengths to develop cutting-edge technologies and products that create new value across a wide range of fields.
3. Take on ambitious challenges to achieve personal growth and a fulfilling lifestyle.
4. Respect diversity and act fairly with high ethical standards and good sense.
5. Be conscious of safety and being in harmony with the environment, while solving social issues by bringing everyone’s strengths together.

Based on the Corporate Philosophy, Values, and Code of Conduct above, the Company strives to provide new value to realize a prosperous and sustainable society.

As long-term challenges become increasingly serious on a global scale, such as global warming, food shortages due to rising populations, and the depletion of resources and energy, there are more and more expectations for innovations in the field of chemical materials to solve these challenges and move toward a sustainable society. To respond to these challenges, the Company is engaged in the development of new technologies and products in its three prioritized business fields of “life/healthcare,” “electronics/IT,” and “environment/energy.”

Overview of the Mid-Term Management Plan is disclosed on the Company’s website.

(2) Basic Views and Basic Policy on Corporate Governance

Please refer to the information stated in “Basic Views” in I-1 of this report.

(3) Policy and Procedures for the Board of Directors in the Determination of Compensation for Management Team Executives and Directors

Please refer to the Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods stated in “Organizational Composition and Operation [Director Remuneration]” in II. 1. of this report.

(4) Policy and Procedures for the Board of Directors in the Election and Dismissal of Management Team Executives, and Nomination of Candidates for Directors and Directors who are Audit and Supervisory Committee Members

In the election of management team executives and nomination of candidates for Directors and Directors who are Audit and Supervisory Committee Members, the Company’s policy is to make a comprehensive assessment of each candidate’s knowledge, experience, character and insight, etc., and elect or nominate a person deemed suitable to fulfill the position’s duties and responsibilities. Based on this policy, candidates for Directors are determined by the Board of Directors after deliberation by the Nomination Committee, while candidates for Directors who are Audit and Supervisory Committee Members are determined by the Board of Directors after obtaining the approval of the Audit and Supervisory Committee. The Audit and Supervisory Committee decides on opinions about the election and compensation for Directors other than Directors who are Audit and Supervisory Committee Members.

In the case where an event which warrants the dismissal of a Director occurs (misconduct committed in violation of laws and regulations or the Articles of Incorporation, lack of capabilities to fulfill duties and significant ineptitude, inability to execute duties due to deteriorated health, etc.), after deliberation by the Nomination Committee, the Board of Directors will determine if the dismissal proposal of the Director shall be approved.

(5) Board of Directors’ Explanation for Each Election, Dismissal and Nomination in the Election of Management Team Executives and Nomination of Candidates for Directors and Directors who are Audit and Supervisory Committee Members based on (4) above

The reasons for the election of candidates for Directors and Directors who are Audit and Supervisory Committee Members are stated in the Reference Documents for the General Meeting of Shareholders.

[Supplementary Principle 3.1.3 Sustainability Initiatives, Investment in Human Capital and Intellectual Property, etc.]

Sustainability Initiatives

After discussion at Strategic Meetings, which consist of Directors and Operating Officers and Operating Officers with a title, and the Sustainability Committee, which is chaired by the President, the Group identifies items of materiality (important issues) related to sustainability and approves them at Board of Directors meetings. The lead divisions and divisions tasked with handling the materialities draft KPIs and numerical targets for each item, carry out their respective activities, and report the status and results of such activities to the Sustainability Committee. At the Sustainability Committee, all Directors participate in reviewing items of materiality and reassess important issues, KPIs, numerical targets, and response policies in order to aim for the continuous improvement of activity levels. For details, please see “Sustainability” on our website.

<https://www.nof.co.jp/english/csr>

Moreover, under the Corporate Philosophy of contributing to humanity and society as a corporate group that creates new value through the power of chemistry, “from the biosphere to outer space,” the Group has clearly codified respect for human rights in its Basic CSR Policy and Code of Ethical Conduct and promotes its initiatives for respecting human rights. In the course of developing its business on a global basis, the Group shall support and respect international standards on human rights, including those established by the United Nations and the International Labour Organization (ILO), and fulfill its responsibility for respecting human rights across all of its corporate activities. To this end, the Company has established the NOF Group Human Rights Policy to push its efforts to respect Human Rights forward.

<https://www.nof.co.jp/english/company/ethical>

## Investment in Human Capital and Intellectual Property, etc.

### (1) Investment in Human Capital

Our greatest asset is human resources, and we believe that investing in human resources is one of the core measures of our corporate activities. Under the basic philosophy that “a company is its people,” we will actively carry out investing in human capital to support the growth of human resources who can embody the NOF Group’s “Values” of “Challenge,” “Fairness,” and “Harmony,” and create new value. As part of this, we will support employees in taking on new challenges through our skill development system.

Our skill development system consists of training at the organizational level that responds to specific issues, task-specific training that responds to issues relating to expertise improvement and job performance, and a self-improvement support program, supporting the skill development of employees in various ways. In addition, the skill development system is updated in order to be consistent with management issues and strategies based on discussions held at Human Resources Meetings and by the Board of Directors.

In this way, we effectively promote skill development according to the individuality and occupation of each employee, and actively support employees to take on new challenges.

### (2) Investment in Intellectual Property

- Basic Views

We are actively investing management resources in the three prioritized business fields of “life/healthcare,” “electronics/IT,” and “environment/energy.”

We are formulating intellectual property strategies based on corporate strategy and building a portfolio in accordance with the situation of the three prioritized fields with different business environments.

In order to respect the intellectual property rights of others and avoid disputes, we carry out regular patent searches and ensure patent clearance.

- Status of Intellectual Property in the Three Prioritized Fields

In order to build a portfolio of intellectual property in the three prioritized fields, we are actively applying for and aiming to acquire patents. In recent years, in particular, with the globalization of our business, the number of overseas patents held has increased significantly in the life/healthcare field.

## Response to Climate Change

In April 2022, the Group announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The Group will reduce greenhouse gas emissions in fiscal 2030 by 40% compared to fiscal 2013, and aim for carbon neutrality by 2050. For information disclosure in line with TCFD recommendations, please refer to the Company’s website. <https://www.nof.co.jp/english/csr/detail/414>

[Supplementary Principle 4.1.1 Overview of Scope of Board of Directors’ Delegation to Management Team]  
The Company has established internal regulations, and regarding decisions on business execution for matters other than important management matters that are to be decided by the Board of Directors under laws and regulations and the Articles of Incorporation, the authority of decision-making is delegated to the management team, in order to speed up the decision-making process.

### [Principle 4.9 Standards for Determining Independence]

The standards for determining the independence of Outside Directors (including Outside Directors who are Audit and Supervisory Committee Members; hereinafter collectively referred to as “Outside Officers”) of the Company are as follows. In the selection of candidates for Outside Officers, the Company selects candidates that fulfill the “Standards for Determination of the Independence of Outside Officers” as stipulated by the Company, as well as standards stipulated by the Companies Act and the Tokyo Stock Exchange.

### (Standards for Determination of the Independence of Outside Officers)

If none of the following apply to an Outside Officer, that Outside Officer is deemed to be independent.

- (1) The Group is a major business partner of the person (a payment amount of 2% or more of the person’s consolidated net sales in the most recent fiscal year were received from the Company) or is an executive in such a party (Note 1)

- (2) The person is a major business partner of the Group (a payment amount of 2% or more of the Company's consolidated net sales in the most recent fiscal year were received from the person) or is an executive in such a party (Note 1)
- (3) The person is a major borrower of the Group (an amount of 2% or more of the Company's consolidated total assets in the most recent fiscal year were lent to the Company by the person) or is an executive in such a party (Note 1)
- (4) The person is a major shareholder of the Company (the person directly or indirectly possesses 10% or more of the Company's total voting rights) or is an executive in such a party (Note 1)
- (5) The person is a member of the auditing firm that is the Group's Accounting Auditor
- (6) The person is an attorney, tax accountant, consultant, etc. that has received a large amount (Note 2) of money or other financial benefit from the Group other than officer remuneration
- (7) The person has received a large amount (Note 2) of donations or support from the Group, or is a director or executive in a company, union, or other organization to which this applies (Note 1)
- (8) The person who is an executive director (Note 3), a standing audit and supervisory committee member or a standing corporate auditor of the Group, is concurrently an outside director or outside corporate auditor of another company, and is an executive of the said company (Note 1)
- (9) Any of (1) through (8) above have applied within the past three years

Note 1: Executives refer to executives as stipulated in the Regulation for Enforcement of the Companies Act. This includes executive directors, executive officers, and other employees.

Note 2: A large amount refers to an average of 10,000,000 yen per year over the past three fiscal years in the case of individuals, or an amount exceeding 2% of the total consolidated net sales or income of a company, union, or other organization per year as an average over the past three fiscal years.

Note 3: Executive directors refer to executive directors as stipulated in the Companies Act, and applies to representative directors and directors that execute the operations of a company.

[Supplementary Principle 4.10.1 Views on Independence, Authority and Role of the Nomination and Compensation Committee]

Please refer to the information stated in "Organizational Composition and Operation [Voluntary Establishment of Nomination/Remuneration Committee] in II. 1. of this report.

[Supplementary Principle 4.11.1 Views on the Balance between Knowledge, Experience and Skills, as well as Diversity and Scale of the Board as a Whole]

As a general rule, the Board of Directors of the Company shall be composed in a well-balanced manner, comprising a diverse group of Directors who have knowledge, experience and skills necessary in making management decisions, in order to make appropriate and swift judgements. In selecting candidates for Directors (excepting Directors who are members of the Audit and Supervisory Committee), the Nomination Committee (chaired by an independent Outside Director with the majority of members being Outside Directors) conducts deliberations on Board structure from the perspectives of "Harmony of overall Director composition," "Maintaining and improving diversity," and "Maintaining the appropriate number of members." Furthermore, by selecting multiple independent Outside Directors with consideration of diversity in Outside Directors in terms of career, expertise and other factors, the Company aims to introduce new perspectives, and strengthen the control and oversight functions. The number of Directors shall be maintained at an appropriate number, to ensure that the Board of Directors performs its functions effectively and efficiently.

Based on the ideas above, the Company, after deliberation by the Nomination Committee, has created a chart that identifies the skills required to strengthen the decision-making and oversight functions of the Board of Directors. Please refer to the skill matrix at the end of this report.

[Supplementary Principle 4.11.2 Concurrent Positions Held by Directors]

This information is disclosed in the Reference Documents for the General Meeting of Shareholders each year.

[Supplementary Principle 4.11.3 Analysis and Evaluation of Effectiveness of the Board as a Whole]

The Company analyzes and evaluates the effectiveness of the Board of Directors once a year, in principle. Since fiscal 2016, the Company has implemented an effectiveness evaluation every year. In fiscal 2022, 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.

The questionnaire consisted of questions regarding the following matters (total of 30 questions).

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

Based on the tallying and analysis of the results of the external institution, the Board of Directors conducted a deliberation and evaluation in April of the same year. 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 Board of Directors of the Company ensures suitable diversity of knowledge, experience, abilities, etc. required in light of our corporate strategy, and provides appropriate opportunities to utilize the experience and knowledge of Outside Directors. As a result, it was confirmed that the Company's Board of Directors was operated appropriately in general, as Outside Directors expressed their opinions freely based on their careers and expertise, the Board of Directors held open and lively discussions, and sufficient deliberation time was ensured for important matters.

Among the challenges recognized in the fiscal 2021 effectiveness evaluation, regarding the top management succession plan, improvements were seen, such as confirming the progress of the development process and holding discussions at the Nomination Committee every six months. In addition, in-depth discussions were held at Board of Directors meetings following the receipt of reports from the departments in charge regarding efforts to engage in constructive dialogue with shareholders.

#### Points of Improvement for the Future

It has been confirmed that the Company will continue to further enhance the overall governance system, including the top management succession plan.

#### [Supplementary Principle 4.14.2 Policy on Training for Directors]

To ensure that Directors can fulfill their functions thoroughly, when they take office and continuously after they have taken office, the Company provides appropriate training opportunities to each Director. Through coaching by experts, the training allows officers to acquire knowledge regarding the Companies Act, corporate governance, compliance, etc., and necessary knowledge regarding the Group's business, finances, and organization, etc.

#### [Principle 5.1 Policy on Constructive Dialogue with Shareholders]

From the perspective of striving for sustainable growth and the improvement of mid- to long-term corporate value, the Company implements initiatives to promote constructive dialogue between shareholders and executives such as Directors and Operating Officers.

- A Corporate Communications Department has been established, headed by a Director or an Operating Officer.
- Investor Relations Office has been established in the Corporate Communications Department in order to build a cooperative system for information disclosure and dialogue with shareholders.

- Financial results briefing has been held every year in May and November. The President and Chief Executive Officer explains the current status of management, while the IR person-in-charge explains the contents of the financial results for the fiscal year-end and the first half.
- There is an “Investor Information” section on the Company’s website, where financial statements, timely disclosure documents, securities reports, financial results briefing materials, notices of general meetings of shareholders, notices of resolutions, etc. are published, and a primary point of contact is established.
- Information obtained from stakeholders, etc. shall be consolidated by the Investor Relations Office in the Corporate Communications Department and reported to Directors as necessary.
- The implementation status, etc. of dialogue with shareholders is disclosed in our Integrated Report and ESG Data Book.
- When having dialogue with shareholders, in accordance with the stipulations in internal regulations, insider information has been managed appropriately. Furthermore, the Company has established a “Period of Silence” during which the Company shall refrain from conducting dialogue regarding financial results.



## 2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%
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### [Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	17,173,900	21.24
Custody Bank of Japan, Ltd. (Trust account)	5,180,400	6.40
Meiji Yasuda Life Insurance Company	3,128,300	3.86
NOF Shineikai	1,715,795	2.12
BNYM AS AGT/CLTS 10 PERCENT	1,521,910	1.88
Mizuho Bank, Ltd.	1,463,221	1.81
NOF Kyoekai	1,331,275	1.64
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,275,520	1.57
SUMITOMO LIFE INSURANCE COMPANY	1,245,300	1.54
Sompo Japan Insurance Inc.	1,110,000	1.37

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation **Updated**

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 persons or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but less than 50 companies

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Outside Directors Appointed as Independent Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shingo Unami	From another company					△						
Izumi Hayashi	Lawyer											
Kunimitsu Ito	CPA											
Yuriko Sagara	Lawyer											
Keiichi Miura	From another company											

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company where the said company and the Company mutually appoints outside officers (the director himself/herself only)

- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)  
k. Others

Outside Directors' Relationship with the Company (2) **Updated**

Name	Audit and Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Election
Shingo Unami		○	Until April 2011, Mr. Shingo Unami, an Outside Director, was an executive of Mizuho Trust & Banking Co., Ltd., which is a bank that the Company transacts with.	<p>[Reasons for Election]  Mr. Shingo Unami has abundant experience and advanced insight in the financial industry, a broad range of experience and knowledge regarding corporate management, and expresses appropriate opinions on all aspects of the management from a fair and objective standpoint. He serves as the chairman of the Compensation Committee and a member of the Nomination Committee, and also attends meetings of the Sustainability Committee. He has engaged in the deliberations, etc. of these committees. The Company expects him to continue fulfilling the role of conducting appropriate oversight, etc. over business execution and providing advice to management, based on his professional viewpoint, including his advanced knowledge on human resources, labor, finance and accounting. Therefore, the Company has elected him.</p> <p>[Reasons for Designation as Independent Officer]  Mr. Unami formerly had an executive role at Mizuho Trust &amp; 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 has ongoing transactions with multiple financial institutions and is not dependent on any particular financial institution. For these reasons, the influence of the business relationship between Mizuho Trust &amp; 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.</p>

				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, an Outside Director, is a Partner of Sakurazaka Law Offices, and an Audit & Supervisory Board Member of Weathernews Inc.	<p>[Reasons for Election] Besides being well-versed in corporate law as an attorney, Izumi Hayashi has advanced knowledge on topics including intellectual property and corporate compliance, and has fulfilled the role as an Outside Director of the Company. She serves as the chairman of the Nomination Committee and a member of the Compensation Committee, and also attends meetings of the Sustainability Committee. She has engaged in the deliberations, etc. of these committees. Although she has never been involved in corporate management except as an outside officer, for the reasons above, the Company expects her to continue fulfilling the role of conducting appropriate oversight, etc. over business execution and providing advice to management, based on her professional viewpoint, including her global perspective on legal affairs and risk management. Therefore, the Company has elected her.</p> <p>[Reasons for Designation as Independent Officer] Ms. Hayashi meets the Tokyo Stock Exchange's requirements for Independent Officer 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.</p>
Kunimitsu Ito	○	○	Mr. Kunimitsu Ito, an Outside Director, is the Representative of ITO	<p>[Reasons for Election] As a certified public accountant and tax accountant, Mr. Kunimitsu Ito has a deep level of insight in accounting and tax</p>

			ACCOUNTING FIRM.	<p>practices. He serves as a member of the Nomination and Compensation Committees, and also attends meetings of the Sustainability Committee. He has engaged in the deliberations, etc. of these committees. 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.</p> <p>[Reasons for Designation as Independent Officer] Mr. Ito meets the Tokyo Stock Exchange's requirements for Independent Officer and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." The Company has registered him 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 Mr. Ito having a conflict of interest with general shareholders, and has designated him as an Independent Officer.</p>
Yuriko Sagara	○	○	Ms. Yuriko Sagara, an Outside Director, is a partner of Nakamura & Partners, and a Director serving as Audit and Supervisory Committee Member of TOKYO SEIMITSU CO., LTD.	<p>[Reasons for Election] 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 serves as a member of the Nomination and Compensation Committees, and also attends meetings of the Sustainability Committee. She has engaged in the deliberations, etc. of these committees. Although she has never been involved in corporate management except as an outside officer, for the reasons above, the Company deems that she will be able to continue to fulfill the responsibilities of conducting appropriate auditing and oversight, etc. over business execution,</p>

				<p>based on her specialized knowledge. Therefore, the Company has elected her.</p> <p>[Reasons for Designation as Independent Officer]  Ms. Sagara meets the Tokyo Stock Exchange's requirements for Independent Officer 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 &amp; Partners, but there is no consulting relationship between the Company and this office. The Company has paid an average of approximately 100,000 yen 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. Sagara having a conflict of interest with general shareholders, and has designated her as an Independent Officer.</p>
Keiichi Miura	○	○		<p>[Reasons for Election]  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. Having served as an outside director in the chemicals industry, he has a wide range of experience and knowledge. He serves as a member of the Nomination and Compensation Committees, and also attends meetings of the Sustainability Committee. He has engaged in the deliberations, etc. of these committees. 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 abundant experience and knowledge of advanced technology as a corporate manager. Therefore, the Company has elected him.</p> <p>[Reasons for Designation as Independent Officer]  Mr. Miura meets the Tokyo Stock Exchange's requirements for Independent Officer and satisfies the Company's "Standards for Determination of the Independence of Outside Officers." The Company has</p>

				<p>registered him 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.</p> <p>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.</p>
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**[Audit and Supervisory Committee]**

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

As an organization to assist the duties of the Audit and Supervisory Committee, an "Audit and Supervisory Committee's Office" has been set up and Audit and Supervisory Committee's Staff with appropriate knowledge, abilities and work experience has been assigned. In order to ensure the independence of the staff from Directors and persons in senior positions, and to ensure the effectiveness of instructions issued by the Audit and Supervisory Committee, decisions regarding the assignments, transfers, and other personnel matters related to the said staff shall require the approval of the Audit and Supervisory Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

- The Audit and Supervisory Committee, the Accounting Auditor and the Internal Audit Department exchange information by sharing their respective audit plans and audit results, etc., and strive to mutually cooperate through methods such as assembling periodically.
- The Audit and Supervisory Committee receives audit reports regarding internal controls from the Internal Audit Department, requests investigation as necessary, and issues concrete instructions. Regarding responsible care (RC) and risk management, Audit & Supervisory Board Members engage in appropriate cooperation with the relevant organs by attending the meetings of each committee under their control, 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



[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Compensation Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	5	5
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

In order to deliberate on the nomination and compensation of Directors and to improve the oversight function of the Board of Directors and strengthen the corporate governance system, the Company established the Nomination Committee and Compensation Committee, which are voluntary advisory committees to the Board of Directors, on December 1, 2018.

The Nomination Committee receives requests for consultation from the Board of Directors, deliberates on matters concerning the election and dismissal of Directors, as well as matters concerning candidates for President and Chief Executive Officer and plans to foster the candidates, and submits reports to the Board of Directors.

The Compensation Committee receives requests for consultation from the Board of Directors, deliberates on matters concerning the compensation of Directors, and submits reports to the Board of Directors.

Both committees are chaired by independent Outside Directors and are composed of five independent Outside Directors and one Inside Director to ensure independence and objectivity.

[Independent Officers]

Number of Independent Officers	5
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Matters relating to Independent Officers

The Company designates all Outside Officers who fulfill the criteria of Independent Officers as Independent Officers.

For the Standards for Determination of the Independence of Outside Officers, please refer to [Principle 4.9 Standards for Determining Independence] in I. 1. of this report.

[Incentives]

Implementation Status of Measures Involving the Provision of Incentives to Directors	Introduction of Performance-Linked Compensation Plan
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Supplementary Explanation **Updated**

In addition to bonuses, the following compensation has been introduced as incentive compensation that is linked to short-term or mid- to long-term performance.

- Stock compensation (Board Benefit Trust)
- ESG indicators-linked compensation

Recipients of Stock Options	
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Supplementary Explanation
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### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation <b>Updated</b>
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The amounts of compensation, etc. for Directors and Audit & Supervisory Board Members for the fiscal year ended March 31, 2023 are as follows.

Directors (excluding Audit and Supervisory Committee Members):	222 million yen for 6 Directors (including 18 million yen for 2 Outside Directors)
Directors (Audit and Supervisory Committee Members):	51 million yen for 4 Directors (including 27 million yen for 3 Outside Directors)
Total:	273 million yen for a total of 10 officers (including 45 million yen for a total of 5 Outside Officers)

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods <b>Updated</b>
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The compensation of Directors excluding Audit and Supervisory Committee Members shall be based on the Company's Corporate Philosophy, promote sustained growth and improvement of corporate value in the medium- to long- term, and reward business performance, etc. through appropriate compensation levels. Decisions on compensation shall be made under a policy of going through a fair and transparent process, wherein compensation consists of monthly compensation, bonuses and stock compensation. The proportion of incentive compensation that is linked to short-term or mid- to long-term performance is set to about 40% (a standard proportion). (Outside Directors are paid compensation that is not linked to performance indicators.) In addition, the Compensation Committee deliberates on compensation systems, compensation levels, and individual compensation, etc.

#### 1. Fixed compensation

After undergoing deliberation by the Compensation Committee, the calculation method, etc. for fixed compensation of Directors was resolved at the Board of Directors meeting. Regarding decisions on the specific details of the fixed compensation amount of individual Directors excluding Audit and Supervisory Committee Members, they are resolved at a Board of Directors meeting, after undergoing deliberation by the Compensation Committee.

#### 2. Performance-linked compensation

(Bonuses)

After undergoing deliberation by the Compensation Committee, the calculation method, etc. for bonuses of Directors excluding Audit and Supervisory Committee Members and Outside Directors was resolved at a 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, and the bonuses are calculated by multiplying a predetermined coefficient determined for each position by a base amount. The Compensation Committee verifies the said calculation method and the amount paid to Directors excluding Audit and Supervisory Committee Members (excluding Outside Directors) in each term.

(ESG indicators-linked compensation)

A method to calculate a portion of compensation (monthly compensation) using achievement level of ESG indicators, etc. for Directors excluding Audit and Supervisory Committee Members and Outside Directors was resolved at a Board of Directors meeting. ESG indicators are based on materiality (important issues), which are important indicators identified by the Group, and their details, achievement levels, and other matters are deliberated by the Compensation Committee.

(Stock compensation)

Through a resolution at an Annual General Meeting of Shareholders, the Company introduced a performance-linked stock compensation plan, the "Board Benefit Trust" (BBT) for Directors who concurrently serve as Operating Officers and Operating Officers with a title (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members; hereinafter collectively "Directors, etc.").

For each fiscal year, the Directors, etc. shall be awarded points, the number of which is to be decided taking into account their respective positions, achievement level of performance targets, etc. based on the Officer Stock Distribution Rules. Each point awarded to the Directors, etc. shall be converted into one (1) 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, stock allotment without contribution, or stock consolidation, etc., reasonable adjustments will be made to the maximum number of points, the number of points awarded or the conversion ratio, according to the said ratio, etc. of the event). 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., shall be in principle, the number of points awarded to the said Director, etc. by the time of his/her retirement.

After undergoing deliberation by the Compensation Committee, the Officer Stock Distribution Rules, which stipulate the said calculation method, etc. after taking into account the respective positions, achievement level of performance targets, etc. of the Directors, etc., was resolved at a Board of Directors meeting.

**[Support System for Outside Directors]**

Assistance for the operations of Outside Directors and Directors who are Audit and Supervisory Committee Members are mainly provided by the Secretariat Office and the Audit and Supervisory Committee's Office, respectively, and the Finance Department and Human Resources & General Affairs Department support these efforts. Furthermore, to ensure an adequate understanding of proposals to be discussed at Board of Directors meetings, if necessary, the department in charge or a standing audit and supervisory committee member explains detailed reference information about the proposals beforehand to Outside Directors and Directors who are Audit and Supervisory Committee Members.

**[Status of Persons Retired from Office as President, CEO, etc.]**

Information on retired presidents/CEOs holding advisory positions

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
—	—	—	—	—	—

Number of retired presidents/CEOs holding advisory positions	0
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Others

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## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

### Overview of Current System

- In order to construct a management system that can respond accurately and swiftly to changes in the business environment, the Company introduced an Operating Officer system in 2000. By separating the decision-making function and business execution function of management, the Company endeavored to strengthen the decision-making function and oversight function of the Board of Directors, and also to increase the efficiency of the business execution system based on the delegation of authority from Representative Directors. In 2021, the Company has transitioned to a Company with an Audit and Supervisory Committee, so as to further strengthen the Board of Directors' supervision function such as through having Directors who are Audit and Supervisory Committee Members hold voting rights in the Board of Directors, to raise efficiency of the management by enabling flexible decision-making, and to further enhance corporate governance. The Company has elected 5 Outside Directors (including Audit and Supervisory Committee Members) who are independent.
- The Board of Directors is composed of 10 Directors, including Outside Directors. One regular meeting is held every month and extraordinary sessions are also convened as required, to decide on important matters set forth by laws and regulations, the Articles of Incorporation and the Rules of the Board of Directors, and the status of business execution is also supervised.
- As an organ to deliberate on the Company's overall business execution policies and implementation of important operations, the Company has an Executive Committee (with Directors who concurrently serve as Operating Officers, a standing Audit and Supervisory Committee Member, General Managers of the relevant departments, etc. as constituent members) and a Strategic Meeting which is held once a week (with Directors who concurrently serve as Operating Officers, Operating Officers with a title, etc. as constituent members) to ensure speedy management decision-making. Any important matter to be referred to the Board of Directors goes through preliminary deliberation at Executive Committee meetings or at the Strategic Meeting to ensure appropriate decision making. In addition, when necessary, the Company receives advice from such experts as attorneys and certified public accountants (CPAs) regarding corporate management and the daily execution of business, for reference when making business judgments.
- Regarding the nomination and compensation of Directors, the Company established the Nomination Committee and Compensation Committee, which are voluntary advisory committees to the Board of Directors, on December 1, 2018. Both committees are chaired by an independent Outside Director, with the majority of members being independent Outside Directors. The Nomination Committee receives requests for consultation from the Board of Directors, deliberates on matters concerning the election and dismissal of Directors, as well as matters concerning candidates for President and Chief Executive Officer and plans to foster the candidates, and submits reports to the Board of Directors. The Compensation Committee receives requests for consultation from the Board of Directors, deliberates on matters concerning the compensation of Directors, and submits reports to the Board of Directors.
- For specific issues such as compliance, risk management, responsible care and quality management, specialist committees have been set up to put a risk management system in place.
- The Company strives to strengthen the management checking function over the aforementioned execution system through oversight and audits conducted by the Audit and Supervisory Committee, a majority of which is independent Outside Directors.
- Regarding the Accounting Auditor, the Company has concluded an auditing agreement with Ernst & Young ShinNihon LLC, which conducts accounting audits of the Company. For the fiscal year ended March 31, 2023, the names and number of consecutive years of auditing of the CPAs who have conducted accounting audit operations at the Company are stated below.  
Designated and Engagement Partner: Shigeyuki Kano; 2 years  
Designated and Engagement Partner: Tetsuya Kawawaki; 5 years

There are 4 CPAs and 20 other employees who provide assistance in the auditing operations of the Company.

### **3. Reasons for Adoption of Current Corporate Governance System**

As mentioned earlier, the Company has established a business execution system and a risk management system primarily led by the Executive Committee, Strategic Meeting and various specialist committees. Based on this structure, the Board of Directors decides on important matters and supervises the status of business execution, while the Audit and Supervisory Committee, a majority of which is independent Outside Directors, is engaged in oversight and audits. In this manner, the Company strives to strengthen the management checking function and thus the Company believes its management supervision function is fully functional.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures for the Vitalization of the General Shareholder Meetings and the Facilitation of Exercise of Voting Rights Updated

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends the convocation notice approximately 21 days prior to the General Meeting of Shareholders. Before dispatching the convocation notice, the Company publishes the convocation notice on the websites of the Tokyo Stock Exchange and ICJ, Inc., as well as on the Company's website approximately 28 days prior to the General Meeting of Shareholders.
Scheduling AGMs Avoiding the Peak Day	The date and time of the General Meeting of Shareholders is determined after considering the auditing schedule, time required for the convocation procedures, and other factors including securing of sufficient time for shareholders to review the proposals.
Allowing Electronic Exercise of Voting Rights	The Company has adopted a system for exercising voting rights via electronic means.
Measures to Improve the Voting Environment of Institutional Investors Such as Participation in Electronic Voting Platform	The Company participates in the electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice (Summary) in English	The English convocation notice is published on websites of the Tokyo Stock Exchange and ICJ, Inc., as well as on the Company's website.
Other	There is an "Investor Information" section on the Company's website, where convocation notices, notices of resolutions, extraordinary reports (results of exercising of voting rights), etc. are published. <a href="https://www.nof.co.jp/english/ir/stocks/notice">https://www.nof.co.jp/english/ir/stocks/notice</a>

#### 2. IR Activities Updated

	Supplementary Explanations	Explanation by the Representative
Preparation and Publication of Disclosure Policy	The Disclosure Policy is published on the Company's website ( <a href="https://www.nof.co.jp/english/ir/disclosure-policy">https://www.nof.co.jp/english/ir/disclosure-policy</a> ).	
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings (held remotely through telephone conference and other means) are held every year in May and November. The President and Chief Executive Officer explains the current status of management, while the Corporate Communications Department explains the contents of the financial results for the fiscal year-end and the first half.	Yes
Posting of IR Materials on Website	There is an "Investor Information" section on the Company's website, where financial statements, timely disclosure documents, securities reports, financial results presentation materials, convocation notices, notices of resolutions, etc. are published. <a href="https://www.nof.co.jp/english/ir">https://www.nof.co.jp/english/ir</a>	
Establishment of Department and/or Manager in Charge of IR	A department in charge of IR (Corporate Communications Department Investor Relations Office) has been established.	
Other	The Company exchanges opinions with multiple institutional investors, etc., and implements measures to improve its information disclosure and IR activities.	

### 3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The “Corporate Philosophy” clearly specifies the Company’s intention to maintain suitable levels of earnings and reward stakeholders with fair returns. Furthermore, the “NOF Code of Ethical Conduct,” with provisions for the conduct of all employees from an ethical perspective, stipulates respect for the positions of stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company believes that the Group’s corporate philosophy of “contributing to humanity and society as a corporate group that creates new value through the power of chemistry, from the biosphere to outer space” represents the CSR that the Group aims to fulfill through its business activities.</p> <p>Regarding CSR, the Company has formulated the Basic CSR Policy and conducts CSR activities centering around the Sustainability Committee, chaired by the President and Chief Executive Officer.</p> <p>Regarding environmental conservation activities, the Company believes that “For a chemical company to live together with society as one of its vitally important members, it has to seek harmony with social environment and natural environment, and be recognized, appreciated and accepted by society.” With this fundamental awareness in mind, the Company has set forth its Management Policy Regarding Responsible Care (RC) as a set of norms to be faithfully observed by every officer and employee with a view to winning even greater trust from society.</p> <p>In addition, the Responsible Care (RC) rules that follow the management policy on RC have been established, and RC activities are being promoted mainly by the RC Committee.</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company discloses information in a timely and appropriate manner in accordance with various laws and regulations, including the Financial Instruments and Exchange Act and the Rules on Timely Disclosure set by the Tokyo Stock Exchange. In addition, the Company has formulated a Disclosure Policy, which stipulates our policy of conducting fair and impartial disclosure of information to shareholders and investors.</p> <p><a href="https://www.nof.co.jp/english/ir/disclosure-policy">https://www.nof.co.jp/english/ir/disclosure-policy</a></p>
Other	<p>The Company strives to create a pleasant working environment and engage in mental health care based on the belief that “securing the safety and health of employees and creating a pleasant working environment are the foundation for sustainable growth of a corporation.”</p> <p>As a result, the Company was recognized as an enterprise that practices outstanding health management under the “2023 Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program” by the Ministry of Economy, Trade and Industry.</p> <p>Attaching due importance to the work-life balance of employees, the Company has introduced various systems that support each of the following diverse workstyles: pregnancy and childbirth, childcare, and nursing care. The Company continues to make efforts to develop a work environment in which employees can work while being highly motivated, through measures such as: measures to reduce work hours; encouraging employees to take annual paid leaves; establishment of a Refresh leave system and days on which employees are encouraged to leave work on time; and the introduction of a childcare support program.</p>



## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and Progress of Development Updated

[Internal control system for further enhancing the appropriateness of the operations of the Company and Group companies]

The basic policy on systems for ensuring the appropriateness of business operations, resolved by the Board of Directors of the Company, is as follows.

1. Systems for ensuring that the Directors and employees perform their duties in accordance with laws, regulations, and the Articles of Incorporation

(1) The Board of Directors makes decisions regarding matters related to systems for ensuring that the Directors perform their duties in accordance with laws, regulations, and the Articles of Incorporation.

(2) The Directors and employees comply with corporate ethics based on the NOF Code of Ethical Conduct.

(3) The Compliance Committee promotes compliance throughout the Company.

(4) The Compliance Committee Secretariat is responsible for performing contact point operations that allow employees to directly report or consult regarding issues related to compliance. Reporters of issues shall not be treated disadvantageously.

2. System for the storage and management of information regarding the execution of duties by Directors

(1) Information in documents, etc., concerning the execution of duties by Directors is retained and managed as stipulated in laws and regulations and internal rules such as rules on document handling and rules on information security management.

(2) Security systems are used to protect data on electronic media concerning the execution of duties by Directors from leakage due to unauthorized access, etc.

(3) Directors or employees designated by Directors can view or copy documents or data on electronic media at any time.

3. Rules and other systems for managing risks of loss

(1) Specialist committees such as the Risk Management Committee, the Responsible Care Committee, and the Quality Management Committee analyze business risks, consider countermeasures, and report to the Board of Directors. The Board of Directors receives reports on various business risks, including confirmation and evaluation of compliance, information management, environment and safety, and risk comprehensiveness. These are deliberated on as necessary.

(2) In the event of an emergency, an Emergency Task Force is established in accordance with the crisis management regulations to establish a system for ensuring the safety of personnel and minimizing impact on business and economic losses.

4. System for ensuring that the duties of the Directors are efficiently performed

(1) In order to ensure that Directors perform their duties efficiently, the Board of Directors meets regularly once a month, and additionally as necessary, and makes decisions regarding important matters concerning management and business execution.

(2) In the event of urgent important issues for which there is not enough time for Board of Directors' decision-making, these issues may be handled as they arise, provided that the decisions do not violate the laws and regulations or the Articles of Incorporation, and approved at the next meeting of the Board of Directors.

(3) Management decision-making and supervision functions are separated from business execution functions, and an Operating Officer system is adopted to reinforce both of these functions.

(4) Directors and employees comply with internal rules such as rules on office organization.

(5) Goals are defined for the entire Group and shared by Directors and employees. Mid-term Management Plans are formulated based on these goals while fostering the permeation of the goals throughout the Group, and are decided by the Board of Directors. Annual plans are formulated based on Mid-term Management Plans and decided by the Board of Directors.

(6) As a general rule, Strategic Meetings are held once a week to ensure speedy management decision-making.

5. System for ensuring appropriate conduct of operations by the Group composed of the Company and Group companies

(1) The Company permeates the Corporate Philosophy and Code of Conduct it has formulated throughout Group companies and promotes business activities. Furthermore, Group companies formulate policies based on the basic policies and annual policies of the Mid-term Management Plan formulated by the Company.

(2) The Company manages the businesses of Group companies in accordance with the rules on the management of Group companies, and requests regular reports of business execution status, financial conditions, etc.

(3) The Company's Board of Directors shall approve important matters which have been deemed to have a significant impact on the assets and profits or losses of the Company and Group companies.

(4) The Company monitors the risk management of Group companies in accordance with the rules on the management of Group companies. Furthermore, specialist committees such as the Risk Management Committee, the Responsible Care Committee, and the Quality Management Committee analyze risks, consider countermeasures, and report to the Board of Directors. The Board of Directors receives reports on various management risks, including confirmation of compliance, information management, environment and safety, and risk comprehensiveness, and provides advice to the Group companies, as necessary, through each of the specialist committees.

(5) Group companies with a significant impact on Group business results must deliberate with the Company regarding important management matters, attend the Company's management meetings, and gain an understanding of the Group's overall business performance.

(6) The Company holds a Group company meeting once a year to provide an opportunity to share information necessary for efficient Group-wide operation.

(7) As a system to prevent legal violations, etc., the Company has established whistle-blowing contact points where employees of the Company or Group companies can use to directly report and consult regarding issues.

(8) To ensure that Directors and employees of Group companies perform their duties in accordance with laws, regulations, and the Articles of Incorporation, the Company requires Group companies to report on the status of compliance with laws and regulations, and provides advice and other guidance as necessary.

(9) The Internal Control Department regularly audits the operations of the Company and Group companies.

6. Matters concerning employees that the Audit and Supervisory Committee requests to be assigned in order to assist their duties, matters regarding the independence of said employees from Directors, and matters regarding assurance of the effectiveness of instructions issued by the Audit and Supervisory Committee to said employees

(1) An Audit and Supervisory Committee's Office shall be established as an organ directly under the Audit and Supervisory Committee, and employees that assist the duties of the Audit and Supervisory Committee shall be assigned in the Office.

(2) Employees that assist the duties of the Audit and Supervisory Committee must have the knowledge and capabilities needed to assist their operations.

(3) The employees that assist the duties of the Audit and Supervisory Committee shall not accept orders or instructions from Directors or person in senior position.

(4) In order to ensure the independence of employees that assist the duties of the Audit and Supervisory Committee from Directors and person in senior position, and to ensure the effectiveness of instructions issued by the Audit and Supervisory Committee, decisions regarding the assignments, transfers, and other personnel matters related to said employees require the approval of the Audit and Supervisory Committee.

7. System for reporting from Directors and employees to the Audit and Supervisory Committee, system for reporting from Group company Directors or employees, or persons who have received reports from Group company Directors or employees, to the Company's Audit and Supervisory Committee, and other matters regarding reporting to the Audit and Supervisory Committee

(1) Directors and employees of the Company report important results of business execution based on decisions by the Board of Directors, Executive Committee, etc., to the Audit and Supervisory Committee.

(2) If Directors or employees of the Company discover serious legal violations or matters with the potential to cause major losses for the Company, said Directors or employees shall promptly report these matters to the Audit and Supervisory Committee.

(3) If Directors or employees of a Group company, or persons who have received reports from Directors or employees of a Group company, discover serious legal violations or matters with the potential to cause major losses for the Company, said persons shall promptly report these matters to the Audit and Supervisory Committee.

(4) The Internal Control Department regularly reports the business audit plan and the results of operation audits to the Audit and Supervisory Committee.

(5) In order for the Audit and Supervisory Committee to understand the status of performance of duties by Directors, Audit and Supervisory Committee Members attend meetings of the Board of Directors, Executive Committee and other important meetings. In addition, a system shall be in place whereby meeting minutes,

requests for approval and other important documents pertaining to the decision of business execution are made available for inspection by Audit and Supervisory Committee Members.

8. System for ensuring that the person who has reported issues to the Audit and Supervisory Committee are not subject to disadvantageous treatment

The Company shall put in place a system to prohibit disadvantageous treatment of the person who has reported issues to the Audit and Supervisory Committee.

9. Matters related to policies regarding the procedures for advance payment or reimbursement of expenses arising from the execution of duties by the Audit and Supervisory Committee and the processing of other expenses or financial obligations resulting from the execution of duties by the Audit and Supervisory Committee

The Company shall promptly respond to requests for the advance payment of expenses arising from the execution of duties by the Audit and Supervisory Committee, reimbursement of paid expenses, and payment for incurred financial obligations.

10. System for ensuring that audits by the Audit and Supervisory Committee are conducted effectively

(1) The Audit and Supervisory Committee conducts audits in accordance with the Audit and Supervisory Committee auditing standards defined by the Audit and Supervisory Committee. As necessary, they issue instructions to the Internal Control Department and other departments to conduct investigation, etc. and deliberate with Directors to improve the effectiveness of their audits.

(2) Accounting Auditors regularly report audit plans and audit results to the Audit and Supervisory Committee. When necessary, the Audit and Supervisory Committee shares information and exchanges opinions with Accounting Auditors, each department of the Company, and Group companies.

(3) The Audit and Supervisory Committee has regular meetings with Representative Directors, and shares their opinions regarding the issues to be addressed by the Company, the status of the auditing environment of the Audit and Supervisory Committee, important issues related to auditing, etc., and develops deeper mutual understanding and trust.

11. System for ensuring the reliability of financial reporting

In order to ensure the reliability of the financial reporting of the Company and Group companies, and to effectively and appropriately submit the internal control reports stipulated in the Financial Instruments and Exchange Act, the Internal Control Department builds and maintains internal control systems related to financial reporting and strives to enhance control activities related to important financial reporting processes.

[Development Progress of Internal Control System]

The Company steadily develops the Internal Control System, and continuously works on improving it.

- In response to the COVID-19 outbreak, an Emergency Task Force was established. The Company has implemented the reinforcement of management of important risks, such as risks that would affect business continuity. Infection prevention measures, including temperature checks for employees, the wearing of masks, hand washing and gargling, were enforced thoroughly, and the Company implemented measures such as utilizing a system of working from home and staggered working hours, which were introduced from the perspective of work-life balance.

## 2. Basic Views on Eliminating Anti-Social Forces and Progress of Development

As part of efforts to build an “internal control system for further enhancing the appropriateness of the operations of the Company and Group companies,” the Company is taking the following measures to eliminate anti-social forces.

1. Basic policy on eliminating anti-social forces

As the basic policy on eliminating anti-social forces, in the NOF Code of Ethical Conduct, the Company stipulates that it shall take a strong stance and firm actions against antisocial forces and organizations that pose a threat to the order and safety of civil society, and have no involvement with such forces in any way. The Company strives to thoroughly disseminate this policy to all Directors, Audit & Supervisory Board

Members, Operating Officers, etc. and employees. The Company has also joined the Tokubouren, and declared its complete departure from antisocial forces both within and outside the Company.

## 2. Progress of development of system to eliminate anti-social forces

### (1) Progress of establishment of response control department

The Company has designated the Compliance Committee Secretariat to be a response control department as point of contact for reports and consultation for advice regarding unreasonable requests from anti-social forces. By eliminating individual judgements, and avoiding the isolation of Directors, Audit & Supervisory Board Members, Operating Officers, etc. or employees of the Company and the Group companies, the Company aims to construct a system where responses to anti-social forces are made as an organization.

### (2) Cooperation with external specialized organizations

The Company makes reports and inquiries to the Tokubouren, which it has joined as a member, or to the anti-organized crime section of the police station under the jurisdiction. In addition, the Company also consults its corporate attorney, as necessary, and receives guidance regarding countermeasures from these external specialized organizations, and takes suitable and appropriate measures.

### (3) Information gathering on anti-social forces and status of management thereof

For the purpose of identifying antisocial forces, the Compliance Committee Secretariat collects information on antisocial forces and manages them centrally. The information is collected from various types of documents provided by the Tokubouren, which the Company is a member of, and information provided by the Special Regional Council for Violence Prevention, news reports, and information on actual cases of consultation at the Company and the Group companies.

### (4) Implementation of training activities

The Company incorporates education on the Code of Ethical Conduct into the employee training program, and strives to make the Code known throughout the Company, via various opportunities such as during new employee training and training at the organizational level. The Ethics Committee is also conducting activities to spread awareness on compliance at the Company and the Group companies.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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### 2. Other Matters Concerning the Corporate Governance System **Updated**

In order to provide timely and appropriate information about the Company to investors, the Company conducts timely disclosure as stated below, in accordance with various laws and regulations, including the Financial Instruments and Exchange Act, and the Rules on Timely Disclosure set by the Tokyo Stock Exchange, as well as internal regulations (Regulations to Prevent Insider Trading).

#### 1. Information about Defined Facts and Financial Results

Information about defined facts and financial results are determined swiftly at the monthly regular meeting of the Board of Directors, at an Executive Committee meeting, or at extraordinary sessions of the Board of Directors which are convened as required. In accordance with the Rules on Timely Disclosure set by the

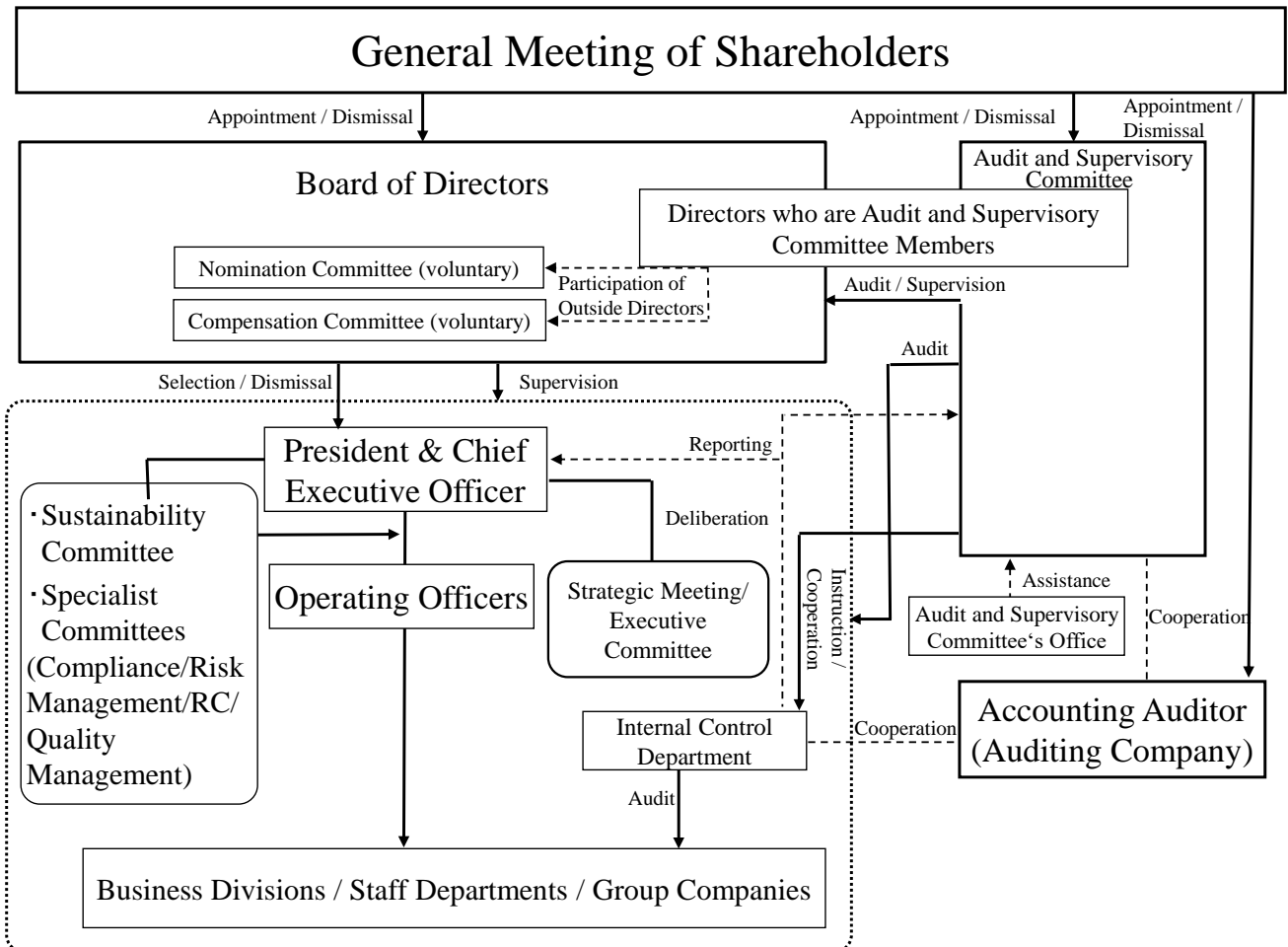
Tokyo Stock Exchange, the Company shall determine if the information about the defined facts and financial results needs to be disclosed. If necessary, the information shall be promptly disclosed.

**2. Information about Transpired Facts**

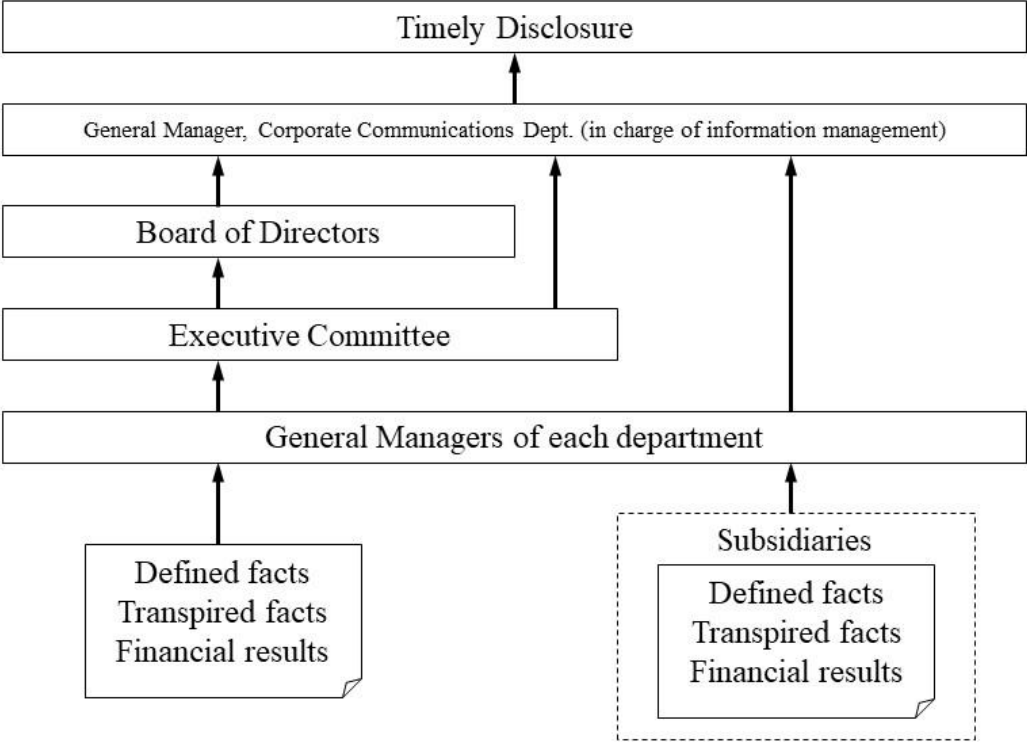
Information about transpired facts shall be reported immediately by the head of the department that discovered the occurrence of the said facts to the person in charge of information management (General Manager of Corporate Communications Department). In accordance with the Rules on Timely Disclosure set by the Tokyo Stock Exchange, the person in charge of information management (General Manager of Corporate Communications Department) shall determine if the information about the transpired facts needs to be disclosed. If necessary, the information shall be promptly disclosed.

**3. Information about Subsidiaries**

Information about defined facts, financial results, and transpired facts concerning the Company’s subsidiaries shall be reported immediately by the head of the subsidiary to the head of the department of the Company, which is responsible for supervising the said subsidiary. After receiving the report, the head of the responsible department shall examine the contents of the said information with the person in charge of information management (General Manager of Corporate Communications Department). In accordance with the Rules on Timely Disclosure set by the Tokyo Stock Exchange, if the information needs to be disclosed, it shall be promptly disclosed.



# Chart: Overview of Timely Disclosure System



## Skill Matrix

Name	Titles	Corporate Management, Business Management, DX	R&D, Quality and Production Technology	Sales and Marketing, SCM	Overseas Business, Global	Legal and ESG, Environment and Safety, Human Resources Management	Finance and Accounting
Takeo Miyaji	Chairman and Chief Executive Officer	●		●		●	●
Koji Sawamura	President and Chief Executive Officer	●	●	●	●		
Manabu Saito	Director and Executive Operating Officer	●		●		●	●
Kazuyoshi Yamauchi	Director and Executive Operating Officer	●	●		●	●	
Shingo Unami	Outside Director	●				●	●
Izumi Hayashi	Outside Director				●	●	
Masanobu Miyo	Audit and Supervisory Committee Member; Director	●		●	●		
Kunimitsu Ito	Audit and Supervisory Committee Member; Outside Director				●		●
Yuriko Sagara	Audit and Supervisory Committee Member; Outside Director				●	●	
Keiichi Miura	Audit and Supervisory Committee Member; Outside Director	●	●			●	

The ● symbol indicates the skills that are particularly expected of each Director.

The above list does not show all the professional skills that each person possesses.